THE

SENATE DEBATES

(OFFICIAL REPORT)

FIRST SESSION 1986 – 91

SENATE

Wednesday 22nd August, 1990

The Senate met in the Senate Chamber, Parliament Buildings, on Wednesday, August 22, 1990, at 11.10 a.m.

PRESENT

His Honour Senator Sir Frank L. WALCOTT, K.A., O.B.E., LL.D., (President);
His Honour Senator M. deL. JORDAN, (Deputy President);
Senator the Hon. L. V. H. LEWIS (Minister of State in the Prime Minister's Office); (Leader of the Senate);
Senator A. MORRISON;
Senator N. W. BOXILL;
Senator Mrs. V. C. FRASER, B.S.S., J.P., M.C.F.A.;
Senator Mrs. G. L. EASTMOND;
Senator A. J. N. PHILLIPS;
Senator T. A. PRESCOD;
Senator J. C. W. WICKHAM, M.B.E.;
Senator the Rev. Canon I. McK. JONES;
Senator L. A. WARD, G.C.M.;
Senator C. A. BLACKMAN, Q.C.;
Senator Mrs. P. Y. FORDE;
Senator J. S. GODDARD;
Senator Dr. L. L. SHOREY;
Senator the Hon. Dr. C. D. CLARKE (Minister of State in the Ministry of Finance and Economic Affairs);
Senator A. W. A. McCLEAN;
Senator Miss V. P. BRATHWAITE;
Senator Dr. F. W. ALLEYNE;
Senator T. C. ESTWICK.

Prayers were led by Rev. Father E. Massiah.

PRESENTATION OF PAPERS

SENATOR THE HON. L. V. H. LEWIS: Mr. President, I am commanded to lay the following:-

1. The Customs Tariff (Amendment) Order, 1990.

2. The Public Officers Loan and Travelling Allowances Regulations, 1990.

3. The Income Tax (Amendment) Regulations, 1990.

4. The Annual Report and Statement of Accounts for the Insurance Corporation of Barbados for the year 1989.

QUESTIONS TO MINISTERS

SENATOR THE HON. L. V. H. LEWIS: Mr. President, on July 11, 1990, Question No. 12 was asked by Senator the Rev. Canon I. McK. Jones of the appropriate Minister. The reply to Question No. 12 is as follows:-

"1. The vendors' mall will be allocated on the northern side of the Careenage. The mall will consist of a number of demountable booths with two fixed structures. These structures will be pre-fabricated and erected to facilitate easy removal, if necessary. Adequate disposable bins and storage facilities for the demountable booths will be provided. Toilet facilities will be constructed below the deck of the western side of the Chamberlain Bridge.

2. The anticipated cost of construction of the mall is $786 000."

SUSPENSION OF STANDING ORDERS

SENATOR THE HON. L. V. H. LEWIS: Mr. President, I beg to move that the Senate agree to the suspension of Standing Order 45 (2) to enable us to deal with certain Bills today.

I beg to move that Standing Order 45(2) be suspended.

The question was put to the Senate and agreed to.

FIRST READING OF BILLS

On the separate motions of SENATOR THE HON. L. V. H. LEWIS the following Bills which were given notice of on August 15, 1990, were read a first time:

1. Bill to provide for the extension of certain benefits enjoyed by certain enterprises pursuant to the Fiscal Incentives Act, Cap. 71A.

2. Bill to amend the Companies Act, Cap. 308.

3. Bill to amend the Travel Ticket Tax Act, Cap. 92B.

4. Bill to amend the Income Tax Act, Cap. 73.

5. Bill to amend the Consumption Tax Act, Cap. 63.

11.20 a.m.

PUBLIC BUSINESS

ORDER NO. 1 – THE FISCAL INCENTIVES (EXTENSION OF BENEFITS) BILL, 1990

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, the purpose of this Bill is to validate certain incentives granted to two companies under the Fiscal Incentives Act whose benefits have now expired.

Under the Fiscal Incentives Act, which came into operation on 1st July, 1974, it had as its main purpose to stimulate and facilitate the manufacturing sector by granting certain incentives to newly established companies. These incentives included a tax holiday of up to ten years and the duty free importation of raw materials and equipment. As the legislation stands, it may grant all or nothing. However, the difference is made up if a manufacturing company not qualifying for fiscal incentives applies to the Ministry of Finance. It may have duty free concessions granted to it although it will not benefit from the tax holiday.

In addition to these benefits, companies may also avail themselves of subsidised factory space, training grants for new employees of the company and assistance from the Export Promotion Corporation to help them to identify new markets and also to carry out the necessary research in finding those markets.

There is also, as further encouragement to such companies selling in the local market, the existence of significant tariff walls which grant protection to these companies, thereby making them more competitive in the local market.

Furthermore, since 1985 this Government has maintained a relatively low interest rate regime to facilitate new companies to retool and thus become more competitive in their respective markets. Later today we shall be dealing with further incentives granted to make all companies in the manufacturing sector, among other productive sectors, more competitive. We have also extended the loss carried forward provision, thereby removing the 50% provision which existed heretofore.

In spite of these generous concessions to the manufacturing sector, over the last ten years we have found the manufacturing sector's contribution to the Gross Domestic Product to be, to say the best, declining. In 1980 the manufacturing sector's contribution to the Gross Domestic Product was 11.22%, in 1981 it was 9.98%, 1982 10.35%, 1983 10.8%, 1984 11.46%, 1985 9.63%, 1986 8.65%, 1987 7.87%, 1988 7.75%, 1989 6.83%.

Over this same ten year period the rate of interest – and we are using as the variable here the Barbados bank rate – was 6.19% in 1980, 22% in 1981, 20% in 1982, 16% in 1983 and 1984, 13% in 1985, 8% in 1986, 1987, 1988 and from January to August of 1989, rising in September to 11.5% and December at 13.5%.

Thus we have the almost paradoxical situation whereby we have maintained a low interest rate regime, we have consistently granted more and more concessions to the manufacturing sector and in spite of that the contribution from this sector has kept on declining. We are aware that low interest regimes for the manufacturing sector tend to encourage some manufacturers to substitute equipment for labour, and with the presence of high tariff walls some manufacturers become so complacent because of the profitability of their existing businesses that they do not seek markets further afield, but are somewhat contented to remain just satisfying the local market. On that score one particular beverage manufacturer comes to mind. It was only pushed out of its complacency after it started to meet competition from another CARICOM producer of a similar beverage.

One of the two companies before us is Caribbean Canvas and Awning Company Limited, which manufactures awnings, food covers and container covers. The initial grant of fiscal incentives expired on 30th November, 1988. The second company, AHI Plastics

(Caribbean) Limited, manufactures PVC pipes, fittings and conduits and its initial fiscal incentive expired on 31st March, 1989. The initial grant to AHI Plastics (Caribbean) Limited was for six years, from 1983 to 1989, and now we are seeking to add an additional four years. For Caribbean Canvas and Awning Company Limited the initial grant was for three years and now we are being asked to grant an additional three years, with an expiration date at 31st March, 1989.

With these few comments, Mr. President, I move that this Bill be read a second time.

SENATOR A. W. A. McCLEAN: Mr. President, I think basically the time has come for Government to review all of the fiscal arrangements impinging on companies with a view to ensuring that our fiscal regime is one which is conducive to the emergence of the establishment and growth of businesses. It should not be that new businesses have to rely in substantial measure on special regimes which are at a considerable distance from the normal fiscal arrangements, such that at the end of the ten-year period the shock of having to be graduated from the pioneer status or whatever type of status they were granted under the Fiscal Incentives Act is such that it threatens the survival of that business thereafter.

11.30 a.m.

We have had instances in Barbados over the years which look rather much as though a number of firms which entered under various fiscal incentives entered with the clear intention of leaving around the time when those incentives should expire, because in their long term projections they presume that they possibly could not operate under the normal tax regime.

We need to fashion our tax system in such a way that businesses can survive outside the protection of such fiscal regimes, and indeed to the extent that there is need for special protection for infant industries and so on, it should be possible to build that into your tax system in a general way that would be of benefit to such categories of businesses that are not particularly profitable in the early years, and are in need of some type of fiscal incentive to allow them to survive those early years. I know that in the New Path Manifesto which was repudiated by Government there was a proposal in there for a graduated corporation tax system, and I would presume that the intention behind that graduated corporation tax would be to facilitate businesses that are not particularly profitable at some given point in time.

This is part of the reasoning behind the Fiscal Incentives legislation also. But, as I said, it is entirely desirable that we should think in terms of a more general regime which should be accommodative of the type of concerns that are addressed under the Fiscal Incentives legislation.

I thank you.

SENATOR Dr. F. W. ALLEYNE: Mr. President, I will be rather brief today to indicate to Senator McClean through you, Sir, that the Government of Barbados, I think in 1989 commissioned a study on the competitiveness of the manufacturing sector. I speak subject to correction. I think this project was awarded to a Canadian firm, and I know that they work in collaboration with certain Barbadian experts. I say that so that Senator McClean will understand that the Government is well aware of its responsibilities in this particular regard. A proper study on competitiveness will examine all of the factors, fiscal and otherwise, which impact upon the performance of the manufacturing sector.

With those few words, Sir, I just wish to say thank you.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, just one other comment I would like to make, Mr. President. I believe that when Senator McClean alluded to the fact that at the end of the tax holiday certain companies left Barbados, he is pretty well aware that some of the companies, especially those in the primary stages, the electronics industries and also in garments, are considered foot loose industries, those which are attracted to the source of relatively low wages and to not concern themselves with the markets. They already have them, so they do not have to locate near the markets, neither do they have to locate near the source of raw materials.

Since the capital investment is a relatively low one, these companies operate in various territories for the duration of their tax holidays, and then move on to any other location which would provide them with relatively cheap or low wages. They are not tied to market or source of raw materials; so to make the observation that they generally leave at ten years, implying that it had something to do with the very nature of the economic environment in which they operate, is nothing more than to say it is the wage level which is the attraction.

The question that the Bill be read a second time was put to the Senate and agreed to.

On the motion of SENATOR THE HON. Dr. C. D. CLARKE, Mr. PRESIDENT left the Chair and the Senate went into Committee on the Bill, SENATOR M. deL. JORDAN in the Chair.

Clauses 1, 2 and 3 were called and passed.

The Schedule was called and passed.

On the motion of SENATOR THE HON. Dr. C. D. CLARKE, the Senate was resumed and the Bill was reported as having passed the Committee without amendment, Mr. PRESIDENT in the Chair.

On the separate motions of SENATOR THE HON. Dr. C. D. CLARKE, the Bill was read a third time and passed.

ORDER NO. 2: RESOLUTION TO COMPULSORILY ACQUIRE LAND AT LAMMINGS IN ST. JOSEPH.

SENATOR THE HON. L. V. H. LEWIS: Mr. President, this Resolution seeks the approval of the Senate for the acquisition of lands situated at Lammings in the parish of St. Joseph near the eastern boundary of the Mount Wilton plantation. In fact, it is sub-division of lands from that plantation. Much of the surrounding land is used for agricultural purposes, but the land is bordered on the western side by a public road, and there is a Government residential development in proximity to this location.

The area comprises some 3.954 hectares; it is estimated that it would accommodate about 24 house spots in an area which, as I said before, is close to a residential area, is served by a school and a church, is said to be marginal land for agricultural activity, and is geologically stable enough to accommodate a planned residential development. In much of St. Joseph, Sir, the lands are said to be unstable and not suitable for housing development, but this particular area has been found to be suitable.

It is proposed therefore to acquire it in order to provide additional housing for the people of St. Joseph.

I beg to move that this Resolution be concurred in.

SENATOR T. A. PRESCOD: Mr. President, I want to give my support to this particular Resolution, but I need to at least take into consideration the geological stability that we speak about. I think it is only right at this time to refresh our memories that some time before 1983 in the area of Lammings, we were having severe problems with the land there.
11.40 a.m.

