

Am. J. Harris

THE SENATE DEBATES

(OFFICIAL REPORT)

FIRST SESSION 1986 – 91

SENATE

Friday, December 28, 1990

The Senate met in the Senate Chamber, Parliament Buildings, on Friday, December 28, 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 Honourable L. V. H. LEWIS (Minister of State in the Prime Minister's Office); (Leader of the Senate)

Senator A. MORRISON

Senator Mrs. V. C. FRASER, B.S.S., J.P., M.C.F.A.

Senator A. J. N. PHILLIPS

Senator T. A. PRESCOD

Senator J. C. W. WICKHAM, M.B.E.

Senator the Reverend 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 Dr. Frank W. ALLEYNE

Senator T. C. ESTWICK

Senator Miss Y. V. WALKES.

Prayers were led by Father Errington Massiah.

Mr. PRESIDENT: The Senate is in session.

PRESENTATION OF PAPERS

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

The Report of the Commission of Inquiry into the causes of the collapse of Trade Confirmers (Barbados) Ltd.

MOTIONS RELATING TO THE BUSINESS OR SITTINGS OF THE SENATE AND MOVED BY A MINISTER

SENATOR THE HON. L. V. H. LEWIS: Mr. President, I beg to move the suspension of Standing Order 45 (2) to enable us to deal with the matters which are on the typed Order Paper, matters of which notice has previously been given.

The question was put to the Senate and agreed to.

INTRODUCTION OF BILLS

SENATOR THE HON. L. V. H. LEWIS: Mr. President, the Order Paper circulated, No. 74 for the day contains a number of items of Public Business.

FIRST READINGS OF BILLS

SENATOR THE HON. L. V. H. LEWIS: Mr. President, I beg to move the First Reading of the following:

Financial Administration and Audit (Amendment and Validation) Bill, 1990; and

Livestock (Control of Strays) Bill, 1990.

PUBLIC BUSINESS

RESOLUTION TO APPROVE THE COMPULSORY
ACQUISITION OF LAND AT CRAB
HILL, ST. LUCY

Order No. 2 was called – To move the passing of a resolution to approve the compulsory acquisition of land at Crab Hill, St. Lucy for recreational purposes.

SENATOR THE HON. L. V. H. LEWIS: Mr. President, the question of provision of facilities for recreational purposes in the parish of St. Lucy prompted Government to enter into arrangements to purchase certain lands at Crab Hill in the parish of St. Lucy for recreational purposes.

The land under consideration is approximately 4½ acres belonging to a Mr. Chesterfield Yearwood. The Government proposes to acquire some 16 230 square metres of this land at Crab Hill in order to provide appropriate amenities to the parishioners of St. Lucy and others who may want to travel there to engage in games and sports activities.
11.20 a.m.

Government had made a pledge in its Manifesto of 1986 to develop a community centre and a playing field in this parish at the same time that it had made a similar promise to provide one in St. Michael. After consultation with the Chief Town Planner and the Ministry of Sports and Tourism, no objection was given to the use of the land for this purpose. Hence the matter is now before us, having received the approval of the House of Assembly.

I beg to move that this Resolution for the acquisition of land at Crab Hill, St. Lucy be now passed.

The question was put to the Senate and agreed to.

ORDER NO. 3 – RESOLUTION TO APPROVE THE
COMPULSORY ACQUISITION OF LAND AT
ARCHER'S BAY, ST. LUCY FOR
RECREATIONAL PURPOSES

SENATOR THE HON. L. V. H. LEWIS: Mr. President, the second Resolution is dealing with the acquisition of land known as Archer's Bay, part of the Crab Hill Estate, in the parish of St. Lucy.

It is proposed to acquire 12.843 acres of land in accordance with this Government's commitment to establish a national park by way of a series of areas, beginning at Archer's Bay in the north, going along through the Scotland District, up to the point of the area of the East Point lighthouse. Already there is a park in existence known

as Barclays Park, and this acquisition is one of the steps being taken to pursue the development of facilities along that side of the island.

It is probably well known that this site of Archer's Bay has for many years, certainly more than 30, been a site which attracted persons. There was a time when I would happily drive there once a week as one of the stops visiting parts of the island. It was a popular recreational area for nature lovers, as well as other types of lovers, Sir, and it possesses a certain natural beauty and appeal. This natural beauty and appeal would be intensified if the area is preserved for such a purpose.

I believe that we are all aware of the excellent work which is being done by an agency of Government in terms of restoration of some of these areas and I notice that the Barbados National Trust, in a recent communication from their President, sought to identify with developing nature and beauty in areas of this country, Barbados. I am sure that every Government will welcome the interest shown by non-profit organisations in retaining and restoring beauty spots in the country. Sometimes they go and select the beauty spots that they want to, they do not ask anybody, but if Government does that, then they want to point a finger at Government. I suppose that all Governments have to put up with this sort of thing. After being elected by the people they are then told what they must do and must not do in terms of how they lead the country. I think that the time has come – certainly has long passed – when those persons who want to take those decisions should in fact come to the people and say, "I want to lead." They should not take to the newspaper or the CBC, as they are want to do.

The proposed acquisition of this land was proceeding as a normal purchase and sale arrangement, but when negotiations became bogged down and it was clear that they would be tenuous, a decision was taken to invoke the provisions of the Land Acquisition Act and this decision met with no opposition from the persons who represent the owners of the property. Hence Government is proceeding along these lines.

The area at Archer's Bay, mostly rab land, of low agricultural yield, with a woodland area of casuarina trees, can be properly landscaped. Before the decision and before the approach of Government was made, the Town Planner, having been aware of the decision not only of this Government but of a previous Government, to seek to develop Archer's Bay, had hindered the development of this area for housing development and Government's delay in acquiring the land meant that the owner has been paying land taxes year after year without having the opportunity to develop the lands.

The matter is now one of urgency and that is why it comes before us today. The recreational facilities will combine with those other facilities which Government is

proposing to spread around the island in pursuit of its commitment to provide a better, healthier and more appropriate environment for the citizens of this country.

I beg to move that the Resolution be passed.

The question was put to the Senate and agreed to.

ORDER NO. 4 – RESOLUTION TO APPROVE THE
LAND REGISTRATION (SUSPENSION)
ORDER, 1990

SENATOR THE HON. L. V. H. LEWIS: Mr. President, the Land Registration Act, Cap. 229, in section 15 makes provision for an order to be made under certain circumstances. Section 14 of the Act makes provision for registration of title on first dealings after commencement of the Act, specifying after commencement that every conveyance on sales, every grant of a term of years absolute, every assignment of lease in respect of land lying outside a registration district shall become void on the expiration of three months from the date thereof or any authorised extension, unless the particular parties have applied to be registered. The section also makes provision for the Registrar of Titles to extend the period in certain cases at the instance of interested persons. Section 15 of the Act makes provision for voluntary registration of title.

Tied in with all this, Mr. President, is the need for certificates of title and certificates of charge to be issued by the Registrar of Titles in respect of the applications made under these sections, 14 and 15. However, it is necessary that maps be available to show the boundaries of all parcels of land.

11.30 a.m.

According to my information, the maps have not been forthcoming because the Chief Surveyor blames inadequacy of staff which has hindered the provision of those maps. Indeed, my understanding is that there is admission of difficulty in attracting properly qualified surveyors to work in that department, so that the appropriate Ministry will have to find ways and means of ensuring that staff is attracted in order to correct this existing deficiency.

In the meantime, in order that the certificates of title may be issued, the Minister has to fall back on the provisions of Section 15 of the Act since he is satisfied that suspension would enhance the systematic registration of titles. This is done by way of a registration suspension order. The Resolution before us seeks to give authority by affirmative resolution to the order made by the Minister to suspend the appropriate provisions.

It is my understanding, Mr. President, that over 4,000 sporadic and voluntary applications are being held up until such time as this order comes into effect and the Minister

has determined that January 1, 1991, is the date on which he wishes the order to come into effect.

I beg to move that the Resolution be now passed.

SENATOR C. A. BLACKMAN: This Order is one that has been sought by the legal profession for some time and therefore it is welcome. I would like to suggest to Government that perhaps the way forward in dealing with the crisis in the land surveying profession in getting people to do the work that is outstanding is, perhaps, to make a similar arrangement with land surveyors as was done in cases of having the tenantry lands surveyed and that is really for contracts to be entered into with members of the Land Surveyors' Association to do the work on a contract basis as separate and distinct from their own private employment rather than seek to expand the persons who work in the Land Surveying Department. So, I think the surveying profession is in a position to cope with the work if the necessary arrangements can be made with them.

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

ORDER NO. 5 – TO MOVE THE SECOND READING
OF A BILL TO PROVIDE FOR SEIZURE AND
IMPOUNDING OF LIVESTOCK AND FOR
RELATED MATTERS

SENATOR THE HON. L. V. H. LEWIS: Mr. President, there has been a lot of discussion relating to praedial larceny and the scourge of stray livestock in this country. Several persons have been asking for legislation and I notice that the Royal Barbados Police Force and others have also made comments about their inability to do this or that without appropriate legislation. My understanding is that some legislation already exists which relates to animals and animal trespass. However, except in the Scotland District area, legislation providing for impounding of animals and for them to be detained appears to be imprecise.

Hence, the Government in response to what is almost a public outcry has taken this Livestock (Control of Strays) Act to the other House and it now comes before us. The Bill provides for the seizure and impounding of stray livestock. It contains provisions for the establishment of pounds for the management of the livestock in those pounds. It provides for the manner in which the livestock found improperly wandering on highways should be dealt with as well as for the livestock which trespass on the enclosed, cultivated land including pasture land of land owners.