The Barbados Labour Party had acquired land in Lammings and discovered that in order to get to a foundation they had to excavate the land so deep that some people thought they were in search of artifacts. However, I am hoping on this occasion that we are fully aware that this land is suitable for the purpose for which it is supposed to be used.

Sometimes we get the information from engineers and despite that information, we hear at a later date that the Government in power has made a severe mistake in using the land for such purposes. I want to reiterate a position taken some time ago by Senator Phillips on the occasion when he said that we should be given an opportunity to tour these locations so we could use the precautionary measures as a result of our experience with these particular sites.

As you know, and has been said before, St. Joseph has always placed some great problems on us when it comes to housing. In addition to that, I think it is only correct at this point to urge the Government to intensify its housing programme, especially low income housing. I say that because on a daily basis, being a Senator in this country I meet a substantial amount of persons expressing dissatisfaction with not being able to have housing.

It is not the problem of this government. It is not a indictment on any specific Minister. It is a problem that we have inherited as a result of the fraudulent means which the present landowning class used over the centuries to acquire large masses of land.

I am hoping that we can find some mechanism to move expeditiously to increase the land available for house spots as well as for housing in Barbados so that we can at least give greater satisfaction to the low income people in this country.

With those short remarks I want to give my full support to this Resolution.

SENATOR A. W. A. McCLEAN: Mr. President, it is always to be appreciated when efforts are made to provide housing for people and to do things antecedent to the provision of housing for residents of Barbados. But in considering this Resolution, we cannot but note that in recent times Government has taken many other steps which have put roadblocks in the way of the acquisition of housing by Barbadians.

We should also note that Government agencies seem to be a bit concerned with less housing development in Barbados to proceed at too rapid a pace. I think therefore that Government owes it to the country to restate its position on matters pertaining to housing, to give us a good idea as to the level of housing activity that Government considers to be appropriate in the present circumstances, and in normal circumstances, to give us an idea as to when they perceive we should endeavour to more or less provide adequate housing for everybody in Barbados.

We would also like government to give us an indication as to when they would allow private individuals adequate access to commercial bank credit once again in such things as housing.

I thank you, Mr. President.

SENATOR Dr. F. W. ALLEYNE: Mr. President, Senator McClean stated – I do not want to misquote him – that Government has put certain road blocks in the way of Barbadians owning houses. He has also called on Government, as I understand it, to create conditions which will once again make it possible for Barbadians to own their

houses. He has also called for a statement on Government's housing policy.

I cannot respond to all the matters which he has raised, but I will certainly respond to those which are within my competence.

I think it is a matter of record that certainly within the last three years, 87, 88 and 89, the level of residential construction in Barbados has been at an unprecedented height. That is a matter of record. I think for anyone with a modicum of common sense it is also commonplace to recognise that housing activity is a matter of private sector as well as public sector activity.

I believe Senator McClean in referring to road blocks, is adverting to the selective credit controls which the Central Bank put in place in Barbados in 1989. I also believe that by his training and practice, Senator McClean fully understands that it is not a matter of denying Barbadians access to housing, but that those selective credit controls were put in place to safeguard the foreign reserves of this country.

In a situation in Barbados where over the last seven years the foreign exchange earnings of this country have consistently declined, where total expenditure has increased by over 60%, where your external debt service has increased from $33 million in 1980 to $309.9 million in 1990, Mr. President, these are the harsh realities.

Whatever your national debt may be as a Government, in a small economy like Barbados, the critical objective which we have to face is protection of our external position. If we do not protect that external position, everything else collapses around us and nobody will be able to get a house furthermore medicine.

I have to say these things because the Press is likely to report Senator McClean in a way in which the public may believe that what he has said has some foundation. The fact of the matter is that, in spite of its commitment to put in place a policy which will enable those who are willing and able to have access to housing to do so, external conditions play a great part in restraining Government in its intention.

I wish through you, Sir, to assure Senator McClean that the Government has not wavered from its intention to put in place the policies which will enable Barbadians who are willing and able to acquire a house to do so.

With those brief remarks, Mr. President, I support this Resolution.

SENATOR A. MORRISON: Mr. President, I would like to assure Honourable Members in the Senate that Government as the main plank of its policy has given a very high priority in the area of housing. It has also in its Manifesto pledges given the assurance that it will create the atmosphere whereby private housing would be encouraged. 11.50 a.m.

I can say, Sir, that both in the Government's commitment in its own housing estates and also in the area of creating the necessary environment for private contractors to provide housing for our people, in some respects this has been accomplished. As a matter of fact, in the past four years Resolutions coming before both Chambers have been Resolutions to acquire land for the express purpose of securing house spots for people, as well as securing house spots for Government's own housing development. Even today you will see the Order Paper more or less saturated with Resolutions to the similar effect, Sir. You have Resolutions to acquire land at Rices and at Haynesville, all pointing to the same effect, to provide the land space necessary that people would be able to acquire house spots in order to have houses built.

I do not think it is fair to say that the Government has failed in its commitment or has been more or less lackadaisical in its approach to the housing problem in this country. Housing is an ongoing phenomenon, Sir, and we would expect that any Government in power would have to address itself very assiduously to the demands of housing problems which come before it from day to day.

We have provided sites and services. We have been very busily engaged in providing the infrastructure, the provision of roads and other utilities whereby we can have those spots available for people. We have also gone as far in some areas where we have had permission from the Chief Town Planner to develop particular areas which have already been approved for private development, in our commitment to help poor people, and acquired areas that have already been okayed and roads have already been formed, and we have had to take over those particular developments – as has happened in St. Philip – so that these house spots which would normally go to the private sector would go to some poor people who would not be able to buy the land at the price which would be the market value for those areas.

This is a Government which is more or less conscious of what it has to do for its people, it is a Government of caring and we have always made sure that we look for those areas where we can provide more land for people. Even now in other lands being provided, which are already owned by Government, in the Wotton, Christ Church area, we are now excavating to build new roads, so that in the area behind the Water Street Boys' and Girls' Schools there will be additional house spots available to people of the country. We will continue as a Government to show that kind of regard and appreciation for the homeless.

You cannot fault this administration for the necessary regard that it shows for the poor people. We have tried to

put more money into the Mortgage Finance Company to provide more mortgage finance for people trying to own homes. We have tried to extend the time of repayment that we would not have people being called upon, before the time of expiration, even to forfeit what they have already paid. We have lengthened the time for mortgages, Sir, and that is all in the poor man's domain.

We are not a hard people, Sir. If there is one party in Barbados which understands the needs of the poor people in this country, it has always been the Democratic Labour Party. It has been built on the need of the people who have been downtrodden and neglected in this society and we have always been able to provide them with an avenue of hope, an avenue of endeavour, that they would be able at some future time to own homes.

We have tried to facilitate, in the area where people are already renting houses from the Government, the procedures by which these same people can own homes without too many legal technicalities or having to go through the big legal ramifications which people go through in private ownership to own homes. We have asked the National Housing Corporation to hurry in cases where people want to own the houses they now rent, especially people living in the Bay Estate and other estates, so that there should be the minimum amount of legal tantrums in those areas whereby they could become the owners of those houses. We have done that since we got back in power, Sir, so I believe that we are continuing.

These Resolutions which appear today on this Order Paper are a continuation of that commitment which we made to the poor people of this country since the origin of the Democratic Labour Party to provide the kind of financial atmosphere and the kind of concern whereby people in the lowest walks of life should be able not only to rent a house but to acquire their own homes. Things have been put into place that would allow not only the ones who do not own homes right now, but the ones in rented houses to own those which they now occupy in the various housing estates of this country. Some of these estates are Gall Hill, the Pine, Sayes Court, to name a few. This is one continuing programme. Even in acquiring house spots by way of purchase we have tried to make the legal requirement as simple as possible that people who now want to acquire Government's house spots by way of purchase should not go through the kind of rigmarole which may now obtain in getting a house spot otherwise when you go through the legal framework in the open market.

We have made it that way ourselves and also, so that, encouraged by our policy, commercial banks in this country should make loans available for people to purchase those same house spots. That is a very positive aspect of our policy. We have encouraged commercial banks to provide the kind of funding that when the house spots are available for sale there should be no problem with people obtaining the amount of loan funds in order to purchase the spots.

Sir, I think we are continuing on the path which we have started, the path which Senator McClean claims that we have repudiated. Far from repudiation of our path, Sir, we have now become more exact in what we want to do and we are more determined to continue on that path of providing house spots and better housing for the people of this country, especially the people in the lower income range of the society.

SENATOR Miss V. P. BRATHWAITE: Mr. President, at the outset of this debate I really had no intention of speaking to this Resolution other than to give it my tacit support, because I recognise the rather urgent need to make a serious attempt to address the housing problems.
12.00 noon

However, Sir, I have been pressed into making a very brief intervention because of what to my amazement is the indulgence by Members who represent interests on the other side to engage in this self-congratulation in spite, Sir of the evidence and the feeling of the people prevailing at this moment. I wish to point out to Senator Alleyne, Sir, through you, that Senator McClean will not give the impression to the public that things are so bad in the housing sector. The public already has that impression and the evidence to support it.

It is interesting to note on this point, Sir, that Senator Alleyne quite rightly pointed out one of the road blocks which Senator McClean described as being the credit controls which have been put in place. You will recall, Sir, that Senator McClean spoke quite broadly about road blocks put in the way of housing development in this country, but Senator Alleyne is the one who pointed out one of the road blocks.

It is not quite correct to say, Sir, that the foreign reserves have fallen consistently over the past seven years or so.

SENATOR Dr. F. W. ALLEYNE: Mr. President, on a point of order, I never spoke of the foreign reserves.

SENATOR Miss V. P. BRATHWAITE: Sir I have no intention of misquoting Senator Alleyne, and I do apologise if I have done so. But I wish to point out, Sir, that the foreign reserves increased over the last years since 1983 with a slight drop in 1988.

SENATOR Dr. F. W. ALLEYNE: Mr. President, on a point of order, if Senator Brathwaite is referring to anything I said about the foreign reserves, I am saying that the record will show that I never spoke about foreign reserves in this Chamber this morning, and I would wish the Senator to be fair to me in her comments. Thank you.

SENATOR Miss V. P. BRATHWAITE: Mr. President, I was of the view that I had already apologised to Senator Alleyne if I have misquoted him. Nevertheless I shall continue to make the point.

Mr. PRESIDENT: The Honourable Member is making the point that you have misquoted him. He was not suggesting that you might have; he said quite openly that you have misquoted him and it is for me to rule if you are going to have an argument, but I did not take it that you all were arguing the point.

SENATOR Miss V. P. BRATHWAITE: May I continue, Sir?

Mr. PRESIDENT: Yes, you may.

SENATOR Miss V. P. BRATHWAITE: I had no intention of engaging in an argument. I said quite clearly that I had already apologised to Senator Alleyne, and I was continuing with my contribution.

There was a slight fall off in 1988, which picked up slightly in 1989 and then fell off again in 1990; so it is not quite true to blame what is happening in this country on these so-called external factors.

Sir, we have heard talk this morning about the intention of Government to speed up activity in the housing sector. We have heard of Government placing priority on housing development; we have heard of an understanding Government which is sensitive to the needs of the housing sector. My question, Sir, is, where is the evidence? It is all right to engage in rhetoric, but at the end of the day, the bottom line is, where are the houses for these people who are so desperately in need?

I think, Sir, that we have heard a lot, and I have pointed this out in this Honourable Chamber before, about whose fault it is. It is not the fault of this Government we have heard; it has been happening for the last ten years, it has been happening for the last fifteen years, it has been happening for the last eight years. The fact of the matter is that the Democratic Labour Party now forms the Government of this country, and it has done so since 1986. What have you done about the problems so-called that you have inherited? As I have said before, Sir, the evidence points quite unambiguously to a very resounding nothing or very little as far as housing development is concerned in this country.

SENATOR A. J. N. PHILLIPS: Mr. President, like the Senator who just sat, I did not intend to say anything on this matter, but some comments used this morning have caused me to rise to support the Resolution and to make some observations on some of the points raised here.