There is provision for enquiry regarding the ownership of any livestock which may be impounded and for the serving of notice on the owners of livestock so impounded for the cost of keeping the livestock while in pound to be recovered from the owners of those livestock.

Where the ownership is not known, the Bill provides for the manner in which the livestock should be dealt with, how it should be disposed of. It also provides an offence where persons fraudulently impound livestock belonging to other persons and there are sanctions against persons who ill-treat or who injure livestock while in pound. The Bill provides for disposal of livestock in pound after a specified period elapses. Provision is there for sale of such livestock and how livestock not sold may be disposed of. The Bill also makes provisions for regulations to be made by the appropriate Minister in its Section 19 and the regulations will prescribe the fees to be paid for the care and feeding of animals, for the posting of notice which may be required, for the forms to be used, times that the notices are to be posted and prescribes for other things that are authorised or required under the Act.

The Act also makes provision for appropriate records to be kept by the pound keepers and provides remedies in the Act in respect of livestock trespassing which shall be in addition to and not to derogate from any remedy or suit which may be undertaken under the Animals (Civil Liability) Act for purposes of trespass.

11.40 a.m.

In addition, the Act also provides that there shall be no conflict between this piece of legislation and the Cruelty to Animals Act or the Airports Act both of which provide authority for animals to be impounded.

It is believed that when this legislation comes into force that it will provide a vehicle which can be used to curb the excesses of trespass which have taken place over the last few years. The appropriate Minister is authorised to identify the places which are to be determined as pounds. It is my knowledge and understanding that it is proposed to have one such pound in the Parish of St. Michael and to have at least one or two others at other locations outside of the metropolitan area to ensure that even the movement of these animals after they are impounded does not provide an opportunity for them to become affected by having to travel long distances in transport. The appropriate Ministry also has necessary vehicles which can be used for transporting these impounded animals to the pounds.

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

The Question was put to the Senate and agreed to.

On the motion of SENATOR THE HON. L. V. H. LEWIS, Mr. PRESIDENT left the Chair and the Senate went into Committee on the Bill, SENATOR M. deL. JORDAN in the Chair.

COMMITTEE

Mr. CHAIRMAN: The Senate is in Committee.

Clauses 1 – 10 inclusive were called and passed.

Clause 11 was called.

SENATOR THE HON. L. V. H. LEWIS: Mr. Chairman, I have been going clause by clause because I was under the impression that somebody wanted to make an intervention. Unless there is such an intention I would move that all the other clauses stand part.

Clause 11 was passed.

Clause 12 was called.

SENATOR L. A. WARD: Mr. Chairman, in this Clause 12 it says "any person who drives, leads, or entices any livestock onto any land or onto any public place, square, quay, wharf, or highway, with intent to impound..." There may be a lot of loose animals, say 50 sheep. The owner is trying to surround these sheep but they stray onto some other area. This person could be liable for a lot of money, \$5 000. I feel it is something that is to protect the people who own stock from not having them falsely impounded but it could place the person who is legitimately trying to impound animals if they stray onto something else. While he is trying to do so, the person could claim he was falsely fined. That is my only concern, Sir.

SENATOR THE HON. L. V. H. LEWIS: No, Sir. I think that the goodly Senator does not comprehend the whole of the clause because there has to be an intent to impound or to procure the livestock to be impounded. If the person is legitimately rounding up their own livestock, legitimately rounding up somebody else's livestock as agent for that person, then there is nothing wrong with it. If they are doing it in order to get a reward, then they can put themselves in trouble. If they are doing it fraudulently, without authority of the owner that makes it fraudulent. It is then that they are in trouble.

SENATOR L. A. WARD: If the animal strays on your property, you have the right to surround them and impound them. What I am saying is that you may be legitimately trying to do this but they stray onto something else while you are trying to do it and these people then claim that you are impounding their animals illegally.

The question that Clause 12 stand part was put to the Senate and agreed to.

Clauses 13 – 21 inclusive were called and passed.

On motion of SENATOR THE HON. L. V. H. LEWIS, Mr. CHAIRMAN reported to His Honour the PRESIDENT the passing of one Bill in Committee and Mr. PRESIDENT resumed the Chair and reported accordingly.

11.50 a.m.

On the separate motions of SENATOR THE HON. L. V. H. LEWIS, the Bill was read a third time and passed.

**FINANCIAL ADMINISTRATION AND AUDIT
(AMENDMENT AND VALIDATION)
BILL, 1990**

Order No. 1 was called – To move the Second Reading of the Financial Administration (Amendment and Validation) Bill, 1990.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, this Bill seeks to amend the Financial Administration and Audit Act, Cap. 5 to:

1. Increase from 10% to 17½% of estimated current revenue the amount which the Minister responsible for Finance may borrow, by means of temporary advances from a bank or banks to meet the requirements of government for the current financial year; and
2. Validate previous borrowings in excess of the 10% of estimated current revenue authorized by resolution of Parliament.

Mr. President, Sir, what we are about to discuss here today is, in essence, nothing more than management of the public debt. It is somewhat unfortunate that my good friend, Senator Goddard rather than awaiting the outcome of the debate, somewhat took it upon himself, if the reports in the local newspaper happen to be correct, to take the case to the Press before actually debating it here. I do hope, that after the presentation today, that Senator Goddard would see the light and with the scales removed from his eyes would acknowledge the difference and the inherent dangers of rushing into print.

Mr. President, when Resolution No. 17 was passed by the Legislature, this Resolution gave the Minister authority and I quote:

"To borrow in any financial year from any bank or banks, by means of temporary advances, money to meet the current requirements of the government for that financial year to an amount not exceeding 10% of the estimated current revenue of the government (as contained in the Estimates passed by the House of Assembly)."

At that time, back in 1971, there was no Central Bank of Barbados. I am attempting here to put the whole resolution in its proper historical context. At that time, we were still operating under a Currency Board. Under the Currency Board, the mechanisms for adjustments are virtually automatic. There is no discretion. That is, the supply of currency in a country operating under the

Currency Board system depends on the flow of foreign exchange into and out of the country. An outflow reduces the money supply automatically. Thus there is absolute security against a balance of payments crisis but absolutely none against violent income changes, within the economy. That is, while it safeguards the integrity of the external sector, it does absolutely nothing to reduce the vicissitudes of the internal sector, that is, unemployment, inflation and other factors go virtually unchecked, under a Currency Board.

Traditionally the Sterling Boards operated under 100% backing. But since 1954, they recognized the inflexibility of such a system and found it propitious to reduce that to 80% of coverage, that is, even they themselves under the austere, strict, rigid and automatic system of the Currency Board saw it necessary, over time, to reduce the 100% backing that obtained originally to an 80% backing.

In 1973 in Barbados we heralded the advent of the Central Bank of Barbados. This was established with the avowed purpose of moving away from the automaticity and rigidity of the Currency Board to the discretionary management of the money supply of the country. In spite of the intent to change from the rigidity of the Currency Board to the discretionary aspect of the Central Bank for these 19 years, we have still held on to that 10% limit. In spite of that, in these 19 years, we saw a period of rapid economic expansion which upgraded the living standards of nearly all of the citizens of Barbados. The dynamism required for economic growth and development refused to be constrained by any relic of the Currency Board era.

It should come as no surprise that, given the rigidity of the 10% limitation that we have encountered breaches of that 10% several times. In 1981, there were breaches. And I want to go back again to the Objects and Reasons of this amendment. It is to:

- "1. increase the limit from 10% to 17½% and
2. to validate (all breaches that have occurred in the past)."

That is, to bring those breaches now within the ambit of the law. Breaches occurred in May and August 1981. Again in June and September 1982. August and December 1984, September 1988 and in 1990, January, February, October, November and now in December.

12.00 noon.

I prefaced this opening presentation by citing that it is nothing more than debt management, and if we look back over the period 1981 to the current period and we look at the distribution of debt held by the Central Bank, its

composition between Treasury Bills, Debentures and the Ways and Means Account, which is nothing more than Government's overdraft facility with the Central Bank, we will notice that there has been a change in the utilisation of these various items.

In 1980-81 the Ways and Means limit was \$39.5 million. In that year the actual amount of overdraft facility used by Government was \$29.8 million. However, total claims on the Government of Barbados were \$87.4 million. That is the ratio of the claims of Government to Ways and Means, which was about 2.2%. The inverse of that is that of total claims on Government we were utilising no more than 34% of the Ways and Means in 1981. It remained to about 47% through 1984-85.

In 1985-86 the limit on the Ways and Means was \$62.5 million at December 1985. The overdraft at that period was \$69.6 million and the ratio was about 75%. In 1987-88 the Ways and Means limit was \$69.8 million, that was the 10% ceiling at September 1987, and the actual overdraft was \$69.8 million, right at the limit, and again the composition was 77%. More use was being made of the Ways and Means Account than of either the Treasury Bill facility and/or the Debentures. In 1988-89 the limit on the Ways and Means was \$75.3 million. In September 1988 actual use was \$80.4 million and the ratio was 82%. This has now gone from about a 34% use of Ways and Means to Government indebtedness to the Central Bank to 82%, a shift in the composition of paper being held by the Central Bank for the Government of Barbados.

In 1990 the limit was \$90.5 million, at December 1989 the overdraft facility was \$89.2 million and it fell again to about 58% of usage. In February 1990 the limit was \$100.2 million, the overdraft facility \$103.3 million, over by \$3 million. In October 1990 it was over by \$9 million, the limit remaining at \$100.2 million, and the use of the overdraft facility was \$109.1 million. Of course these change every day. When this was prepared we had a usage of about \$144 million. This was early in the month of December. At today's reading the Ways and Means Account is over by \$12 million. It stands at \$112 million.