First, Sir, on the question of credit restrictions, that from time to time has been discussed over and over again, and quite frankly that has reached the proportion now where it could be described as a poem, because all Barbadians are very well aware as to why the credit restrictions exist, and as it has happened in all areas of credit and matters relating to finance, all areas obviously would have to bear some of the burden as it relates to restrictions. Hence there have been some restrictions to persons who may have wanted to have mortgage loans or loans for repairs and maintenance of their homes, and they have not been able to get the money because of the resulting restrictions.

However, Mr. President, I would like to point out that quite recently Barbados had the Kadooment show here and large numbers of Barbadians – I am not sure how many thousands, but I believe if we said 50 000 we could not be far from being right – returned home to enjoy themselves in the Kadooment show, and one of the main points raised by Barbadians returning home, Sir, is that they have all praised the level of housing. Those persons who have not been here for the last five years have commented that they are surprised to see the housing development that has gone on in Barbados. They feel extremely happy for their Island home to see the sort of development that has gone on during the last five years.

Furthermore, Sir, I am engaged in the business of housing and I would have some knowledge as to what is going on in the area of housing. I can say boldly that there is no person who is engaged in construction that has any difficulty whatsoever in getting work.

Secondly, Sir, those of us who are engaged in the selling of building material have no problem at all in maintaining the level of sales which we always had. Therefore, Sir, I cannot see where housing could have fallen off this substantially in spite of the credit restrictions. What I think has happened or is happening is that Barbadians who are living overseas and who are not depending on loans from the Barbadian lending sector, are sending in their money and carrying on the business of housing.

12.10 p.m.

Housing is going on as it always has gone. Everybody who is engaged in the industry is working. Business houses are selling at the same level and are not complaining so that makes me feel very comfortable that if you have all your workers employed, if your commercial people are satisfied, where does the reduction in housing come in?

I agree, Sir, that Government has to continue on the path of making sure and continue to make land available to persons who are less fortunate or who do not have the sort of money available to construct a house or to buy land. We must continue and where possible as soon as the situation

eases itself, we must again make money available in order to create the sort of momentum among that class of person.

However, Sir, I have no reservation in supporting the Resolution. Thank you, Sir.

SENATOR Mrs. V. C. FRASER: Mr. President, I rise to support the Resolution. I will not be repetitive because I support what most of colleagues have said.

I think one of the things that we need to observe in Barbados is the fact that we have no mineral resources and if we look around our country and we strike a comparison, we could see that Barbados really has gone very far in the area of housing development.

Indeed, sometimes when people come here, they have said, after travelling around the country, where are your poor people? They are a bit shocked and surprised because they are accustomed to what is known as squalor. Some of the countries I have visited myself have so many resources, human and otherwise, especially natural resources, and yet you would see a little shed, three, four or five children, no toilet facilities, electricity is unheard of but in a small island like Barbados, you can travel the length and breadth of this country and you can find these kinds of facilities. It could only be a Government that cares about its people that continues to make these things possible.

However, one area I would like to see Government look at very seriously, and I think that this is a concern of most Barbadians, is that people should realise, and I think it is more the people than the Government, that they are committed to paying their house rents in these various housing areas. They have a high standard of living. What they have as a house, in other parts of the world they would have to pay quite a few hundred dollars for – an apartment with three bedrooms, a toilet, bath and all these facilities. I think that we, as Barbadians, must try to encourage those people to pay their rents, whether it is land rent or whether we are talking about the house rent, so that the money can move around and help those other persons who are in need of this type of housing.

I think that is one of the problems we have where some people believe that when they go in a government house, it belongs to them. They do not have a responsibility to pay the rent but yet they pay for the telephone, they pay the electric bill, they pay the water bill. They go and credit a lot of furniture but you never consider that Government is not some big godfather there with money dropping out of his head. It is the taxpayers money of this country. Therefore, you have to pay that rent in order for us to have money circulate in the country. Also, we have to encourage people to buy these houses. There are some people who are living in these houses whom Government has offered the right of purchasing the houses and we know Barbadians like to own their own house.

Sometimes it is a little bit amazing why some of these people feel because they live in a government house, they do not want to pay the rent properly, but they should be encouraged to buy that house since Government is doing the encouragement and Government has put the necessary machinery for them to own the house.

I would like to appeal to all Barbadians, those who have the ability to own those houses, to try and own their own property. Let Government have some revenue so that that revenue will generate some more houses again.

Also there is the question of persons who, I think, we need to look at very carefully, who have graduated from that type of house. In other words, some of these people have gotten a better job, they are able now to buy a car, they are able to do certain things, and they still live in the kind of unit where somebody who is in a lower economic scale would like to be able to rent that type of house. I believe that this is something that we have to look at very seriously. I know Government is trying its best but we get people who run all sorts of little tricks. They put the house in somebody else's name. They have another house rented and they are still living in the Government's cheap house. But we, the people, have to be craftsmen of our fate. We have to be very vigilant. We have to observe these things. We have to let our representative know what is going on. So we therefore have a serious responsibility.

Mr. President, without anymore ado, I support this Resolution wholeheartedly. I would say it is another move in the right direction but I still want to see that more money is generated by people paying their rents and if they do not pay their rent and the case has been looked into properly, you see it is not a welfare case, that they can pay, then they should be asked to leave the house so that other people can have the benefit of housing and the money can circulate for the benefit of young people who might now be starting in life and want some starter house to live in to rent.

Thank you, Mr. President.

SENATOR THE REV. CANON I. McK. JONES: Mr. President, I did not intend to say anything this morning either but the impression I have got from listening here this morning is this: that the houses that have electricity now only had them about five years ago, the houses that water toilets and so on all this was done just as a matter of a couple of years ago. The impression I am getting is that this present Government has done everything that is good for the people, especially the poor people and no other Government seemed to have been interested in the poor people. That is the impression I am getting.

I want to say here that I would love to see the time come when politicians can be clear and give Jack his jacket. Both Governments have done wonderful things for this country. Both of them have made mistakes too but when

something is done by one Government that has helped the people, the other Government should have the common decency to admit and *vice versa*. But this idea of one Government having done everything good for Barbados – in other words, Barbados was a village until a certain Government took over – is all absolute nonsense because all over the years we have seen politicians doing something, Governments doing good for this country.

The fact that people are coming back here and saying what nice houses people are living in, these nice houses did not start five years ago. These nice houses were there long before five years ago. There are some more here in the last five years, certainly. What is wrong with that? But I would like to feel that politicians learn to give Jack his jacket. That is all I am asking. They have all done good things and some have done bad things too.

Thank you.

SENATOR THE HON. L. V. H. LEWIS: Mr. President, if I had been anywhere else but in this Chamber, I would not have believed that a Member of this Senate would get up and make the contribution which we just heard because only a very peculiar mind would come to the conclusions that he came to, anybody would suggest that Barbados started to grow five years ago.

Aside.

SENATOR THE HON. L. V. H. LEWIS: Well, it is a peculiar mind, Mr. President, and the fact is that all of the progressive Governments of this country since 1961 have made tremendous contributions to developing this country, moreso since Independence.

Mr. PRESIDENT: I do not want a discussion on a nonsensical matter because it is much older than five years, or 60 years so I do not want a discussion to take place between Senators and nonsense, nothing to read.

I have been very patient but I really do not feel the Senate should continue a debate on something that has absolutely no substance. Let us get back really to something that our grandchildren could read.

SENATOR THE HON. L. V. H. LEWIS: Mr. President, we still have to be wary of the new saviours of this country. We noticed earlier today that there was quotation and reference to Central Bank statistics and nobody worried to look at the Economic Report.
12.20 p.m.

The Economic Report, in the chapter dealing with housing, states specifically that housing starts increased by 39.7 per cent to reach 1 453 compared with the 1 040 units started during 1988. That is only one section. The comment on housing continues. The graph which is prepared on housing starts and completions from Central Bank statistics shows very clearly that there have been increases comparatively year by year on housing, yet we hear that the Government has done nothing about housing. It is an absurd comment to make, when in fact year by year Governments have tended to rise to the challenge and respond by providing additional housing, or else the private sector has responded and additional housing has been provided year by year not only for the citizens of this country but for those Barbadians who send their money from overseas to improve the housing stock.

I do not think that it is worthy of all the discussion we have had. The facts are that the largest increases have occurred during the last three years, and we need to recognise that Rome was not built in a day. The Government would not wish to think that it will rest on its laurels and not recognise that there is need for enhancement and improvement year by year.

I wish to say no more than that but to move that the Resolution do now pass.

The question was put to the Senate and agreed to.

ORDER NO. 3 – RESOLUTION TO APPROVE THE COMPULSORY ACQUISITION OF LAND AT PAYNES BAY, ST. JAMES FOR COASTAL PROTECTION MEASURES

SENATOR THE HON. L. V. H. LEWIS: Mr. President, this Resolution deals with the acquisition of land at Paynes Bay in St. James, an area on the western coast of the island which is very susceptible to erosion through the movement of tides.

Some time in 1986 it was drawn to the attention of the Government that a section of the sea cliff had collapsed and that there was evidence of other potential damage taking place. The appropriate Government Ministry took steps to try to prevent the continuation of that action and measures were implemented to remedy the cracks which had appeared in the cliff. As an interim measure, warning signs were erected to alert persons and an area was fenced off.

In the meantime, a thorough evaluation was done by the Coastal Department, an estimate was arrived at as to what it would cost to complete repairs to the area. It became evident that if work was to be carried on, the area of land would have to be acquired. It was the property of the owner of a hotel, the private sector, and negotiations to purchase the land were entered into, but after these went to ground because of some unreasonable demands being made on the Government, if the land was to be given to the Government, it was decided to pursue the acquisition of the land.

This Resolution therefore seeks to carry that decision into effect, so that 1 145.7 square metres of land on the sea

side of the road leading to Paynes Bay would be acquired, and some on the land side as well, but 1 145.7 square metres of land would be acquired in order to correct the damage which is posed by coastal erosion.

I beg to move that the Resolution do now pass.

The question was put to the Senate and agreed to.

ORDER NO. 4 – RESOLUTION TO APPROVE THE COMPULSORY ACQUISITION OF LAND AT HENRY'S LANE, ST. MICHAEL FOR THE PURPOSE OF ROAD IMPROVEMENT

SENATOR THE HON. L. V. H. LEWIS: Mr. President, the road improvements proposed for Henry's Lane formed an integral part of the road improvement programme which was recommended by the Barbados Surface Transportation Study of 1980.

Honourable Members will recall that between 1984 and 1985 substantial improvement was done to the roadway between Jemmotts Lane corner and Lower Collymore Rock, going right up to the roundabout at Culloden Road and Pine Road, and certain property was obtained in order to widen the entrance to Henry's Lane. The second move was to widen the whole of Henry's Lane so that it will continue the enhancement of the Collymore Rock Road development.

It is proposed to increase the road width at the junction, increase the width of Henry's Lane and to provide a footpath on the eastern side of the road. The Ministry of Transport and Works has already obtained permission from some of the land owners and has started some of the road improvement work in the area. What is necessary is to widen the area beyond the St. Gabriel's School and to acquire land from the following properties:

270.33 square metres, the property of Dudley Gibbs;

36.11 square metres, the property of Anthony Wiltshire;

31.55 square metres, the property of Miriam Weekes;

117.9 square metres, the property of Sydney Howard;

120.85 square metres, the property of David Rose;

354.87 square metres, the property of the Barbados Diocesan Synod Trustees; and

69.74 square metres, the property of Purity Bakeries Limited.

The drawings for this acquisition are available, Mr. President, and can be inspected. There are some seven drawings which are available for scrutiny.

I beg to move that the Resolution do now pass.

The question was put to the Senate and agreed to.

ORDER NO. 5 – THE COMPANIES (AMENDMENT) (NO. 2) BILL, 1990.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, the amendment to the Property (Miscellaneous Amendments) Act, 1990 is intended to remedy certain problems which it was felt would arise when the Property (Miscellaneous Amendments) Act came into effect on 13th November, 1989.
12.30 p.m.