It is clear from those figures given that the breach need not have occurred if the composition of the debt had been different, that is, if greater use had been made of Treasury Bills and/or Debentures. The net effect, in terms of economic implications, would have been exactly the same, that is, you would have been creating high powered money for distribution through the economy, but yet you would not have been in breach of anything. I will get back a little later in this presentation to supply you with the loans. I am talking here about debt management, do not let us just pick out one item, let us look at the total economy and the management of the public debt of this country and how we distributed among the various items in the public debt.

Before I actually get to the loan limits, perhaps it would do us well to take a look at how we got to this point in terms of the overdrafts in this period. I will make one concession, and only one, at this point, that perhaps it might have been better during the budget presentation to have taken a look once the figures were in place and decided how we were going to finance it, and at that time decide, using debt management as a tool of economic management, what mixture of borrowings we should have put in place at that point in time. Two more opportunities presented themselves to us and we did not avail ourselves of either one of them. There was an opportunity when we went for the external debt and another when we raised the ceiling on the local loans limit. We therefore presented three opportunities to shoot at the same target.

Getting back to the concessions granted and the reasons for the overdraft facilities...

Asides.

Mr. PRESIDENT: We will not have this cross talk around the Table, this is a debate.

SENATOR THE HON. Dr. C. D. CLARKE: I posit that some of the problems arising in this one item – the Ways and Means Account, the overdraft facility – have been occasioned in part by the concessions granted to the business sector.

First of all, total revenues. What we are trying to do is to finance the difference between total expenditures, current and capital, and total revenues, current and capital receipts. Let us first look at the revenue section. Total current revenues for the period April to September fell from \$440.57 million in 1989-90 to \$410.7 million in 1991, a decrease of about \$30 million in current revenues, around 6.8%. Looking at some select items within the revenues, import duties based on the concessions granted for the same period fell from \$63.37 million in 1989-90 to \$51.6 million, a decline of \$11.7 million or 18.5%. Stamp duties also fell from \$48.5 million in 1989-90 to \$43.8 million in 1990-91. 12.10 p.m.

Total import duties including stamp duties fell from \$111.86 million in 1989-1990 to \$95.43 million in 1991, a decline of \$16.43 million or 14.7%. However (and this puts it clearly in the lap of the concessions granted) imports CIF grew, actually grew, not declined, at a rate of about 4.9% over the period April to July 1991 compared to the same period of 1989-1990; that is, you have been importing more but your revenues have been falling mainly as a result of the concessions granted.

Let's now look at the other side or consider the other blade of the scissors, that is, the current expenditure. Current expenditures for the period April to September rose. It increased from \$405.6 million in 1989-1990 to

\$440.98 million in 1991, an increase of about 8.7%. Capital expenditures rose from \$83.04 million for the same period to \$94.7 million in 1991. Total expenditures, current and capital increased from \$488.61 million in 1989-1990 to \$535.69 million, a total increase in expenditures of about 9.63%.

If we were to assume a rate of inflation of around 6% per annum then the real rate of growth in public expenditures would be somewhat fairly consistent with the real rate of growth that obtained within the economy in the year 1989. We have been hearing a lot about "squandermania" and I think it is important to address this. If we look at the real rate of growth of expenditures, they have been fairly consistent in real terms with the rate obtained in 1989. And what is even more remarkable about these data is the fact that we include the salary settlement and reclassification for public servants. The salary settlement accounted for about \$25 million and reclassification cost about \$33 million. In short, then, without those two major large increases in expenditures it is conceivable that in real terms the rate of expenditure might have been lower than it was in 1989.

Further aggravating Government's cash flow position was the fact that during the Budget presentation we deferred the payment of consumption tax from 20 to 60 days. Again, that is, Government in an attempt to enhance the cash flow position of the private sector made worse its own cash flow position by deferring the collection of consumption tax from 21 days to 60 days. This has cost Government about \$18 to \$20 million.

Let's turn our attention to the ceilings that we are talking about. There seems to be some mistaken belief that if there is a limit then of course we must push against that limit. We must at least use up all the funds available up to and including... Before I get to that to show that this need not be true from our own experience in this country, I want to make it clear that there is nothing sacred or sacrosanct about a 10% limit or 17.5% limit. It is the total debt burden and the state of the economy obtaining at that point in time. They should be our considerations and not the artificial rate of some given number, cast in stone.

As a matter of fact, if we look around the world, I think in the United States of America the Federal Government cannot borrow from the Federal Reserve system. However the Treasury will issue treasury bills and then in the secondary market through its open market operations the Federal Reserve will go into the market and buy. There is no limit as to what it will buy and this is generally a device used for controlling the money supply and the rate of interest. The sum of our Caribbean countries' limits imposed – and again our history is the same coming out of a Currency Board situation – the limits imposed have been 15% in one territory, 20% in another, these levied on total receipts, current revenues and also

capital receipts. So, it is a higher rate on a much larger base. Just for the record.

To allay any fears which may arise because we are attempting to raise the limit here, I will just indicate how we have fared, where there have been special limits for our borrowings. Under the Special Loans Act, Cap 105 and Special Loan (Amendment) Act 1973, 1977, 1981, 1983, 1987 and 1990, there is a limit of \$500 million. The amount outstanding at the 31st October, the last date for which I have firm numbers, is \$435,027,234, a difference of about \$115 million away from the ceiling.

The point I am trying to make here is that because the ceiling is raised it does not necessarily follow that one will go to the ceiling. On the Treasury Bills, Tax Reserve Certificates and Tax Refunds Certificates, they all have a total limit of \$600 million and under these outstanding you have \$458 million in Treasury Bills, \$4 million for Tax Reserves Certificates, Tax Refund Certificates of \$2 million, \$64 million out of a ceiling of \$600 million. Under the Local Loans (Amendment) Act 1990, there is a limit of \$450 million and we have drawn down \$346 million.

In short, in spite of raised limits – we have just raised the limits under the Local Loans Act – in no one instance, are we pushing against the limit but there is a comfortable margin within those areas. We have pointed out that under the Treasury Bill arrangement with the Central Bank, which seems to be the concern where we stand *vis-a-vis* the Central Bank, there is no statutory limit on that and the amount outstanding on 24th December was \$79.7 million. If we went back to the 17th December at that time there was about \$29 million outstanding. We are now proposing to move the Ways and Means limit from 10% to 17.5% but since this bit of legislation was introduced in the other place the actual amount outstanding, that is the amount by which the ceiling has been exceeded, has actually been reduced and this is due to the fact that the mix of debt has been changing to land tax payments, real estate taxes have been coming in and we have not yet drawn down to the best of my knowledge the foreign loan. Once we draw down the foreign loan, then of course we should be even below the original ceiling.

Under Government debentures, there is no parliamentary limit and we have only drawn down \$12.1 million from the Central Bank.

12.20 p.m.

Had we used either Treasury Bills and/or Government debentures this exercise would have been purely academic. It is my understanding that the only difference between the use of Treasury Bills and the Ways and Means Account is that the rate of interest charged to Government is slightly higher for Treasury Bills than it is for the Ways and Means Account.

In concluding this presentation, Mr. President, it is my firm belief that once we draw down the first tranche of the £9 million of the £30 million recently raised on the London Exchange and this is deposited, land taxes are coming in, and if we should either increase debentures and/or Treasury Bills holdings, the Ways and Means limit will even fall below the existing 10% rather than going up the other way to the 70% being suggested.

This amendment then does nothing more than to give the Minister of Finance greater flexibility in the management of the economy of Barbados. We are seeking nothing more than greater flexibility and less rigidity for managing the economy. We would hope that debt management would be seen as a co-equal and as useful a tool as either fiscal policy and/or monetary policy in achieving the objectives of the economy.

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

SENATOR J. S. GODDARD: Mr. President, let me say at the outset I did not expect I would be here today. My wife has been ill for the past 6 weeks. We were advised that she should go to Miami for further medical tests. I left the last sitting of this Honourable Chamber last Wednesday at the luncheon break to start making those arrangements. I concluded them on the Thursday. Fortunately, some of the equipment at the Queen Elizabeth Hospital which had been out of order was repaired in time. The medical specialists were able to carry out the final tests Friday morning. We got the results on Friday evening. Christmas Eve this year has been the happiest day of my life when I was able to cancel all the arrangements we had made to fly to Miami to see specialist doctors and to enter the hospital.

Knowing that, I wrote to the Clerk of Parliament asking for leave of absence up until probably around January 15. I also discussed with one of the Deputy Clerks and told him I had very strong feelings on this Bill and the implications of it, whether it would be in order for me, since I did not expect to be in the Island when it was debated, to make my thoughts and concerns on it known to the citizens of this country. I was advised that the Bill had been gazetted so it was in the public domain. As a citizen of this country I had the same right as any other citizen to make my thoughts and concerns public. It is because of those reasons that I decided to write to both daily newspapers to share my thoughts and concerns on the Bill before us today.

This Bill on the surface may appear harmless. It is very short. It only has three sections. One section deals with the amendment whereby the existing limit overdraft of 10% of estimated current revenue is being increased by 75% to 17.5%. I agree with Senator Clarke. There is nothing magical in 10%, or 12% or 15%. If this had come about as a result of conscious deliberation when the existing overdraft

facility was way below the existing limit, I would have no difficulty. But it is coming about because the limit has been exceeded significantly.

Sir, if I may draw a parallel. We know the speed limit on the ABC Highway is 60 kilometers per hour. I am sure most of us occasionally will go over 64 kilometers, 65 kilometers when that limit has been breached in the past by nominal amounts. It has happened and it will happen. If we are caught going at 100 kilometers per hour when the limit is 60 kilometers, that could not be just an oversight. That is a significant variation from the limit determined by law.

Sir, to go from 10% to 17.5% is a quantum leap of 75% increase. The only comparison I can make is with Jamaica where in 1976 the Bank of Jamaica Law was amended to allow an even greater quantum leap of 100%. As a result of that, there was a considerable monetary expansion in that country and pressure on their balance of payments. We know what the state of the Jamaica economy was by the end of the 1970's. I am not saying this was the only reason that created that disequilibrium in the economy. I am saying it was one of the significant reasons that caused it.

The second part of this Bill deals with validation. I know of no comparable situation. There may be some and I would like to be advised. But validation to me takes care of routine matters which are of no great import. In this case, we are asked to validate something which was a significant breach of the existing law. I believe validation under these circumstances sets a very bad principle.

If I may turn to what is the Government's monetary policy, I turn to their Development Plan 1988-1993 page 46. I read just the first paragraph, Sir:-

"Government continues to pay careful attention to the broad money supply, to money creation through Government's borrowing from the Central Bank, and to interest rates, in order to strike the correct balance between growth in these variables, the rate of inflation and a viable external position."

12.30 p.m.

Sir, I have supported that monetary policy in this Chamber for the last 4½ years. I see this Bill as a possible departure from that policy.

My friend Senator Clarke in his opening remarks said that this Bill was nothing more than measures dealing with the management of public debt. To my way of thinking, it raises far more fundamental questions than the management of public debt. I see in it, the question of the rule of law and morality in public affairs. Mr. President, there is no doubt about it that the Government is in flagrant violation of the existing law pertaining to the Ways and Means. The limit

stands right now at 10% and the borrowing is way in excess of that.

The Government had two opportunities recently to explain to this Honourable Chamber the pressure that they were under. On October 31 we dealt here with increasing the limit of Government's local borrowings. No mention was made of having to have recourse to borrowing from the Central Bank over the established limits. Again, Sir, on December 12, when in here we debated the £30 million sterling loan from the London money market no reference was made to that. I think we had every right to assume in here that everything was going smoothly and in accordance with the Law. I do not know why that information was not made known because when you are dealing with debt you have to deal with the total position said earlier today.

I can only assume that this Bill has been very hurriedly drafted.

Mr. PRESIDENT: Are you suggesting that the thing is in breach of the Law?

SENATOR J. S. GODDARD: I am suggesting, Mr. President, that the Government's Ways and Means advances from the Central Bank...

Mr. PRESIDENT: I am only dealing with what is before us. I want to be clear on these things in here; that what is stated in here is in breach of Law; that something is introduced in here that is in breach of the law. What is the law governing what is introduced and what it is in breach of?

I should like to have specifics on these things. I do not wish to have a general debate on these things and have Honourable Senators going around becoming their own lawyers. What is in breach of the Law? I should like to know what is in breach of the Law so that I can have legal advice on which is in breach of the Law. Because that is a specific statement you have made, that something has been introduced that is in breach of the Law. I just want to get these things clear. It is more than a debate now. It is a statement of fact, that something is in breach of the Law and I want to be sure, as President of the Senate, that what you have said is correct.

SENATOR J. S. GODDARD: Thank you, Mr. President. I will try and clarify that. What I am saying is that the existing law allows Government to borrow money from banks to the extent of 10% of the estimated current revenue. In effect, Government's borrowings is way in excess of that legal limit. I believe Senator Clarke confirmed that, in his opening remarks. That is where I contend, Sir, Government's action is in breach of the existing law.

I go further, Sir, there was no need for that breach, because as Senator Clarke also said, they could have resorted to having the Central Bank take up more Treasury Bills and the Ways and Means Account would have remained within the 10% limit. I do not know why Government did not go that route.

This is why, Mr. President, I introduced the question of the morality of Government acting in breach of the Law, as I have explained. And not just any agency of Government. This would have to have been done with the knowledge and approval of the Cabinet.

SENATOR THE HON. L. V. H. LEWIS: Mr. President, on a point of order. The Senator would not know that matters of this nature are not matters which are necessarily communicated by the Cabinet. The manner in which information is communicated is a matter between the Central Bank of Barbados and the Minister of Finance. Not another soul. I am just putting the record straight because you obviously do not know.

SENATOR J. S. GODDARD: I thank Senator Lewis for that explanation. What I am saying, Sir, is that the amending and validating legislation coming before us today, I would assume has come with the knowledge and the approval of the Cabinet. I stand to be corrected. That is what I meant. Maybe I did express myself badly.

If that is correct and Senator Lewis wishes to confirm that, what sort of message is the Cabinet sending to the people of this country? Amendment and validation. If we can amend and validate this, can we amend and validate everything else?

SENATOR THE HON. Dr. C. D. CLARKE: On a point of order, Sir. I do not really want to interrupt your debate, Senator Goddard. We are talking about validating breaches of the Act from 1981, not just what we have currently done. From 1981, we are trying to make it legal, rather than allowing the illegality to remain on the books. That is all we are trying to do.

SENATOR J. S. GODDARD: Yes, Mr. President, I understand that. But as I said earlier, the earlier breaches were nominal.

Aside.

SENATOR J. S. GODDARD: Still breaches of the Law. This recent one is substantial and significant.

I am concerned with the message that this type of amending and validating legislation is sending to the public of this country. The Government must be seen to be leading by example. I believe this is setting a bad example.

I would sincerely ask that Government withdraw this Bill. But if that is not possible, for whatever reason, I would plead with Government Senators not be bound by party loyalty, on this occasion, but to vote in what is the best interest for this country.

I believe this Chamber should be sending to the Cabinet and to both parties in Opposition a very clear message, that the people of this country expect them to respect the Rule of Law and expect the highest standard of morality in public affairs.

Mr. President, in the 4^{1/2} years I have served in this Chamber, I have never felt stronger on any resolution or Bill that has come before us.

I trust Government Senators will vote in accordance with their conscience and the best interest of this country. Thank you, Sir.

SENATOR A. W. A. McCLEAN: Mr. President, I have served in this Chamber for about 7 years and I can easily say that this is the most unfortunate piece of legislation ever to be presented in this Chamber whilst I was a member of it. Indeed I find it very difficult to identify any legislation which was ever passed, through this Parliament, that stands so much as a threat to the Rule of Law and to the prudent management of this country's affairs. In both its aspects, in terms of seeking to increase the limit and also in terms of seeking to validate previous breaches of the legal limit and Government's temporary borrowings, it is a most unfortunate piece of legislation.

I differ from Senator Clarke in suggesting that all this does is to give Government added flexibility in the management of the public debt. It gives Government greater flexibility to mismanage the public debt. I would want to distinguish between management and mismanagement because a limit of 17.5% of the estimated current revenue as a temporary advance in relation to Government having to experience fluctuation between its overall revenues current and capital and its overall expenditure during the course of the year, that is altogether excessive.
12.40 p.m.

The essential character of the temporary overdraft is that it should fluctuate from time to time perhaps even more than once during the course of a year and should zero out, it should not develop a hard core – let us say, 50, 60, \$100 million – below which it never really falls. The basic reason for that is that as far as the final deficit is concerned, Government is supposed to put in place more or less definite financing, either of a long term, short term or medium term nature, even Treasury Bills, for such deficits as they accumulate from year to year. That aspect of Government's financing is aggregated and identified as a public debt. The Ways and Means Account with the Central

Bank is not even identified as part and parcel of the public debt in that ordinary sense. This account is seen just merely as accommodating those week to week, month to month variations in Government revenue and expenditure and should not be seen as any permanent source of financing for Government's deficits.

To have 17.5% of estimated revenue is to have a situation where more than two months estimated revenue is supposed to build up by way of a shortfall between revenues and expenditures. This would only be something which would seem to be appropriate if it was appropriate for Government to target for an overall deficit somewhere in the vicinity of 35%, at least twice the amount of the provision, of the estimated revenue. That we know would be most unfortunate budgeting and would land this country in considerable trouble.

Again, looking at the particular limit, when you relate it to the capacity of the Central Bank – and remember, right now this is reduced to a situation where Government has concentrated its temporary borrowings in the Central Bank – that is one of the conventions which has developed subsequent to the establishment of the Central Bank. It is not within the capability of the Central Bank at this juncture to be a net lender to Government to the tune of \$175 million. Remember, this is what we are raising the advances limit to, and the presumption is that for whatever types of reasons the Central Bank will still probably be holding Debentures and Treasury Bills, so to presume that you should set the overdraft limit, the advances, at \$175 million would have to relate to some notion that the overall level of Government borrowing from the Central Bank is going to be significantly in excess of that. Our Central Bank does not have that capability to lend that amount of money without in turn having to go cap in hand to foreign financial institutions to borrow from them either on a short term temporary basis or on a longer term basis. In other words, our Central Bank does not have that capability to lend that amount to the Government and have positive available net foreign assets of its own.

Senator Clarke omitted to indicate that almost in step with the excesses on this Ways and Means Account here the Central Bank's available net foreign asset position sank into the red, so that if the Government was about \$60 million over the limit, if you check around that same time, the net foreign asset position of the Central Bank would have been about \$60 million, or a little less than that, in the red.