The coming into existence of this bit of legislation had certain effects on other legislation amongst which was the Companies Act, Cap. 308, and by the introduction of the amendments which arose through the enactment of the Property (Miscellaneous Amendments) Act, 1990, it inserted into the Companies Act, Cap. 308 new sections which required that charges created on and after the abovementioned date, which would have been 13th November, 1989, must be lodged with the Registrar of Titles within 28 days of the creation thereof.

Now since the Property (Miscellaneous Amendments) Act did not come into effect until 19th July, certain activities taking place between those two dates, 13th November and 19th July, 1990, would have been *ultra vires* to the existing Company law. To correct this mischief, it is proposed that we adopt a new Companies (Amendment) (No. 2) Act, 1990.

Mr. President, I don't foresee any debate. It is just a matter of a house-keeping bit of legislation.

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

SENATOR C. A. BLACKMAN: Mr. President, the concerns which Senator Clarke tried to gloss over by saying he did not anticipate a debate could have been avoided if perhaps the issues which I drew to the Senate's attention when this matter came up for debate in July had been adverted to, and in fact it was because of part of my representations subsequent to the proclamation of that Bill and that the Government possibly faced a spate of law suits that the Attorney General's Department worked very quickly to bring down the amending Bill.

Over this session of Parliament, Mr. President, from time to time Honourable Members on both sides of this Chamber would have made contributions which suggest that legislation perhaps should be looked at and invariably the position is taken that if it needs amendments, amendments will be brought back. I just want to say that I have always thought of the Senate as a revising and deliberative Chamber, not caught up with the thrust and

hurly-burly of partisan give and take of the Other Place, and that it might be in the long term better interest of Parliament if matters are deferred and brought back after substantial points are raised for consideration for amendment.

The other point I wish to raise on this amendment, first in relation to the Companies Act, is that after five or six years of the new Companies Act, there is a need for an evaluation to be undertaken of the Act. In fact, there is need for a review of legislation to ensure that certain consequences are fully carried through and the amendments have the intended effect, because having discussed this with the draughtsmen, I am aware that there are certain defects lurking in the Companies Act as well as this amendment, but because we want to cure an instant problem, those things have not been taken through. Matters have arisen over the past four or five years that suggest that the Companies Act needs to be looked at, and I would like to suggest to Government that they reconstitute the Companies Law Committee to give an over-view of the Act so that the practitioners who have seen these difficulties over the five years can make submissions.

The Companies Act when it was enacted and brought into force was hailed as a modern piece of legislation intended to simplify company transactions and to be the flag ship of company legislation for the region. Because of the way the Act is being administered by the Registrar of Corporate Affairs, Barbados is losing business to other jurisdictions in that transactions that normally and in the past could be processed in a period of three to five days are now taking several weeks, and I have a letter that says that business is going to be taken away from Barbados to other jurisdictions, particularly in the area of foreign sales where I am advised that the British Virgin Islands and other jurisdictions around the Caribbean are taking business away from Barbados because of whimsical, capricious, arbitrary and sometimes totally unreasonable rulings from the Registrar of Corporate Affairs. In fact, the general consensus among the profession is that the Registrar of Corporate Affairs is an unmitigated menace and disaster to the economic life of this country, and is causing a loss of business to the country in terms of the administration.

I wish to make the subsidiary point that when the Corporate Affairs Department was originally relocated from its position in White Park, it moved without proper arrangements being put in place to the point that a major Government Department was located in what one would describe as the backyard of a business house with no sign post to indicate where to find it if you did not know where to go. I think that when Government Departments are looking to make relocations, some proper arrangements should be made to make people aware that they are there. For months they were there without an adequate telephone system.

I want to go back to the main thrust of my contribution, Mr. President. The Company legislation is a vital part of the economic activity of this country and the economic activity should not be frustrated by any bureaucrat who makes decisions without even reference to superior officers when those officers are willing and available to help guide them along the way.

With that intervention, Mr. President, I support the Bill.

SENATOR THE HON. L. V. H. LEWIS: Mr. President, I am a little surprised that Senator Blackman chose the cover of the Senate to make those strong remarks when he could go to the Law Society and use the machinery at their disposal to transmit a similar type of message. I am not seeking necessarily to defend any specific public officer, but what I want to say is that it was as a result of certain assurances which I gave to Senator Blackman when we were passing the legislation that I indicated on file the need for us to do something about the concerns expressed. Whatever follow up action which Senator Blackman took outside of that probably assisted in spurring the matter along. So much for that, Mr. President.

I believe, and I agree with Senator Blackman, that, after the passage of legislation and a period of time has passed, there is probably need for some Committee to examine the impact of that legislation.
12.40 p.m.

Again, I believe that the Bar Association could form an effective lobby and goad Government authorities into action on matters like the Companies Act when they, the Bar Association, had a lot of involvement in terms of the legislation when it was about to be placed on the Statute Book.

But there is more to it than that. I was in Antigua last week and I was privileged to hear a different sort of comment about the Companies Act in Barbados. So it is still regarded in some places, by some persons, as being a piece of model legislation, despite the fact that, according to the information which we just got, in the manner of its implementation, some bungling bureaucrat is causing problems.

I would like to think that arising out of today's debate, comments will probably be drawn to the attention of the bureaucrat. I have heard in another place comment about the need to examine certain sections of the Act with which the bureaucrat not only has found difficulty, but has sought the advice of other persons. So it is not altogether true to say in here that the officer capriciously takes decisions without reference to anybody else.

I beg to support this Bill.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, we recognise that laws are made for men and we live in a society characterised by change. If the law is to remain permanent then, of course, we would expect that that law would come under review from time to time. It is not therefore surprising that we engage in amendments of legislation over a period of time.

It is easy to criticise public officers. Most of them have no forum or fora from which they can rebut criticisms. As an off-shore location, one of the unique selling points of Barbados is that it has integrity as an off-shore location. It does not encourage or accommodate the fast turn-around of any and all businesses seeking to establish here.

We are extremely careful to avoid or to be tarnished with the brush of being a location for the laundering of money. I do not think that because this threat, real as it is, does exist, that we should unnecessarily hold up the business of locating companies but we must constantly bear in mind that rush to establish any company and by so doing to allow the good name of Barbados to be tarnished, then, of course, we shall vitiate the good names of all other companies existing in Barbados.

Mr. President, I now move that this Bill be read a second time.

The question was put to the Senate and agreed to.

On motion of SENATOR THE HON. Dr. C. D. CLARKE, Mr. PRESIDENT left the Chair and the Senate went into Committee on the Bill, SENATOR M. deL. JORDAN in the Chair.

Clauses 1 – 4 inclusive were called and passed.

On motion of SENATOR THE HON. Dr. C. D. CLARKE, Mr. CHAIRMAN reported to HIS HONOUR THE PRESIDENT, the passing of one Bill in Committee and Mr. PRESIDENT resumed the Chair and reported accordingly.

On separate motions of SENATOR THE HON. Dr. C. D. CLARKE the Bill was read a third time and passed.

SUSPENSION OF SITTING

SENATOR THE HON. L. V. H. LEWIS: Mr. President, I beg to move that this sitting be suspended until 2.00 p.m.

The question that the sitting be suspended until 2.00 p.m. was put to the Senate and agreed to and Mr. PRESIDENT suspended the sitting accordingly.

12.50 p.m.

ON RESUMPTION

Mr. PRESIDENT: The Senate is in session.

ORDER NO. 6 – RESOLUTION TO APPROVE THE COMPULSORY ACQUISITION OF LAND AT RICES, ST. PHILIP

SENATOR THE HON. L. V. H. LEWIS: Mr. President, this parcel of land in question forms part of the lands of Rices Plantation House, St. Philip, apparently owned by Mr. Lionel Greenidge of the same address. It was identified by the appropriate governmental agencies and by the young people in the district as being a suitable place to be used as a playing field and for other pursuits. Approaches were made to the owner to see whether he would donate it to the young people of the district, but when this seemed to be taking a long time steps were made to acquire the land.

The Chief Town Planner confirmed that in his opinion it was an area that could fit into the general pattern and scheme of development in the area and the Ministry of Housing pursued the matter after a Cabinet conclusion. It is now therefore proposed that $3\frac{1}{2}$ acres, or 1.4 hectares, of land at Rices, belonging to Mr. Lionel Greenidge, be compulsorily acquired.

I beg to move that the Resolution do now pass.

The question was put to the Senate and agreed to.

ORDER NO. 10 – RESOLUTION TO APPROVE THE COMPULSORY ACQUISITION OF LAND AT PIPER'S AVENUE, LODGE HILL, ST. MICHAEL

SENATOR THE HON. L. V. H. LEWIS: Mr. President, these two parcels of land represent another of the proposed developments of the Government under its sites and services programme for the development and provision of housing lots for persons in Barbados who, because of lot or circumstance, have no adequate facilities available to them. The provision of these services will enable persons to come to the areas and receive utilities without any difficulty.

This 3 200 square metres of land between Piper's Avenue and Reservoir Road is being acquired from the estate of Ivy Coward, from Colin Millington and from Ethelbert Watkins, all of Piper's Avenue in Lodge Hill. I believe that we have had some debate on this matter. I therefore move that the Resolution do now pass.

The question was put to the Senate and agreed to.

ORDER NO. 7 – THE TRAVEL TICKET TAX (AMENDMENT) BILL, 1990

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, during the period of consultation with various private sector organisations, the Prime Minister and Minister of Finance was informed that those people engaged in the travel industry, travel agents, were losing income because of the existing tax regime, that is, if a Barbadian wanted to bring home one of his/her children studying overseas and he bought the ticket here and sent it to the child in the United States, Canada or wherever, outside of Barbados, since the ticket was purchased in Barbados, then of course it would be subject to tax although the travel was not originating in Barbados.

This bit of legislation here is designed to make our travel agents more competitive by removing the tax for all journeys originating outside of Barbados. A Barbadian parent can now feel free to go ahead and buy the ticket to bring home the children studying overseas without incurring tax.

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

The question was put to the Senate and agreed to.

On the motion of SENATOR THE HON. Dr. C. D. CLARKE, Mr. PRESIDENT left the Chair and the Senate went into Committee on the Bill, SENATOR M. deL. JORDAN in the Chair.

Clauses 1 and 2 were called and passed.

On the motion of SENATOR THE HON. Dr. C. D. CLARKE, Mr. CHAIRMAN reported the passing of one Bill in Committee, and Mr. PRESIDENT resumed the Chair and reported accordingly.

On the separate motions of SENATOR THE HON. Dr. C. D. CLARKE, the Bill was read a third time and passed.

ORDER NO. 8 – THE INCOME TAX (AMENDMENT) BILL, 1990

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, this amendment seeks to grant certain concessions, mostly to business enterprises, as a result of the Financial Statement and Budgetary Proposals, 1990. The main thrust behind the amendment is to ensure that companies are induced to go after the earning of foreign exchange. To this extent, clauses 3 and 4 of the draft Bill before us seek to amend the Income Tax Act, section 12G, which deals with the tax credit in respect of foreign currency earnings.

The present legislation limits the credit to new businesses only, that is, businesses operating during their first year. The proposed legislation which embraces the amendment will allow tax credit in respect of earnings from existing businesses for ten years, and in one of the rare occasions this legislation will be retroactive to income year 1986. The existing rate of 50% will remain in effect and, to remove an anomaly that has been argued over during recent years, under no circumstances will tax credit exceed tax liability in any foreign exchange earnings in any one tax year.

Clauses 4 and 13 of the draft Bill deal with the export allowance and amend section 14A of the Income Tax Act in order to give and to take into account the new service industry that has been arising, that is, the growth of the data processing service.
2.10 p.m.

This incentive, it is hoped, will encourage companies and individuals to go into data processing, especially for export and sale of their services outside of Barbados. In addition, included with the data processing companies are also companies that purchase wholesale from local producers exclusively for export outside the CARICOM region.

The Schedule to the Act is also amended, and I shall read the changes. The Schedule to the Income Tax Act will be amended as follows:

At present you have export profits as a percentage of total profits up to 20 per cent where the tax rebate is 25 per cent. It is proposed that up to the same 20 per cent of export profits as a percentage of total profits, the effect tax rate will be 22.75 per cent. On the existing rates of 21 – 40 per cent where the tax rebate is 35 per cent, it is proposed that the effective rate of tax will be 19.25 per cent. In the present band of 41 to 60 per cent of export profits as a percentage of total profits, it is proposed that the effective tax rate be reduced to 12.50 per cent, and over 60 per cent of export profits as a percentage of total profits, in that band it is proposed that the effective tax rate be reduced to 7.5 per cent. It is proposed to introduce a new band, that is, if the export profits as a percentage of total profits exceed 80 per cent, the effective tax rate will be 2.50 per cent.

It is hoped that with these additional incentives, companies will try to expand into external markets. I alluded to this earlier today when I was talking about the amendment to the Fiscal Incentives Act that companies become somewhat complacent by operating behind the tariff wall, and by receiving certain incentives they are quite satisfied to earn reasonable profits without having to exert too much energy. We do recognise of course that we can pull on a string and we cannot push on it. However, we do hope that by adding these special incentives new companies and existing companies also will be motivated to try to penetrate the external market.

In these amendments, clause 9 of the draft Bill in particular addresses the question of the purchase of new shares. The underlying philosophy behind this is to encourage people to diversify their asset holding rather than relying solely on savings accounts. They can look at other alternatives for investment purposes, bearing in mind of course that as they move out of the safe sanctuary of savings accounts, especially in the commercial banks, that they are entering into new territory fraught with many hazards and risks, and they should be aware of these risks.

Clause 9 of the draft Bill currently allows persons to buy new shares in a public company and claim an allowance for income tax purposes of up to $10 000. The amendment that is proposed here would leave that section intact but will now add an allowance of up to $7 000 for investment in new shares in a private company.

I now move on to the provisions dealing with the withholding of tax on interest payments and on professional fees. The sections of the draft Bill dealing with this are clauses 10, 11 and 12. This amendment seeks now to give trust companies and other financial institutions the same advantage as was granted to commercial banks. In 1986 commercial banks who made interest payments of less than $6 000 per annum were not required to withhold taxes on those amounts. Now you are giving that advantage to trust companies and other financial institutions who make interest payments of less than $6 000. They will not now be required to withhold taxes on those amounts.

The professional fees remitted by local companies, especially professional accounting firms, to their associates outside of Barbados in return for services rendered to companies in the international financial and business services sector, these transactions will not now be subjected to withholding taxes. Barbados is trying and has expended energy and other resources in developing the offshore financial sector. We recognise that in the years to come and as we reach the decade starting 2000, at the end of this decade, we have to rely more and more on the services sector, especially the financial services sector. If we set up what has been happening in the manufacturing sector and its contribution to gross domestic product and we recognise that there has been growth within the economy over time, we must realise that the services sector, tourism in particular, has been making the most significant contribution to our overall well-being, and it is my forecast that over time as we come to the end of this decade and into the new century, Barbados will have to rely more and more on the services sector, including the financial services sector. To this end we must prepare to lay the infrastructure to develop that sector.

Clause 5 of the draft Bill addresses the question of the carry forward of losses, and what this does is to remove the 50 per cent limitation from the carry forward of losses. In addition to this, in the past, I think it was 1987-88, losses were only allowed to be carried forward for seven years. In 1988 these losses were allowed to be carried for nine years, and now you have losses being carried forward for nine years in addition to removal of the 50 per cent limitation which was introduced in fiscal year 1988-89.

I would hope that companies would use the cash flow which this would allow for further investment within the companies rather than using these funds to be paid out in dividends and neglecting the expansion and the development of overseas markets. It seems to me that private companies in Barbados rely almost exclusively on the Government agencies to find markets for them outside of the region. I know coming out of the sugar industry where you had a history of Government negotiating the price for the sugar industry and now the Tourist Board developing markets and advertising significantly for the industry, it seems that there is a reliance on development whereby Government is expected almost single-handedly, after giving out the concessions on one hand, to find the resources on the other hand and to locate these markets. I would hope that some of these companies will use these retained earnings to develop some of the markets.

I am always forçed to think that a young individual after going through college and paying for his or her education, during those periods that individual is just saving, he is either using his own savings or the savings of his parents. However, from day one, once he starts to work and his income as it stands now exceeds $15 000 or $16 000 in Barbados, he immediately begins to pay taxes. There is no provision made for him to recoup any money that he spent on his personal development; so I do think that companies themselves should accept the concessions granted and use them for the purpose for which they have been given.

2.20 p.m.

On the question of inter-company loans, this is clause 6 of the draft Bill, the amended section 27(a) of the Income Tax Act allows that *bona fide* inter company loans are not taxed as incomes of the receiving company. In the past, if there were two sister companies or parent subsidiaries, inter-company loans were treated as income by the receiving company and I do not think that on the other hand the company advancing the loan could treat it as an expense.

What this would do is to allow more funds to be circulated in a company and, hopefully, at a lower rate so that more investment would be undertaken in the company thereby creating more job opportunities and, also increasing their market shares whether they be in Barbados or elsewhere.

Now, we come to bonus shares and this is reflected in section 2 of the draft Bill. The allowance here is for bonus shares to be increased up to 75% of the bonus but not to exceed $5 000.

In short, Mr. President, these amendments in the Income Tax Bill set out to do two major things – to encourage the private sector to seek more vigorously to market their services in the extra-regional market thereby increasing their foreign exchange earnings for the benefit of the whole country and, secondly, to encourage citizens of Barbados to become more involved in the ownership of shares in companies existing within Barbados.

This is one way of democratising the ownership of companies in Barbados as more and more individuals acquire shares in the respective companies.

I now move that this Bill be read a second time.

SENATOR A. W. A. McCLEAN: Mr. President, there are two possible reasonable constructions which could be placed upon this Bill. One is that it is expressive of the fact that Government recognises in 1988 that it made some grievous errors in relation to the fiscal measures instituted in the 1988 Budget and the second one is that government's fiscal policy has no particular direction. These two interpretations arise from statements made in the Financial Statement and Budgetary Proposals for the years 1988, 1989 and 1990.

I would like to draw attention first of all to the word used in introducing a particular measure which is provided for in this Bill, that is, the measure whereby firms will now be permitted to carry forward their losses even if this should result in a reduction of their tax level to zero in a particular year.

As it now stands, until this Bill is passed, companies are restricted to carrying forward their losses to such an extent that they do not reduce their tax liability in that year by an amount in excess of 50%. This Bill, among other things, is seeking to change that provision.

The words used in introducing that provision are as follows:

> "In the 1988 Financial Statement and Budgetary Proposals, as a revenue conserving measure, corporate losses brought forward were not allowed to reduce the tax liability of the corporation by more than 50 per cent. After consultations with the private sector, I have decided to remove the 50 per cent limitation on the carry forward of losses."

It may be that it was a mere matter of consultation with the private sector and he was importuned to this effect, and decided so to do. The statement does not indicate whether government brought any philosophical orientation or any analytical framework to bear on the situation in evaluating the recommendations thereto. We know that they were importuned and they have removed it. That statement accords with others in relation to many other changes such as the travel ticket tax. They asked to remove it, and they removed it!

I recognise that Senator Clarke did indicate on that occasion in that particular one that it has certain consequences but they were also asked to remove it. On this occasion, no particular indication was given in the Budget of its consequences.

But, Mr. President, Senator Clarke also in introducing the matter indicated that last year there was an extension of the carry forward period from 5 – 9 years. This was the second occasion during the course of this debate that Senator Clarke made reference to that measure.

On the first occasion he patted himself on the back for last year 1989 increasing the carry forward period from 5 – 9 years and represented this as some type of enlightenment. That statement is like a man patting himself on the back because he has stopped beating his wife. Senator Clarke omitted to indicate that prior to 1988 the carry forward period was 7 years and in the 1988 Budget Government reduced the carry forward period from 7 to 5 years. Prior to 1988 there was no restriction in terms of the reduction of the tax liability in a given year and the amount to be carried forward.

Government imposed that restriction indicating that you could only carry forward such an amount that would reduce your tax liability to a maximum of 50% on what it would otherwise have been. On that occasion, I indicated that that proposal was backward and damaging to the economy, both parts of it – the limitations in terms of the 50% and the reduction in the number of years. Government came the following year and in a bold statement appearing in the 1989 Budget at page 14 under corporation taxes it says – "I do not propose any increase in the rate of corporation tax. Instead I will extend the period for loss carry forward from 5 to 9 years." – end of discussion. There was no comment as to why he did it.

At the time I indicated that that represented a reversal of the 1988 position, that Government should be forthright enough to acknowledge that they were reversing themselves. This also is another reversal of the 1988 position and to the extent that this provision is desirable, and it is highly desirable, to that very extent the 1988 imposition was totally unreasonable and undesirable.

Perhaps, though, you may want to know why Government did what it did in 1988. Last year, as I just read, the Minister of Finance indicated that he imposed the 50% reduction as a revenue conserving measure. In 1988 it was represented that those adjustments would be carried

forward as tax losses and would have an effect on revenue to the extent of $2 million. That is to be found on page 15 of the printed version, which is a document of this House, the Financial Statement and Budgetary Proposals of 1988.

On page 34 therefore, the second column beginning with the third new paragraph reads:

> "At present corporations are permitted to carry forward losses for 7 years. However, effective from this income year, the maximum period for carrying forward losses will be 5 years and the losses brought forward in any one year should not reduce the tax liability of the corporation by more than 50 per cent. This change in the existing manner of dealing with the carry forward of losses, is expected to save revenue of $2 million this fiscal year."

2.30 p.m.

I do not think that this would have been a major matter in terms of revenue conservation or what we want to relate it to, especially when one has regard to other measures, both of a tax increasing and tax reducing nature, that were involved in that year's budget. It meant therefore that Government had some purpose beyond just trying to conserve revenue, as they say, for this particular imposition. That is given also in the 1988 budget.

The 1988 budget differs from the 1989 and 1990 in that it sets out the philosophical orientation of the Minister of Finance and it also sets out clearly his understanding of economic matters. This was his first budget, he was giving everyone an insight into his view on matters. It is in this document on page 24 where, in discussing approaches to the solution to the unemployment problem, starting with the first new paragraph thereon where there is the discussion of an old approach to the solution of this problem – which is referred to as a kind of neo-conservative approach, based on supply side economics – where you are trying to stimulate production and where you are trying to reduce costs and so on, that the Minister of Finance took objection to that approach and in so doing used these words:

> "Alas, there is little evidence to suggest that substantial amounts of money resulting from tax cuts will not without elements of compulsion find their way into consumption spending, thereby fuelling the fires of inflation and creating balance of payments problems. Secondly, there is little evidence to suggest that concessions and other resources available to the business sector will be converted into significantly higher production and greater employment in proportion to the quantum of such concessions and resources."

And he goes on.

This was intended as an assault on the 1986 Budgetary Proposals and to indicate why he was about to reverse the essence of those proposals. The carry forward measure is part and parcel of that exercise of extracting more money from businesses, as opposed to the 1986 arrangement which left more money in the hands of individuals and businesses. Our present Minister of Finance stated quite clearly that the policy of leaving more money in the hands of individuals and businesses was a misguided policy and could not work. Government could use the money better than the private individuals and businesses, and so you had the surcharges and you had these adjustments to the carry forward.

The surcharges are no longer with us and we are now about to take the carry forward situation more or less back to what it was, with one alteration, instead of seven years carry forward it will now be nine. I think that Government owes it to the country to explain to us why they are doing these things. We can well appreciate that it does not make for confidence to be fooling around willy nilly with tax structures, especially those that impinge on businesses, because businessmen must be able to plan against a fairly well understood environment, and if they feel that willy nilly the tax regime can change on them overnight, they have no basis for confidence in such a tax system. When you lack confidence, you are less enterprising, so Government owes it to the country to explain why in 1988 they could introduce a measure with two adjustments to a previous situation, reverse one part from seven to five and up to nine and then in 1989 you reverse the other part. Government owes the country not only an explanation, but an apology for that fundamental error which they made in 1988.