I have on many occasions explained the reasoning behind that and I have said that any time the Central Bank in our present circumstances should increase its holding of local assets, that is, claims against the Government or even claims against commercial banks, that the net foreign position is going to go into the red, and when I pointed to the evidence in the Central Bank publication we had some

very inane comments from the other side about correlation and causation not being the same thing.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, I am sorry to interrupt, on a point of order. I have with me here the most recent statement from the Central Bank, the daily position. Senator McClean is misleading this Chamber when he said that the net foreign assets of the Central Bank are negative. I have here, foreign exchange net a positive number, \$197,662,943.63, at December 27, 1990. It is a positive number.

SENATOR A. W. A. McCLEAN: Mr. President, I could not purport to present to you what the foreign exchange would be on that particular date and therefore I was not speaking about that date, but I refer you to the latest publication of Economic and Financial Statistics, November 1990, in relation to the foreign position of the Central Bank where you will see the latest figure published in September 1990 and the foreign assets of the Central Bank, the gross amount, \$195.8 million, and then you have the foreign liabilities adjusted, they are going to deduct from that amount the foreign liabilities adjusted, and by that they are not deducting the full amount of the foreign liabilities of the Central Bank but only those that are due for repayment in less than 12 months. If you look at that figure, that is \$72.1 million, and you deduct that from the \$195.8 million you get \$123.7 million as the net foreign reserves of the Central Bank at the end of September, but that is not the net available foreign reserves of the Central Bank. The Central Bank itself makes a calculation of its net available foreign reserves, and Senator Clarke as Minister of State in the Ministry of Finance should know that, that they would deduct from this figure..... They would have to inform the Minister of Finance..... If he does not know what goes on, maybe he has no right being.....

Mr. PRESIDENT: Do not let us have that kind of discussion, that is not suitable for in here.

SENATOR A. W. A. McCLEAN: They have to deduct that figure, and the figure is slightly below \$140 million as around September. That \$140 million comprises a figure which you will find in this publication, the details of the assets of the Central Bank, which can be found in Table A3, where CMCF balances would be shown as \$115.3 million, but that represents the principal component of the balances. If you look at any Annual Report of the Central Bank you will see that the Central Bank has accrued as income some \$24 million which has never been paid ... and that stands as included in their overall balance sheet position. So, you add that amount to this \$115 million and you get a figure of \$140 million approximately. When you deduct that \$140 million, you will find that at the end of September, the Central Bank would have been in the red. Its net available foreign assets will be negative by \$17 million and that will be \$195.8 minus \$72.1 minus \$140 million. 12.50 p.m.

Mr. PRESIDENT: What are you reading from, Senator? What figures are you reading from precisely? I do not mean the paper that you are holding up. The figures that you quoted.

SENATOR A. W. A. McCLEAN: I am reading here, Mr. President, from papers.

Mr. PRESIDENT: The figures that you quoted that from the deficit.

SENATOR A. W. A. McCLEAN: I am reading from Table H1 on page 64 of the Economic and Financial Statistics of November 1990 and also the figures you will see there would be the \$195.8 million and \$72.1 million that I mentioned earlier. Then you have to turn to Table A3 on page 6 and you will see \$115.3 million and you can turn to the notes of any report, the latest annual report of the Central Bank.

Mr. PRESIDENT: You can't ask the Senate to turn to the notes. You are quoting these things.

SENATOR A. W. A. McCLEAN: I didn't quote that, Mr. President, I mentioned that from memory, but I can quote it for you if you want me to quote it. I would never mislead this Senate like other certain Members around here.

Mr. PRESIDENT: No. No. I can't have that. You can't accuse Honourable Members of misleading the Senate.

SENATOR A. W. A. McCLEAN: I will quote it for you. It is in here.

Mr. PRESIDENT: No. I am telling you you can't say, "Like other Honourable Members do". You cannot say that.

SENATOR A. W. A. McCLEAN: I withdraw that, Sir. I didn't say Honourable Members.

Mr. PRESIDENT: Oh well. It would be worse.

SENATOR A. W. A. McCLEAN: Only a few Members are Honourable. I wasn't talking about the Honourable Members.

Mr. PRESIDENT: No. No. No. All Members are Honourable in this Chamber, please. I think you are a little bit off-side, now.

SENATOR A. W. A. McCLEAN: No. The Ministers are the Honourable Members.

Mr. PRESIDENT: No. All Members are Honourable Members. This is the Chamber of the Senate.

SENATOR A. W. A. McCLEAN: Here in the Central Bank Barbados Annual Report, 1989 on page 34 – Notes To Accounts.

Balances Held Abroad – Note 2. It says here: Balances held abroad include the following balances of the CARICOM MULTILATERAL CLEARING FACILITY – principal as at the end of 1989: \$115,271,453 interest, \$24,645,168 totalling \$139,916,621 which is approximately \$140 million that I mentioned.

There is another note in here which I won't relay as I don't want to use up my time reading the notes about the accrual. I would like to get on to other things.

Aside.

SENATOR A. W. A. McCLEAN: You can read it. I don't have to inform you about these things.

Mr. PRESIDENT: Senator McClean. Would you please do not answer across the table. You are addressing the Chair.

SENATOR A. W. A. McCLEAN: So, I am saying, Mr. President, thank you. I wouldn't respond to anything across that side of the table. I am saying that at the end of September, the available net foreign asset position of the Central Bank was negative. It was in the red.

SENATOR THE HON. Dr. C. D. CLARKE: On a point of order, Sir. I want the Honourable Senator McClean to tell this Chamber where he is quoting that figure from. The document he has just read from. Tell us where to find that figure you are quoting. If you ask us to accept what you are saying on faith, you are no... He is a guru, but he is no priest. Tell me where I can find the figure that you cite as negative.

SENATOR A. W. A. McCLEAN: I did it already. I don't have to repeat myself unless the President asks me so to do.

Mr. PRESIDENT: You don't have to. He could ignore this remark. Just proceed.

SENATOR A. W. A. McCLEAN: If persons are not capable of interpreting information, that is their problem, not mine. I state it as a fact.

Mr. PRESIDENT: I don't want those insinuations to be made to Members of the Senate. You all are Honourable Members and those remarks are not honourable.

SENATOR A. W. A. McCLEAN: And it is quite evident that the situation of the Central Bank has deteriorated subsequent to September because it was called upon to lend ever increasing amounts to the Central

Government. At the end of September, the total claims against the Central Government stood at \$123,305,000.

SENATOR THE HON. L. V. H. LEWIS: Mr. President, I am not thrilled to have to interrupt Senator McClean in the middle of his presentation but I think we should suspend for lunch and resume at two o'clock and allow him to continue when we resume.

I therefore beg to move that this Sitting be suspended until 2:00 p.m.

The question was put to the Senate and agreed to.
1.00 p.m.

RESUMPTION OF SITTING

Mr. PRESIDENT: The Senate is in session.

SENATOR A. W. A. McCLEAN: Mr. President, at the suspension I was indicating that the limit of 17.5% of estimated current revenue is far too much for temporary borrowings from the Central Bank. I indicated that the figure was unrealistically high having regard to the particular purposes for which those temporary borrowings should be put by Government, that is, to bridge the temporary gap between inflows and outflows of funds on current and capital account.

I suggested that such a level, if adhered to, would result in a situation where that account would develop a hard core and that was not the intention of that particular Ways and Means Account. It was supposed to zero out from time to time. Basically, Government has a responsibility to put in place more conventional means of finance for its deficit as it accumulates from year to year. It should not use the Ways and Means Account for such a purpose. In recognition of this point I indicated that the Ways and Means Account is not even recognised as part of the Government debt as published from time to time.

I further said that beyond the question of the unrealistically high level from the point of view of the Government finances, it is beyond the capacity of the Central Bank to accommodate Government to that extent without having to borrow substantially from foreign institutions and going into a position where it has negative net available foreign assets.

I pointed out that at September the information as published by the Central Bank clearly indicated that the net available foreign assets of the Central Bank became negative. At the point of suspension I was indicating that the trends in Government borrowing from the Central Bank since that date had been such that you can rest assured that the Central Bank has been plunged deeper and deeper into the red. I can state with confidence on the basis of projections rather than my having access to the figures that

at some stage during the last two months before whatever inflows Government might have had recently, the Central Bank would definitely have been in the red by an excess of \$60 million. I am not so sure that situation is much improved from that.

We heard from Senator Clarke some reference to numbers but no full information as to what those numbers represent. Maybe in his reply he can supply the latest up-to-date information as of yesterday's date or whatever date he should choose. The fact of the matter is there is no way that the Central Bank of Barbados, having regard to the CMCF situation, and having regard to the value of its fixed assets, can lend the Government of Barbados \$175 million and not have negative available foreign assets.

The reason for that is that the real basis on which the Central Bank is able to hold assets either local or foreign the more substantial element of it would relate to the currency issue and the deposits held by commercial banks with the Central Bank. Those two elements are the significant fundamental elements on which the Central Bank is able to hold assets. There are other things like the total capital in reserves but that is trivial. The December 17, 1990 Gazette and also the last Annual Report, contain the statement of conditions of the Central Bank as at September and also as at August. As at September the total capital reserves of the Central Bank was a mere \$7 462 589. It used to be \$12 million. Remember last year the Central Bank lost \$4 537 411 so it has been eroded down to that figure. We can rest assured that the erosion has not yet been halted.

There will also be one or two other smaller elements that can be regarded more or less as the permanent liabilities, so to speak, of the Central Bank that they would not expect would be drawn down. Basically, focussing on the currency and deposits of the Central Bank which fluctuate downward sometimes but generally grow upwards, not entirely monetary, in September the notes and coins in circulation was \$213 621 326. The deposits by the banks were \$117 266 693 giving a figure somewhere in the vicinity of \$340 million. Add in the capital reserves to that you get \$348 million. If someone wants to be finicky and identify a couple of millions here and there that you can also add to that figure, you could probably bump it up to \$360 million, \$370 million or \$375 million.