I would take the better construction in terms of the two interpretations, that is, that Government has come to recognise the error of their ways in that particular respect, rather than the second one, that they are just doing things without understanding where they are going, just butting around the place from pillar to post. Let us say that they understand the error, that they are back on path and that they will not next year come again and reduce from nine to three and then limit carry forward as far as deduction of tax liability is concerned to 50%, 40% or 75%.

Let us assume that it is not that kind of whimsical behaviour they are engaging in, that they have learnt their lesson. If they have, they owe it to themselves and to the country to stand up as man and say so. In 1988 the Minister of Finance made no bones that he was big and brave and that he would take the action which was required, and he said that this type of action was required. It was painful, but he was going to take it and he expected the country to compliment him for being brave and forthright. Let him stand up now and tell the country "I was wrong in 1988." This is not the only extent to which he was wrong, there are other things he will have to apologise for, but this is the one we are dealing with now and I am saying that he ought to take courage and do that.

In relation to the general burden of the amendments to the Income Tax Act, Senator Clarke in his introduction said that the main thrust was to induce companies to go after the earning of foreign exchange. That is always a commendable thing to endeavour to achieve. We all know that the more foreign exchange we earn the better off the country is, but there are two points which have to be made in relation to that. That the capacity of a country to earn foreign exchange depends on many things antecedent to the benefit which they can get from the tax credits and so on that are being provided here. I will get back and explain that in a while. The second thing is that it is important that we should have a fairly correct idea as to what we have been earning over the years in relation to foreign exchange.

Senator Alleyne earlier today indicated that over the last seven years foreign exchange earnings have consistently declined. I am not certain that the word "earnings" was used, he said "foreign exchange" but I presume that he probably meant earnings, because he said he did not mean reserves, so if he did not mean reserves he probably meant earnings. Let us say he did not mean foreign exchange reserves, he meant foreign exchange earnings had declined consistently over the last seven years. I do not know where his sources of information are. I would presume that for the most part they are similar to mine, except that he is sometimes privy to information before me by virtue of his being involved in governmental activities in a certain way and I am not, but in the final analysis the information still gets out to the public and I get to know maybe a few months after he does. The information which is available to me, as published by the Central Bank, where Senator Alleyne is a member of the Board, does not support the statement, whatever construction you want to put on foreign exchange earnings, that foreign exchange earnings increased in 1988 *vis-a-vis* 1987.
2.40 p.m.

I am aware that there is some error in some of the information published by the Central Bank for 1987, and therefore it may be that at the end of the day it might show you that foreign exchange earnings for 1987 were as high as or even higher than for 1988. But the information published by the Central Bank also shows that foreign exchange earnings in 1988 were higher than in 1986; so I do not think it is correct to suggest that our foreign exchange earnings declined over the last seven years. So we need to have a clear understanding of those matters. You also need to develop a clear understanding of the relationship between foreign exchange earnings, the balance of payments and the need for fiscal restraint, indeed for credit squeeze and all of these matters, because if you have any defective understanding in these areas, we can end up doing the wrong thing.

I all too often get the impression that when people talk about export earnings and things like that – I don't know if they mean it too when they talk about foreign exchange earnings – but sometimes when they talk about export earnings, they are talking about visible exports, and if those are going down you feel that disaster is at our door, and they fail to recognise two important points.

One point is that a dollar in foreign exchange earned from tourism is as good as a dollar earned in visible exports, and therefore what you need to focus on is not so much earnings from exports or visible trade or merchandise trade, but your over-all earnings, let us say, on current account. If you focus on that, that is the information which I alluded to earlier. Even if you wanted to focus on the exports, the merchandise trade, you would also find that our earnings from domestic exports increased in 1988 and in 1989.

The other point you have to recognise, however, is that when you are talking about the balance of payments and the need for credit squeeze to reduce imports and so on, you should really be focussing on the overall balance of official financing. This would include the amount of money that people invest in your country netted out against the amount of money you invest in other people's country too in any given period and similar things. You need to focus on that, and that is the one that creates alarm, and that is the one that is creating a problem for us today.

When we talk about a foreign exchange crisis, that is more or less what we are focussing on, on the overall situation, not on the current account only or the trade balance. We know that since about March last year that has declined quite dramatically; but if anyone wants to suggest that this decline last year is just a matter of a continuation of an earlier trend or intensification thereof, they are wrong again, because our reserves have been increasing from 1983 right on through until 1989 with the exception of 1988 where you had a slight dip, and 1989 after March it took one big plunge and they are still on the decline into 1990. So that is a new phenomenon, and it is happening in spite of growth in our foreign exchange earnings, not decline in our foreign exchange earnings as would have been stated.

I would suggest that anyone who wants to indicate to the Senate that the foreign exchange earnings of this country have been declining for the last seven years has an obligation to produce evidence in support of that statement, because I consider it to be false and misleading.

Now getting back to the question of stimulating foreign exchange earnings and so on, I said this is entirely commendable, but there are many things antecedent to the arrangements we are setting out here that you have to deal with first, because you only get into talking about how much you are going to tax away from them and how much you will leave them with after they have earned something that is subject to tax. Our problem with exporting is not because of a tax system which is altogether too onerous in terms of taking away your profit, but it relates more

fundamentally to the capability of our producers and the people who market for them to make inroads into foreign markets, and I think it is good to have your fiscal regime in good order, the type of order you need, but that is not nearly enough. I will say that we have been failing – I do not want to put the blame exclusively on Government which quite clearly has a role in the whole affair as the people with the overall responsibility for giving direction to the economy – but we have been failing in developing that capability among our producers that would make it possible for them to compete successfully in the regional and international arena and earn us lots of foreign exchange.

We heard that there are studies out in terms of the manufacturing sector, Government is aware of certain things and they are commissioning studies, but the people of Barbados have grown weary of that type of suggestion. Barbados has been inundated with studies on top of studies and nothing happens after these studies. What we want is action. You will probably discover that at the end of the day the problems identified in the studies were well known before, and indeed many people would recognise even the limitations of the studies when the studies fail to recognise the problems. In many respects the problems are known. What we need is to work on the solutions, and to do that you need certain problem solving capabilities and a certain level of imagination in Government, and I do not think that is present in the present administration. I thank you.

SENATOR C. A. BLACKMAN: Mr. President, I have a small intervention to make, and that is in respect to a provision in the Bill to which Senator Clarke alluded. This Bill before us makes provision for new shares purchased in a private company to a limit of $7 000 to be deducted from the assessable income of an individual as an amount equal to the cost of the shares. The shares referred to must be new shares and must have been issued by a newly incorporated company or if issued by an existing company, must have been issued for the purpose of providing new capital to finance expansion of a business and the acquisition of a new business, but in either case the company must provide the individual purchasing the shares with a certificate specifying the type of expansion of the business or details of the acquisition of the new business to which the shares relate.

Now as I read the Bill, Mr. President, clause 2(c) makes it an alternative method where it is an existing company. If the shares are shares created by a new company, then the limitation in (c) does not apply. This provision, Mr. President, mirrors a provision made some years ago in respect of public companies and was intended to attract money for development and expansion of the business of public companies. As far as I am aware, only a few companies took advantage of it, but without any perceivable impact upon new employment or job creation or any stimulation of new activity.

I would like to suggest, Mr. President, that the provisions of clause 9 of this Bill providing for a new section 37C, whatever may have been the original thinking may be misconceived, in that this provision if passed into law is going to become a charter for anyone so minded to form a new company between now and the end of the year or whenever, issue shares up to an amount of $7 000 and take a deduction only for their benefit for income tax purposes with a consequential negative impact upon the revenue.

2.50 p.m.

This provision I would support if it were tied to any measure that was related to job creation and development of new businesses for which there was going to be an objective standard of evaluating its success. To that extent I have difficulty in accepting the provision of Clause 9 of this Bill.

My other point, Sir, I wish to make on the Income Tax (Amendment) Bill relates also to the issue of shares following provisions in the Income Tax Act of some a while ago and it was this. Some years ago in order to stimulate investment in companies and also to broaden the base of share ownership in companies in Barbados, it was proposed and legislated that companies may issue shares in lieu of bonus to employees in companies in Bridgetown, a credible and worthwhile objective and a number of people in all sectors of the economic scales took advantage of that offer.

Some problems have emerged which were not anticipated at that time such as that where the small investor acquired shares by way of bonus 50, 100 as the case may be, and built up on them, some families are finding that on the death of these investors, the process of passing those shares into the name of the beneficiary is something more costly than the original investment on value.

I am inviting the Government to look at the legislation in relation to the transmission of shares where the value of those shares is of small order or small value, so that the transfer by the Secretary or the Registrar for Transfers be facilitated in the same way as the Succession Act permits monies on bank accounts, in corporate societies, in insurance companies to be transferred without necessarily the grant of probate.

I suggest that that be looked at because there are a number of public companies who have these small holdings on their books where the families have difficulty in negotiating the different cheques and this is through no fault of their own because their other estate was not of a kind that would necessarily require them to take out probate for administration.

Mr. President, the other point I would raise with respect to this Income Tax (Amendment) Bill is one which I think I made on a previous occasion and it is this. The

principal Act was initially enacted in 1969 and now bears no recognition whatsoever to the original Act of 1969.

I think that Government should look at a comprehensive review of our tax legislation to ensure that we have an Act that is capable of easy accessibility to sections because sometimes an amendment is made and takes out something that is passed before and no one is ever clear if the intended effect has, in fact, been realised.

There is need for a review and an enactment of a comprehensive piece of tax legislation which reflects all the substantive changes that have been made over the past 21 years. With the exception of the reservations I have made in clause 9, Mr. President, I support the Bill. But I think that clause 9 needs to be rethought because it is not in the interest of revenue and, in fact, it has potential for creating opportunities for almost raiding the Treasury to an extent which they had not envisaged.

SENATOR Dr. F. W. ALLEYNE: Mr. President, this Bill has provided the opportunity for a review of the 1988 Financial Statement and Budgetary Proposals. I do not intend to participate in any such review. That debate has taken place some time ago.

Also too it provided the opportunity for Senator McClean to review Government's fiscal policy. In his words he does not see the consistency in it by his kind of philosophy. Also, too, he took the time out to comment on a statement which I made this morning which his side tried to twist to support what they wanted to say.

Earlier today Senator Brathwaite alleged that I spoke on declining foreign reserves. I have more sense than that. But I am not going to be drawn into that debate either. I leave that for Senator McClean.

The level of the reserves changes during the day, and from day to day, so to come and pick up a figure of say, December 31, and to come in here and say the reserves are higher now than last year, is a lot of nonsense. They are higher on that day at that particular point in time compared with the corresponding period so do not bring that foolishness to me. You cannot bring it to my little child. So let us get that out of the way.

The nonsense I have been hearing about reserves, and a lot of it is nonsense, is that even the uninitiated should know that in Barbados we have been able to prop up the external reserves by borrowing. I say even the uninitiated, so it is nothing to get up in here and boast about.

I am subject to correction but I think that at the end of 1985 our external borrowing was about $444 million. I think at the end of June this year, 1990, it was somewhere in the region of $841.7 million so when Senator McClean gets up in here talking about reserves this and reserves that, do not bring that to me.

Mr. President, the single most important factor which would inform Government's fiscal policy in the second half of the 1980's is the threat to the foreign reserves of this country. I believe I have said in this Chamber before that in spite of the several goals one may have in public policy, every Government I know of in Barbados has been interested in reducing the level of unemployment.
3.00 p.m.

Every Government has been interested in a stable price level and low interest rates, but I have said before and I will repeat again today, whenever there is a problem in the external position everything else has got to give way to protecting that position. Any Government of Barbados which fails to do that will have failed the country. I give full credit to this administration for taking the action which they took in 1988 to protect the external position of this country, and I make absolutely no apologies to Senator McClean, Mr. President, or to anybody on this side for that. Any Government which cannot recognise when there is a problem in the external reserves and take action to protect them is not fit to be a government.

Let Senator McClean tell this Chamber that last year this country lost $83 million in foreign reserves. Do not come in here with a lot of claptrap. Let him tell this Chamber that in the previous year we lost $115 million. You cannot keep on losing foreign reserves and not take action to do something about it. Let him remind this Chamber that no less a person than the Deputy Governor of the Central Bank – I think it was last week – said that they anticipate this year they will lose another $50 million in foreign reserves.

SENATOR A. W. A. McCLEAN: On a point of order, Mr. President. If I heard Senator Alleyne correctly, he said that in the previous year we lost $115 million in foreign reserves and last year we lost $83 million in foreign reserves. If I heard it correctly, that is a false and misleading statement.

Mr. PRESIDENT: The point is, you have risen on a point of order.

SENATOR A. W. A. McCLEAN: Yes, Sir.

Mr. PRESIDENT: What is the point of order?

SENATOR A. W. A. McCLEAN: He is misleading the Chamber.

Mr. PRESIDENT: What is the point of order?

SENATOR A. W. A. McCLEAN: That Senator Alleyne is misleading the Chamber in suggesting that the

year prior to last year we lost $115 million in foreign reserves.

Mr. PRESIDENT: That is the point of order.

SENATOR Dr. F. W. ALLEYNE: Mr. President, if in referring to ....

Mr. PRESIDENT: No, that is not in the debate. I do not think I should be teaching you gentlemen to debate. A point of order is the point you must make at the time you speak, not for me to say what it is. If I do not agree with it, then I will rule.

SENATOR Dr. F. W. ALLEYNE: Yes, Mr. President. If the record shows that I was referring to 1988, I am withdrawing that statement and I am saying as a matter of fact that in 1987 this country lost $115 million in reserves. That partially explains why in 1988. . . . . .

SENATOR A. W. A. McCLEAN: On a point of order again, Mr. President.

Mr. PRESIDENT: We cannot have a point of order.

SENATOR A. W. A. McCLEAN: He is misleading the Chamber.

Mr. PRESIDENT: You cannot have a point of order. He is making a statement, you are reading a book and you are making it out of a book! You are rising on a point of order because he made a statement that is not correct. You can make a statement that it is not correct, but we will not have this sort of backward and forward. This is not a tamarind tree, this is the Senate and I have to get proper statements coming. I did not allow any person to be up on their feet crossing you.

SENATOR Dr. F. W. ALLEYNE: Mr. President, I am going to rephrase my words. I am saying that in the second half of the 1980s this country suffered from massive loss of foreign reserves. That is a statement of fact. We have never experienced that kind of loss before and any Government which cannot take action to deal with that should not be a Government. That is the single most important factor which has informed fiscal policy in the last three years in this country.

If Barbados could not borrow over the last three or four years, Barbadians could not be enjoying the standard of living which they enjoy today. No country is going to lend Barbados money if it becomes convinced that within Barbados a Minister of Finance cannot put his own house in order. The Japanese are not fools, they are not going to take up their money and lend you. The people in Europe are not fools, they are not going to take up their money and lend Barbados because you publish some stupidness and make people believe that you are doing well. They do not lend you money like that. When the Prime Minister and Minister of Finance leaves Barbados to go and borrow money, he is put through a very searching examination. You cannot just go and pick up the stupidness and put it in the newspapers and say that is the truth, you have to present your case.

I am saying that the claim by Senator McClean that there is no basic philosophy to guide fiscal policy since his new path –the 1986 budgetary statement – is without foundation. We are not living in 1986, the world has changed a lot since 1986. Unfortunately, Mr. President, the world has changed but some people are still living in 1986, and that is our problem. Fortunately, the Minister of Finance has the kind of mind that is flexible. He does not live in 1986. I dare any party to win an election in Barbados whenever it is called in the 1990s and revert to the 1986 thinking. It will destroy Barbados overnight. You just cannot do it.

I spoke earlier this morning and made the point that selective credit controls were re-imposed to protect the foreign reserves of this country, and I repeat very carefully for the benefit of Senator Brathwaite, to protect the foreign reserves of this country. If you did not put them on, Barbados would have been destroyed. It seems to me that we have too many people in Barbados who are interested in self-destruction. When you run around and give the uninitiated all kinds of stupid ideas, that somebody does not want them to get a stove or a house, or a piece of land, this is creating the seeds for destruction in this society, because you are giving people the impression that these policy measures are being introduced against a background of malice. That is what you are doing. Do not believe that when you go and sow these seeds of discord in the minds of uninitiated people, that if and when you win a government you can change the thinking. You sow the wind and you will have to reap the whirlwind. That is what I said this morning. Those selective credit controls which were re-imposed – and that is the word I used, "re-imposed" – were absolutely necessary. I am a Director of the Bank and I do not apologise for taking that position. I took it privately and I take it publicly, without any apology to make.

I spoke this morning about the pressure on the foreign exchange earnings. This is in the 1989 Economic Report which was laid in this House and this is the Report I was speaking from. I want to turn to page 46. The Senator would give me some lessons in economics, but I have never heard a baby teaching a parent. I turn to Table 13 of this Report. (You laugh, I know what I am talking about. The time will come when I will deal with these things in the public domain). If you look at page 46, Table 13, Heading – Imports/Exports and Visible Trade Balance 1971-1989, and I am dealing with Column 5 coming from the left, if you look for Total Exports 1984, under millions of dollars the figure was $788 million. If you look for the comparative

figure for 1989 it is $374.4 million, which is a decline of $414 million. That is on merchandise trade.
3.10 p.m.

I come now to page 51 and I look for services, and I pick up the credit figure for travel which is basically our tourist receipts. The figure for 1984 is $575 million, in 1989 it is just over $1 billion, an increase of $434 million. When I move now to other services which is a net figure, in 1984 it is $113 million, in 1989 it is $14 million, down by $99 million. This supports what I have been speaking about, but yet the Honourable Senator would get up inside here to suggest to people that I do not know what I am talking about. Let me tell you, I have been teaching now for twenty years, and never in my career have I taught people and 70 per cent of them have failed in a single year.

I want to repeat that the whole thrust of fiscal policy within the last three years, if it was going to make any sense, had to be primarily concerned with stemming haemorrhage of the reserves in this country. If that was not the case, Mr. President, I have my professional reputation to protect, and if a Government did not pursue a policy which was informed by that consideration, I would have no difficulty in parting company with that Government and concentrate on my professional activities and raising my children. That would mean more to me than sitting down with a Government which did not know what it was doing.

I have to say, Mr. President, that when we come to the business of economic management, we are dealing with a very dynamic thing. Things do not remain the same. All of us inside here should know that they change, and for Senator McClean to come inside here and suggest that the internal as well as the external environment in 1986 was similar to what it is in 1990 is to present us with a situation as if we were living in some utopian world. We know the world is not the same. Look at the vast changes that have taken place in Europe within the last year; look at what has happened in North America; look at what has happened right here in the Caribbean. To come in here and to suggest to us that what happened in 1986 should not be changed in 1987... In 1987 the Minister of Finance imposed new taxes on this country raising a net revenue of $55 million in that financial year. So tell us why is it in 1987 the same Minister of Finance as in July 1986 came back and reversed the New Path Manifesto. The problem is that the Minister at that time had more sense than some of his spokesmen. At least you have to give him some kind of kudos for that. The then Minister of Finance had sense enough to realise that he was facing a crisis irrespective of the language in which he couched it, which is something I have said before and nobody has bothered to answer me, because they cannot answer me on it.

Some oracles have got up in this country and said that although taxes were cut in July 1986 to where they were cut, the revenue increased, and I have challenged it. I have said it is a lie. It is strong language to use, but I have said it, and I will repeat it. I have said that when the crisis was staring us in the face, a decision was made to take funds which were in the commercial banking system and which belonged to the National Health Board, funds which had nothing at all to do with that fiscal year, and put them into the revenue stream, and that is why fellows can walk around today and boast and say you made massive cuts and yet revenue increased. I challenge any of the people who are saying that to answer me, and stop fooling people. I challenge the Leader of the Opposition to answer me on that too. He knows better; he would not cross swords with me.

On this business of the carry forward of losses and the change in Government policy from time to time, I believe that no policy is cast in stone. I also accept part of the position which is taken by Senator McClean on this particular score, that a businessman prefers to have a tax regime which is predictable over time, and which is predictable in its fairness. Nobody wishes to have these rapid changes from time to time; but I am saying that in the final analysis, all of these things have to give way to the predominant national concern.

I need not remind anyone in this Chamber, although I think some of us are too blind to see, that in 1988 we were faced with a substantial fiscal deficit. I know there are some people who hold the view that the deficit is self-financing and you should have left it and it would have closed itself, but remember, even if it closed itself, what would have happened to the external position?Mr. President, I can never subscribe to these positions which are informed by prejudice and ignorance. I wish to say that I supported the fiscal policy of the Government in 1988 and I have evidence to prove that 1988 was no different from 1987. Those who speak of reversal in 1986 must be consistent. If they speak about reversals in 1988 and 1989, I implore them to speak about 1987. You have to be consistent and to be intellectually honest. I am saying further that there is only one Minister of Finance in a country at any one point in time, and that Minister has got to be prepared to take responsibility for his decisions. It so happens that I can comfortably support the fiscal policy of this Government, and when I say comfortably, I mean at a professional level, I am not talking as a Sunday School boy, I believe I am perhaps one or one of the two persons in this Chamber with a formal training in public finance, and I believe Senator Clarke is the other. So when I speak I don't speak as somebody by a shop corner; I am not speaking to gain favour with the Minister of Finance either, because when I finish speaking here I am going into "Ardennes", that is where I am going; I am the Prime Minister in there and nobody can put me out.

Mr. President, I want it to be crystal clear that I have no difficulty at a professional level with the fiscal policy of

this Government, and with those few words, I support this Bill.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, there are just a few comments I should like to make. I think Senator Alleyne pretty well summarised what I would have said much better than I could ever have hoped to say it. On the question of losses carried forward, I do believe that we have to remind ourselves that businesses, companies, enterprises are in business to make money. They are not in business to sustain losses, and I think that we spend too much time arguing whether it is five years or seven years. All business people they set out to maximise profits or minimise their losses. I don't think we would be honest with ourselves if we did not recognise that there was a time in Barbados when companies were incurring losses and would turn around and sell those companies so that the enterprise acquiring them would then write off the losses sustained by a company that was in a loss position to reduce the taxes of the company that was in a profitable position. That is, we had reached the point where tax losses were so abused by some companies that it actually became an asset to another company because by acquiring a company that had tax losses to carry forward, it could then reduce the incidence of the tax burden of a more profitable company, and I think that we need to bear this in mind. Companies are in business to make money and it is purely incidental what we do about losses or what have you.
3.20 p.m.

Throughout the debate here today we have discovered that all efforts have been made to get the private sector back on track especially as far as foreign exchange earnings and to play around with 5 or 7 is but another effort in that direction. In spite of our best efforts, however, I pointed out in debate this morning that the contribution from the manufacturing sector, in particular, its contribution to the GDP, has been falling and I do not know whether 5, 7 or 9 years would make any difference in this.

On the question of foreign reserves, the level is important but I do think we should go behind it. Senator Alleyne alluded to this. I just want to reinforce it, that we should go behind the particular level and look at its composition. Have we earned it or have we borrowed it? If we have borrowed it to retain the level of foreign exchange, we have to repay it on debt service over a time. This would further erode what we might earn. To the extent that we are able to earn our way, or at least to rely less on borrowed money to sustain our foreign reserves position, although the absolute figure may be lower, once we can decide what is a reasonable level for us to keep, then, of course, do not let us only talk of the level but let us look at the months of imports we have on hand and decide whether they are adequate or not. The level in and of itself is immaterial. It is its composition and the months of imports that we need to live with.