Out of this figure the Central Bank will have to hold its net foreign assets because if it should borrow money from somebody overseas to hold foreign assets, those are not going to be net although in the Central Bank's presentation if it borrows it for more than a year, it will represent that situation generating a net increase in its available foreign assets position. In relation to that \$340 million, \$140 million right off the top is the CMCF bad debt leaving \$200 million.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, on a point of order. I certainly did not want to interrupt Senator McClean immediately after lunch. I thought it was made quite clear that the CMCF arrangement is not a bad debt. That was made explicitly clear in here. Further evidence that it is not a bad debt is that it is now being serviced. I would hope that Senator McClean would refrain from referring to it as a bad debt.

SENATOR A. W. A. McCLEAN: As I said, the CMCF bad debt. Quite clearly there are definite financial guidelines as to when a debt is a bad debt. This debt meets those guidelines. If \$2 million is servicing of a debt of \$140 million plus, plus, plus a lot of unpaid interest, such \$2 million being less than the annual accrual of interest, if that is servicing of a debt and that transforms it from being a bad debt to a good debt, well Senator Clarke is entitled to hold on to his interpretation of the debt. In my opinion it is a bad debt. It is a sum which is not available to the Central Bank at this time, has not been for the past seven years for use in settlement of any of its obligations. That is the basis on which you have to deduct it. That is the basis on which the Central Bank in its own calculations of its available foreign assets deducts the said amount.

When you deduct that \$140 million from the \$348 million that I mentioned, you get \$208 million. Then you have to deduct the net fixed assets of the Central Bank, \$94 419 559, such net fixed assets being predominantly represented by the building on Roebuck Street in Church Village, whichever way you want to look at it at the back or the front. That brings it down to a figure of just about \$112 million or thereabouts.

Now that \$112 million, even if that was held predominantly in foreign assets, the Central Bank would have been in a position not the most rosy because that would represent less than two months imports for Barbados. There are many people who believe that a safe and prudent level of net foreign assets of the Central Bank should be in excess of that figure. The people who make those judgements do not necessarily add in any balances held by commercial banks. Let us say the people who say three months – this is a figure which comes out of the Central Bank. That view has been expressed by the Central Bank that three months would be a safe level. Let us say that they were even including the balances held by commercial banks. The balances held by the commercial banks are usually less than a month of reserves. Therefore, they are telling you too that it should be somewhat in excess of two months.

The Central Bank, with all the best will in the world, even if Government did not borrow one cent from it, cannot now at this stage have in excess of \$2 million in net available foreign assets unless it engages in long-term foreign borrowing. You should recall that we are here suggesting that the Central Bank should be in a position to

accommodate Government to the extent of over two months in terms of its estimated current revenue which also would be more than two months in terms of the estimated current expenditures.

2.10 p.m.

That, to my way of thinking, is excessive. But it certainly is necessary that the Central Bank should be in a position to have reserves to the tune of about two months of our imports. When you then factor in Government borrowing from this, when Government goes and borrows more than that \$112 million, the Central Bank has no reserves of its own. That \$112 million is fairly close to the \$100 million limit. That is why I indicated to you that, as Government burst that \$100 million limit, almost in step with that, you would find the net available foreign assets of the Central Bank declining. There are certain other little numbers involved in there but remember Government also borrows from the Central Bank in terms of Treasury Bills and debentures.

If for no other reason, anyone with responsibility for managing the affairs of this country in this point in time should recognize that Government must so manage its debt as not to lean on the Central Bank for any length of time for any significant amount of money. This point was well taken by the previous Minister of Finance. If you check the position of the Central Bank, Government's net position with the Central Bank for 1987, you would discover that Government was a net lender to the Central Bank. To discover that you would have also to look at Table A2, the liability side of the Central Bank. Not only at A1 where you have the total loans.

Let us take somewhere around June 1987. In June 1987 Government had special deposits to the tune of \$178 636 000 and other deposits of \$24 637 000 making an amount of about \$202 million with the Central Bank as against borrowings totalling \$85.779 million. So Government was a rather substantial net lender to the Central Bank. That situation obtained for some time immediately prior and after the date mentioned by me. It was in those periods that the balance of payments of this country remained fairly buoyant the reserves of the Central Bank remained fairly buoyant. All that has been turned around by the present administration. It has drawn down the full amount of the deposit just mentioned by me. It has increased the amount borrowed under the advances, the Ways and Means Account and so on. That has resulted in the situation where the Central Bank now is technically insolvent in the sense that its short-term foreign liabilities are far in excess of its foreign assets.

If the financial institutions that have been accommodating the Central Bank of Barbados decide that that accommodation is going to come to an end as from the due date, the Central Bank of Barbados would have to default. It could not meet that obligation. That is an

altogether serious state of affairs and any responsible Government which is seeking to manage the debt must be cognizant of this and should not put the Central Bank in such an untenable situation.

It cannot be said that the 10% and the 17.5% is neither here nor there. Seventeen point five per cent is excessive on any calculus even viewing it from the point of Government finances and the flow of capital and current revenues and expenditures. It is totally inappropriate when you view it from the perspective of the Central Bank and the reserves of the country.

Time after time, in this Chamber, I have warned Government during the course of this year that they should put in place finances for projected deficit and I warned almost every time we had a money resolution or some similar thing that they had not done that and that they were going to create precisely the situation which confronted us today where you would have to engage in the legal borrowing from the Central Bank and drive the Central Bank deep into insolvency. That is irresponsibility. If you want to call that financial management, call it that, if you will. But it is nothing more or less than financial mismanagement.

I have been asked by several persons why Government would want to engage, not even so much in the excessive borrowing from the Central Bank, but borrowing in excess of the legal limit on the Ways and Means Account. Persons who ask that question are fully aware that Government had the option of asking the Central Bank to hold Treasury Bills. Of course the Central Bank could have resisted that request to hold Treasury Bills because the Central Bank still has that degree of control over its own affairs. I do not know whether or not the Central Bank resisted holding more Treasury Bills having regard to the overall claims they had against Government in the lead up to this illegality. But that is one possible explanation that the Central Bank, in its deliberate judgement informed Government that it was lending sufficient to Government. If the Central Bank had done that, I would commend them for doing that. But they should have gone further. If the Central Bank did not do that, if the Central Bank did not endeavour to hold the line against excessive lending to Government, I would want to remind the Central Bank and everyone else of the provision in the Central Bank Act, this is Cap. 323C of the Laws of Barbados and I am reading Section 48 of that Act where it says:

"Whenever the total amount of credit being extended by the Bank (that is the Central Bank) to the Government, its institutions, agencies and statutory boards by advances under section 45, the acquisition of evidences of indebtedness under section 32 (b) and 46, and the acceptance of securities as collateral under section 32 (c) (i) (D) threaten either -

(a) to exceed the amount agreed under section 47 (a); or

(b) to endanger monetary stability, the Bank shall submit a report to the Minister drawing attention to the situation, analysing the causes which have led thereto, and recommending measures which it deems necessary to forestall or otherwise remedy the situation."

The Laws of Barbados enjoins the Central Bank to make its own judgement as to what is a dangerous level of Central Bank lending to Government and Government agencies. Reference was made to agreement under section 47. Section 47 reads as follows:

"The Bank shall be consulted by –

- (a) the Minister on the total amount of credit to be extended by the Bank to the Government during the Government's financial year;
- (b) the Government, its institutions and agencies, and statutory boards at any time when either domestic or foreign credit operations are contemplated and in the event that, in the opinion of the Bank, such operations individually or collectively appear to be of a magnitude inappropriate to prevailing economic conditions, the Bank shall report to the Minister, drawing attention to the situation and recommending measures to remedy the situation."

What I am saying here is that the Bank is under a legal and a moral obligation to monitor its lending to Government, monitor the overall composition of Government claims against it and to determine whether or not such claims threaten to be excessive. First of all, we should get Government to agree to constrain those claims within certain limits. Quite clearly the Central Bank should not agree to anything which is damaging to the country. If Government should then breach that agreement or even in spite of that agreement, the limit has proven to be excessive, on other grounds, the Central Bank has a responsibility to draw it to the attention of the Minister that this is the situation and make recommendations.

2.20 p.m.

Section 49 indicates what the Minister can do. Section 49 states:

- "(1) If, after consultation with the Bank, the Minister is of the opinion that the policies being pursued by the Bank are not adequate for, or conducive to, the achievement of the purposes of the Bank as set out in section 5, the Minister may issue a written order to the Bank determining the policy to be adopted by the Bank, and the Bank shall

thereupon give effect to that policy while the order remains in operation.

- (2) The order acknowledging the Government's assumption of responsibility for the policy shall be published forthwith in the Official Gazette.
- (3) The Minister shall cause to be laid before Parliament, as soon as may be after the Minister has informed the Bank of the policy determined, a copy of the order determining the policy, and statements by the Minister and the Bank in respect of the matter which occasioned the issuance of the order."

So I am saying that it may have been that the Central Bank started out on its right course, but if perchance it has been deflected from that course and the Minister has determined their policy, certain legal steps should follow involving the actions of the Central Bank and the actions of the Minister. Until such time as those legal steps have been followed, we must presume that the Central Bank had not so acted, in which case the Central Bank stands accused of irresponsibility in this matter in allowing Government to borrow beyond a safe, prudent limit from the Central Bank, especially in circumstances where such excessive borrowing should not have been necessary.