Some time ago Senator Blackman raised the question about the patch work nature of the income tax legislation. The Ministry of Finance has sought the services of an expert taken under one of the Technical Assistance Programmes, to look at the whole question of the tax structure in Barbados as it relates to the balance between direct and indirect taxation.

There is no point amending the income tax legislation in isolation until we have reviewed the whole tax structure. Who bears the tax? Where does the incidence of tax fall at any point in time? Once this exercise is completed, then we would be in a position to decide the nature of the tax structure, whether it be direct or indirect, and then the various bands and rates that would be levied if there is income tax or otherwise.

Mr. President, I move that this Bill be now read a second time.

The question that the Bill be read a second time was put to the Senate and agreed to.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, since this is a certified money Bill coming from the Other Place, I move now that this Bill be read a third time.

On separate motions of SENATOR THE HON. Dr. C. D. CLARKE the Bill was read a third time and passed.

ORDER NO. 9: CONSUMPTION TAX (AMENDMENT) BILL, 1990

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, Sir, this is a variation on the same theme as we tidy up and give effect to the Financial Statements and Budgetary Proposals. Once again we find ourselves giving further concessions to the productive sectors of the economy in the hope that they will generate employment and earn foreign exchange.

In this instant case, we have the removal of consumption tax on spare parts for the use in agriculture, fisheries and the manufacturing sector. I think last year Consumption Tax was removed on plant and equipment. This year we have gone one step further and we have now added spare parts for use in agriculture, fisheries and manufacturing.

I think we need to bear in mind, before I go any further, that as we make these concessions they represent a loss in revenue to the Government and in economics, neither has ever been the answer. It always represents a trade-off. We cannot keep demanding guns and butter. We can only do this to the extent that we will not have the responsibility for managing the economy. We say we are not doing enough for manufacturing and yet today we have

heard of the various concessions given and constantly being given without the commensurate return from those various sectors.

As a further concession to support local industry – and this is not only confined to the manufacturing sector – earlier in the afternoon session we also made a concession to the travel industry by removing the disincentive on prepaid ticket advisories. Now we are making our local beverage industry more competitive with other beverage manufacturers in the region. We are doing this by removing consumption tax on bottles, cans, lids and crowns. This is for the soft drink industry.

I saw in the press about a week ago that one of them had the unmitigated gall to indicate that this year they were only getting consumption tax because last year they had got the Stamp Duty already. I had hope that they would have said that with the removal of the Stamp Duty last year and the further concessions that they would now be in a position to move into the extra-regional market, or at least, expand their operations in the regional market, CARICOM which I speak of here.

I know of one particular company who felt very very snug about this, about selling only in Barbados because they were making a very handsome profit. They were hiding behind a fairly high and effective tariff wall and it was only when a sister CARICOM country started exporting a similar beverage to Barbados that this company saw fit to put down a new line and hope for better trade in the North American markets.

In addition, these amendments seek to remove consumption tax on computers, including software and hardware for use in businesses, educational institutions and by private individuals. This is consistent with the thrust we are making to launch industry, especially data processing industry, into extra-regional markets.

A further concession granted by this – from the point of view of a Government – being granted by this benevolent Government in terms of concessions, recognising over a time that they have had a severe cash flow problem, this Government in its charity has agreed to allow them to retain the consumption tax for up to 60 days rather than requiring them to pay it over in 21 days.

The net effect of this amendment is to extend credit to the various business sectors of the economy for 39 days. That is the net effect of this, that Government is now extending interest free credit to the business sector of this community for an additional 39 days.

Mr. President, with those comments I move that this Bill be read a second time.

SENATOR A. W. A. McCLEAN: Mr. President, again this Bill reinforces the view that Government's fiscal policy lacks direction for indeed the measures here proposed, like all of the other measures in the 1989 Budget, in no way address the problems confronting the country. As Senator Alleyne emphasised, in 1989 we lost $83 million in foreign exchange.
3.30 p.m.

He perceives that this is a problem so serious that it warranted a credit squeeze and other measures to deal with it, but alas there is nothing in this particular measure, and, indeed, in all the measures in the 1989 budget, which can be said to have been addressed towards the solution of the foreign exchange crisis which we confront. Senator Alleyne spoke as though he was informing me that the country has a foreign exchange crisis, expecting people to forget that I have been proclaiming from the roof tops that that is the case, while we get the denials from other quarters. But he is going to speak as though I am unaware. He is telling me for the first time that we lost $83 million in reserves last year.

Mr. PRESIDENT: Senator, but this is consumption tax we are dealing with now, not Senator Alleyne. We are dealing with the Consumption Tax Act which was just introduced by the Honourable Senator Clarke. Deal with that, please.

SENATOR A. W. A. McCLEAN: Thank you, Mr. President. As was indicated, it cannot be said that anything else in the 1989 budget did anything to address the economic problems facing the country at this point in time. As Senator Clarke clearly indicated, it is a matter of benevolence to certain people, and that kind of thing.

One cannot expect much better, because it seems quite clear that Government has no clear appreciation, if certain remarks made here today are anything to go by, as to trends in relation to foreign exchange earnings, in relation to our balance of payments performance and so on. If you lack this awareness, it means therefore that the policy measures will be defective. I do not make that statement lightly, because there was reference to foreign exchange declining in a year previous to 1989 by $115 million. I indicated that that did not happen in 1988, it did not happen in 1987, it never happened in the history of Barbados.

There is further reference to massive losses of foreign exchange in the second half of the 1980s. The only massive losses started after March 1989. Prior to that there were increases, and this is important.

Mr. PRESIDENT: Senator McClean, I do not wish to stop you, but you are dealing with a Bill here. I am sure that you are intelligent enough to know that you are dealing with a Bill dealing with the consumption tax. Stick to that.

SENATOR A. W. A. McCLEAN: Mr. President, I am not intending to stray away from the consumption tax matter, what I am saying is that this is a budgetary proposal and consumption tax is part of an overall fiscal regime which is adjusted from time to time to achieve various objectives.

Mr. PRESIDENT: Right!

SENATOR A. W. A. McCLEAN: The particular objective, I am suggesting, with which this Consumption Tax Bill should have been preoccupied is a problem of the loss of reserves since 1989, some $83 million as between the beginning and the end of 1989. A rather more substantial figure if you go from March to the end of the year, because in the first three months of 1989 there was an increase in the reserves by about $50 million. You will notice that when the decline started, in the last half of the year, if you add 50 to the 83 you will see what happened from about April onwards.

I am saying that this consumption tax proposal should be informed by that fact, especially having regard to the fact that prior to 1989 we were not losing any reserves, but I just want to instance what was happening then. I am referring to the Economic Report 1989, which is a document of this House, on page 51, Reserve Movements. That document indicates that, going back to 1982, 1983, 1984 and 1985 we had increases in reserves, and in 1987 and 1988 we had increases in reserves. Since 1981, which is the earliest year there was a decrease, from 1982 right on until 1988, with the exception of 1986, we have had increases in foreign reserves. The numbers are: 1982 $61.9 million increase, 1983 $43.7 million increase, 1984 $12.3 million increase, 1985 $81.8 million increase, 1986 $21.8 million decrease, 1987 $20 million increase, 1988 $49.2 million increase, 1989 $83 million decrease.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, on a point of order, Sir. Senator McClean again is not addressing the issue before us. We are dealing with the consumption tax.

Mr. PRESIDENT: Senator McClean, you must bear in mind we are not dealing with a Finance Act as you want to make it out, we are dealing with a specific thing, consumption tax. This is the amendment to that. You can only raise this money under that Head, so do not try to carry me floating.

SENATOR A. W. A. McCLEAN: I do not intend to carry you floating, I would never tell you that I never taught a class with 70% failures, although I never did. I would never say that, because that is beside the point, whether it is this Bill or any other Bill. I would expect you to stop me if I said that. Although it is true I never did, I would never say it, not even to cast aspersions on somebody else.

Mr. President, talking about the Consumption Tax Bill, I am saying basically that the adjustments which were introduced here go nowhere near addressing the problems facing the country. Worse than that, Government has not really carefully evaluated the impact of the particular measures on the economy. In terms, for instance, of the measure dealing with the 60 days up from 21 days, Government did not quantify that, did not indicate that that was going to cost them anything in revenue this year. Indeed, one of the peculiarities about this budget here is that Government indicated very little by way of the impact of the individual measures of revenue, settling just for a global figure as the overall impact of the collective set of measures.

This is one of the measures where Government did not indicate the impact, and I would have hoped that Senator Clarke would have informed this Chamber as to the likely impact on the revenue. Since he did not do it, he has another opportunity when he can do it, but I will indicate now that it will have an impact on the revenue.

Eventually, all the consumption tax will have to be paid, but it will be paid at a different time. It means therefore starting immediately after the implementation of the measure. Let us say it was introduced in May. People who would have been liable to pay in May, because the 21 days were up, now had another 39 days, another month, and they could pay then in July instead of in May or June.
3.40 p.m.

It means it would, therefore, have an effect on Government's revenue in May and in July. Of course then they would pay a day after July and so on. Likewise, however, this is going to be sliding right down to the end of the financial year, and whereas as between the beginning and the end of the financial year people would have been expected to pay right up to about 21 days before the end of the financial year, now you would have to go back sixty days before the end of the financial year, or say 58 or 59 days, where people are not liable to pay you until after the end of the year. So that although Government would eventually get their money, it is only a timing difference, it will be reflected in the revenue for the year. It is important that Government should understand these things, otherwise Government may perceive that any fall off in revenue during the course of the year from consumption tax or during the months of May and June might have been attributed to something which needs to be corrected with higher consumption tax next time around or even before the next time around. You might bring in an intermediate tax. They seem to presume that this has no tax effect in the fiscal year based on the presentation in this document here, and if they were making that judgment and then discover that the consumption tax is not performing, don't draw the wrong conclusion and do further damage to this economy.

The point about my reference to earlier figures and the performance of the economy has to do with ensuring that Government is seised of the right information, and that is all I was trying to do, because it disturbs me when spokesmen for Government can repeatedly and all over the place make all sorts of false and misleading statements which are so horrifying in a way. I was not just trying to digress. I am trying to relate pertinent matters to a very important topic. I will not get involved in the level of comment that I heard coming the other way. I am not a babe and I don't think anyone in here is a babe either. I am not a child either; I don't think anyone in here is a child, but I know who teaches whom.

I thank you, Mr. President.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, I thought we had covered the ground that Senator McClean went over at least twice earlier today. I think this is the third bite at the same apple with a lot of noise but no more light being shed on the issue. I believe he has failed to recognise that the intent here was to give a further benefit to industry in Barbados by at least improving their cash flow position, and his concern was to show him a sign, tell him how much. It is one of the rare occasions that I will join with Professor Friedman and say that he is really not too concerned about the realism of the assumptions, but rather he is concerned about the ability of those assumptions to predict, simply and forecast.

I do believe here that to the businessman time is money, and by giving him an additional 39 days interest free, it improves his overall business. Ask Senator Ward, if you have any doubt about it, what it means to him. Senator Ward did not say anything about it and he understands about it. I would hope that Senator McClean, with the President's permission, would desist from creating straw men just to push them over.

The question that the Bill be read a second time was put to the Senate and agreed to.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, since this is a Money Bill, I will go directly into the third reading.

I beg to move that this Bill be now read a third time.

The question was put to the Senate and agreed to.

On the motion of SENATOR THE HON. Dr. C. D. Clarke, the Bill was passed.

THE ADJOURNMENT

SENATOR THE HON. L. V. H. LEWIS: Mr. President, we have cleared the Order Paper of Public Business. I am not aware of any matters of Private Business which are pressing today.

Since the other Chamber has gone into recess until mid-October, I move that this Senate be adjourned *sine die.*

The question that the Senate do now adjourn sine die was put to the Senate and agreed to, and Mr. PRESIDENT adjourned the Senate accordingly.

3.48 p.m.

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