I want to indicate to everyone that the passing of this legislation here and the validation of the previous illegality will not in one jot affect what is prudent, will not in any degree modify the prudent limits on Central Bank lending to Government. It may be legal but it would still be wrong for the Central Bank to lend \$175 million to the Government in any form, under Ways and Means or anything else, in the present circumstances in Barbados. Notwithstanding the passing of this Bill into law, the Central Bank still has that responsibility to adhere to sound financial practices. It has to exercise its moral and legal responsibility, because we are not changing the Central Bank Act. It still has that legal responsibility under the Central Bank Act to do the right thing, which is to say "No" to Government, to say "You cannot borrow this amount from the Central Bank. If you want to do it, determine our policies and we will acknowledge that and get it published in the Gazette and you go to Parliament and face Parliament on the matter."

What is happening at the moment is totally wrong. People talk about the Central Bank being a creature of the Minister and so on, but that is not so. This legislation confers upon the Central Bank a certain degree of responsibility and a certain degree of autonomy, but quite clearly you can only have one Government in a situation, and if Government is bent on destroying the country they can determine the policies of the Central Bank and tell them what to do.

Mr. PRESIDENT: I think you are using strong language, though. Be careful. If the Government is bent on destroying the country, be careful. Do not let things run away with you. I cannot have you making those kinds of vapid statements. You are debating something, you cannot say that the Government is bent on destroying the country. You do not expect me to allow you to say that!

SENATOR A. W. A. McCLEAN: I will rephrase it, Mr. President. If the Government is bent on pursuing imprudent, dangerous and irresponsible fiscal and monetary policies...

Mr. PRESIDENT: Use all those kinds of phrases, carry them into all the rubbish language, but do not come to me and say that the Government is out for destroying the country. What kind of illogic is that you are saying?

SENATOR A. W. A. McCLEAN: Yes, Mr. President, I have taken your word and I am using the other language.

Mr. PRESIDENT: The other language may be language suitable for outside. You have to use parliamentary language in here, because it is going down on record that the Government is out for destroying the country. How is this going to be read by future generations? Be careful with the language. Do not become too exasperated with your own words.

SENATOR A. W. A. McCLEAN: If the Government is bent on pursuing policies which the Central Bank is aware are injurious to this country,...

Mr. PRESIDENT: That is better.

SENATOR A. W. A. McCLEAN: . . . the Central Bank has that responsibility to signal to the Minister that they consider that to be the situation. They have a responsibility to stick to their guns and let the law take its course. Do not anticipate the Minister and accommodate him in things which they in their own judgment consider to be wrong. I am saying that I do not have to wait on the Central Bank to tell me what is right and what is wrong in terms of prudent levels of lending to Government. I am capable of exercising my independent judgment on that, and any time the Central Bank should make a determination that an imprudent level of lending is wrong, I am capable of identifying that they have gone wrong also.

I am saying that in the present situation, to the extent that we do not see a situation where it has been announced that the Minister has determined the policies of the Central Bank, something is wrong not only with the policies of the Ministry but with the Central Bank and I am calling on the Central Bank to get back on track and represent the interest they are supposed to be protecting under the law.

I am also calling on the Senators on the other side. On the last occasion we were here we saw what Senators can do. We do not know why, but I am saying that if there was any reasonable basis for Government Senators to vote down the Resolution on the leasing of lands, they have all the more justification now, because what is at stake is far, far greater. The health of the economy of Barbados is at stake. The rule of law is at stake. We are about to undermine the ability for the business community and individuals, both here and abroad, to examine the laws of Barbados and determine that the Government will comport itself and adhere to the laws and that I can make decisions and rely on that.

Do not fool yourself that this law relating to the limit on Ways and Means is not a significant and important thing. This is a factor which international investors, people who lend to the Government of Barbados, will look at. They will be evaluating the constraints from Government expenditure and the ways in which Government can finance that expenditure. People would have lent money to the Barbados Government on that basis, to be told now that the Government accords no respect to going back to validate things going back from 1971 when the Resolution was put in place. It is as though that Resolution was never put in place.

SENATOR THE HON. Dr. C. D. CLARKE: On a point of order, Sir. I was at pains to point out in my introduction that the validation goes back to 1981, not 1971. I would hope that Senator McClean would refrain from misquoting. I was at pains to make that point and I am sure it was not lost on Senator McClean.

SENATOR A. W. A. McCLEAN: I do not agree with that, because I have the Bill too. The Bill on page 3 here states:

"Notwithstanding anything contained in the Financial Administration and Audit Act any money borrowed at any time before the commencement of this Act in contravention of the limit specified by resolution under section 25(1) of that Act shall be deemed to have been lawfully and validly borrowed."

The last Resolution to be put in place is the 1971 Resolution. This goes back to 1971, not 1981.
2.30 p.m.

If you are bringing legislation and you don't understand it, that is a full indication that you are probably doing something that is wrong.

SENATOR THE HON. Dr. C. D. CLARKE: On a point of order. There were only breaches since 1981. There is nothing to validate prior to 1981, if the breaches occur in 1981 and subsequent to that period.

SENATOR A. W. A. McCLEAN: This legislation still validates everything right back to 1971, whether the breaches exist, were known to exist or whether they were discovered subsequently. It validates right back to 1971. It is as though that Resolution was never really passed. That is what is happening here. There is no cut-off line in relation... Nowhere in this Bill is reference made to 1981, 1982, 1984 or anything like that. Basically, what I am saying, is that you have a situation where you are getting a rather material change of an indefensible nature because no one can defend the 17.5% limit and you are going back and validating.

It means therefore that anyone who is going to make a judgment as to the future behaviour of this Administration must factor this information into their understanding of things and would understand that validating legislation going back from the commencement of prior legislation is in order with this Government. They will understand that the Government is inclined to validate their actions even when those actions are demonstrably damaging to the economy so that you are really on dangerous grounds. In relation to the Rule of Law, we have to have certain ground rules on which we are going to play and one of those ground rules is that in important matters when the Law is stated, that's the way it should be until it is changed, and retroactive legislation should be engaged in sparingly and on matters which are matters of consensus (not of dispute) where, for example, we can agree people should have had a little more time to register companies or something like that and therefore we would validate efforts by people to register even though it was out of time. That is something of a different order when you come to fundamentally controversial legislation like this which goes to the very foundations of prudent financial management. It strikes at the very foundations of prudent financial management. You are into an entirely different ball game. We are therefore moving everything into the realm of uncertainty, into the realm of ad hoc-ism, into the realm of the convenience of the present Administration and we cannot afford to operate like that.

So, I am calling on the Senators on the other side to do this country a favour and oppose this legislation. I thank you.

SENATOR Dr. L. L. SHOREY: Mr. President, the Bill before this Honourable Chamber is a very interesting one as Senator Clarke pointed out in his introduction. It asks this Chamber to raise Government's borrowing limit and further asks this Honourable House to validate illegal actions by Government. I said, Sir, that it was interesting, an equally relevant adjective would be 'astounding', 'amazing', 'unbelievable', 'incredible', any one of those would be appropriate and perhaps all of them are needed because I have sat in this Chamber and heard the same Senator Clarke repeatedly refer with what I inferred with pride – although I didn't agree with it – to Government's prudent management of the economy. Usually, when he

made that phrase I smiled because I didn't even believe that Senator Clarke himself could have believed what he was saying. It was so manifestly incorrect. Now it has come clearly out into the open that Government has in fact been managing the public debt very badly. In fact, one of the very interesting things that Senator Clarke said – and I hope that he was aware of what he was saying – was that Government had two or three opportunities when it could have handled matters differently and he had to acknowledge that it did not take advantage of those opportunities.

Sir, what we are being asked to do is, to my mind, an amazing and brazen act of effrontery. This Honourable Chamber is being asked to support a Bill which tells Government that what it did that was wrong, is now right, to validate illegal action on the part of the Government. When I first read the statement I could hardly believe my eyes. That a Government should have the temerity, the unbelievable temerity to come before Parliament and ask Parliament to condone its illegal actions is something that I don't think that many citizens would have thought they would have lived to see the day...

Mr. PRESIDENT: I think the Honourable Member must be careful with his language. What do you mean by illegal actions?

SENATOR Dr. L. L. SHOREY: Sir, the Bill before us.

Mr. PRESIDENT: You have a Bill before you. There is nothing illegal about the Bill before you. What are illegal actions? Be careful about the language you use. You are not in the street. You are in Parliament. There can be no illegal actions in Parliament.

SENATOR Dr. L. L. SHOREY: The Bill before this Honourable House...

Mr. PRESIDENT: There cannot be any illegal action in here. A Bill is before you to do something that you have a right to do. There is nothing illegal about anything Members do in here. You have to withdraw those words. We do not perform illegal actions in here. Withdraw those words 'illegal actions'.

SENATOR Dr. L. L. SHOREY: Mr. President, I am trying...

Mr. PRESIDENT: I am not listening. You have to withdraw the word "illegal".

SENATOR Dr. L. L. SHOREY: Mr. President, I am referring to actions of the Government...

Mr. PRESIDENT: Illegal! We are performing legal duties not illegal duties.

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

Mr. PRESIDENT: I am not listening to you on a point of order. You are out of order. The Honourable Member is on his feet.

SENATOR A. W. A. McCLEAN: You didn't hear him correctly. You are about to make a mistake.

Mr. PRESIDENT: No. I heard it. I would name the Honourable Member if the Member rises to me and makes that kind of rude remark. I regard it as rudeness and impoliteness.

SENATOR Dr. L. L. SHOREY: Mr. President, let me rephrase my statement.

Mr. PRESIDENT: I am not having any rephrasing of the statement. I heard what you said quite clearly.

SENATOR Dr. L. L. SHOREY: I withdraw the statement, Mr. President. What I am saying, Sir, is that the Bill before us asks this Honourable Chamber to validate previous actions of the Government which were carried out in contravention to the existing law and I am saying that that is, in my view, an unacceptable state of affairs.

What we have therefore to ask ourselves as Senator Goddard pointed out in his intervention is exactly what kind of signals we are sending to the community. The existing legislation sets an upper limit to Government borrowings. Government has on more than one occasion as stated by Senator Clarke far exceeded those limits. It was therefore in breach of the law and it is now asking this Chamber to validate that action. What is more, Mr. President, in addition to the options which it had and which Senator Clarke acknowledged it didn't take even though prudent management should have advised...
2.40 p.m.

There were additional options to which he did not refer as far as I can remember, which were available to Government. One of those is precisely what is being done now as part of this Bill to seek to get parliamentary approval to raise the borrowing limit. Like Senator McClean, I do not share the view that it would have been a desirable thing nor do I share the view that it is a desirable thing. But had Government taken that approach at least it would then have been acting within the legal requirements. As it is, it did not act within the legal requirements and provisions.

Moreover, as Senator McClean also pointed out and since he has quoted the appropriate section of the legislation there is no need for me to do this again, the onus rested on the Central Bank to draw the attention of the Minister of Finance to actions which it did not perceive

were in the best interest of the economic management of the country. The legislation further empowered the Minister if he so wished to give specific instructions to the Bank but then he was required to make an appropriate presentation to Parliament and so to publish those instructions etc. as required by the Law.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, on a point of order. This bit of legislation before us is not dealing with one act committed in 1989 or two acts committed in 1989. The bit of legislation seeks to deal – it is in the Objects and Reasons of the Bill before us – with actions committed in 1981, 1982, 1984, 1988 and 1990. I would hope that the Honourable Member in the interest of fair play will address his comments to those periods rather than giving the impression that we are talking just about 1990.

Thank you, Sir.

SENATOR Dr. L. L. SHOREY: Mr. President, as I was saying, Sir, the existing legislation placed on the shoulders, if I may use that figurative language, of the Central Bank a responsibility to draw certain matters to the attention of the Minister of Finance. The existing legislation placed certain authority and requirements in the hands of the present or at any time Minister of Finance if and when such instruction or matters were drawn to his attention by the Central Bank. This is a statement of what the legislation deals with.

If the Minister wished to act in a certain way the legislation gave him authority to make certain provisions. It also required, and Senator McClean quoted the relevant section, that an appropriate report be made to Parliament and that appropriate matters be published in the Gazette. I am stating and I do not know if Senator Clarke would wish to deny this, that so far as the present Minister of Finance is concerned, we do not know whether or not the Central Bank drew these matters to his attention. What I think is quite certain is that no relevant matters were brought to Parliament nor published in the Gazette. Those are indisputable. They cannot successfully be challenged.

SENATOR THE HON. L. V. H. LEWIS: Except, Mr. President, on a point of order. With all his smiling and all of that he should tell us what is this legal authority he is talking about that requires certain acts to be done and whether they, in fact, relate to instances under the Financial Administration and Audit Act because what he is quoting from is law relating to the Central Bank and instructions given by the Minister of Finance. The two things are completely different. The mind that brings them together is a different sort of mind from the one who understands public finance.

SENATOR Dr. L. L. SHOREY: I am saying, Mr. President, if I can get back to this point, what we have to

ask ourselves and to be very seriously concerned about are the kinds of signals that are being sent to this community. What conclusions can the ordinary citizen draw when he hears a report or if he is sitting or was sitting in the Other Place, or is sitting in this Chamber at the moment, when he hears a debate in which the Parliament of this country is being asked to validate an improper action by the Government and to state, in fact, that any such action shall be deemed to have been lawfully and validly borrowed. This is so far as the borrowing of money is concerned.

Sir, as a citizen of this country, I am very perturbed. I am very uneasy about where we appear to be going. I am very uneasy about the kind of example that we appear to be setting to citizens of the country.
2.50 p.m.

Other Senators have made suggestions to Government as to how to approach it. I should like to add my own. Quite clearly, I cannot support this Bill, as it stands. That is obvious. If Government wishes or would consider taking the Bill back, removing the whole section having to do with validation and would bring it afresh asking for an increase in the limit, then I think one could go along with that reluctantly. But to ask citizens who have been placed here in responsible positions to validate an improper and illegal action, on the part of Government is really asking too much.

I can only hope, Sir, that Members of the Government will weigh, very carefully, what they do.

SENATOR THE HON. L. V. H. LEWIS: Mr. President, I do not often intervene in matters relating to finance, since I stopped dealing with them. But it is absolutely necessary for me, on this occasion, to ensure that Hansard records certain facts.

Comment was made about, and I start with validation because it was taken up by more than one speaker. To validate is to place within a legal framework an action which although not strictly in keeping with the Law is not an action that can be deemed criminal or otherwise.

I make this comment because the alternate to validating these activities in which there was an excess over the strict legal limit.... Those persons who would say do not validate are saying, "Okay, it happened. Just brush it aside."

The Democratic Labour Party Government has, between 1986 and now had cause to validate not only this Act but several actions done during the last 10, 12 years and on no occasion have I heard Honourable Senators, in this Chamber, behave in the manner that they are behaving today. None of them. None of the Honourable Members on the other side, has spoken on the other occasions on which there was need to validate actions which had taken place. I am speaking of the persons who have spoken already. So that when they come and raise it today, it asks me a

question: what sort of signals are they sending? It also asks me another question. When challenged, they waffle. They cannot quote what they are quoting from. They quote something and think they get away with it.

I understand and know the Financial Administration and Audit Act better than all of you on the other side put together. And I understand the Central Bank, as well as, any of you. You cannot put me off by jumping up or jumping down.

SENATOR A. W. A. McCLEAN: On a point of order, Mr. President. During my speech I was specifically asked to instance where I was getting my information from. I did not waffle. I was quite specific in giving the details.

Mr. PRESIDENT: That is not a point of order, Senator McClean. That is a point of interruption.

SENATOR THE HON. L. V. H. LEWIS: If I move from the validation aspect of the Bill, and the validation is being done guardedly.... If I were the Minister of Finance, I would have brought two separate Bills. I would have brought one to validate the actions which had taken place, over time. I was in the public service in 1981 so I know about the one in 1981. I know what happened. I was not involved. But I was in an area of activity where I would know how and why it happened. It is a very simple thing for a Minister of Finance to find himself in a position where the Ways and Means advances may be breached. It could happen to any Minister of Finance. If it happens to the Minister of Finance over an extended period of time, it is because the persons who work closest to the Minister of Finance and ought to be sending signals to him, long in advance of such an occurrence, either fail to do it or were too busy doing something else.

The Minister of Finance, in 1981, would have been ruthless enough to determine that situation and ensure that it did not continue. The present Minister of Finance is a different sort of human being. We have differences in approach. In 1981 when it was breached, the then Minister of Finance resorted to the activity that some of us talked about in here today, special issue of Treasury Bills. In 1990, the Minister of Finance, in his wisdom, considered that the time had come when he needed to go to Parliament.

Let us discover something else. The Financial Administration and Audit Act was placed on the statute books in 1964. It was drafted in 1962. After much consultation, it came into effect in March 1964. It was amended in 1967, 1969 and then in 1971, at a time when there was no Central Bank, at a time when the Accountant-General had a lot of difficulty in controlling the overdraft facility at Barclays Bank. The accounts of Government were in the blue at Royal Bank and the Canadian Imperial Bank of Commerce. But at Barclays, because that was the main account in use, it would frequently go into overdraft.

Especially so, in the months of September and October every year. You can go back in the 10 year tables and look at the patterns.

After Independence and after being in office for a number of years, the Democratic Labour Party Government, the then Minister of Finance decided in 1971 that, rather than depend on advances from Barclays Bank and advances on the joint Consolidated Fund with the Crown Agents, where you would have by telegraphic transfer to move money from London to Barbados borrowing it from the Crown Agents and paying high rates for the movement of money, plus the interest on the temporary overdraft, decided that the time had come when he would localize all of the borrowings into Barbados.

When he went to Parliament, I believe it is fair to say that he gave not very much argument for his 10%. It could have been 8%, 10%, 12%. It could have been any number like that. Ten per cent was a convenient number chosen. The 10% has served us over a period of time.

Between 1971 and now, all of the commercial firms in Bridgetown would have reflected upon their needs for overdraft facilities. The worthy Senator who mentioned a 75% increase, I believe if he went to his own company's affairs he would discover that over that period, his firm would probably have more than doubled what its facilities requirements would be, from time to time. I am just saying it is possible. I do not know. But he certainly would have to look at that. Any business would have to look at that.

3.00 p.m.

What I do not understand, and I make this in passing, is that worthy Senators if they have any respect for Parliament and the rule of law, as they say, and morality would have tried, rather than going to the Press and publishing certain views, those same comments could have been addressed to the Minister of Finance when the Bill was before the Lower House. I believe that Senator Clarke, if he had received such a communication, would have responded. I believe that as Leader of business here and I had received such a communication I would have made a response and I would have been able to respect any such newspaper article when it came. But what I have noticed, Mr. President, is a tendency in this country that whenever we want to challenge something we do not go through the lawful or normal means of communication, but we initiate our communication through the Press or on the radio, both lawful and normal means for some people, but it is a new trend and we ask what signals we are sending.

Parliament is the supreme authority for taking decisions of this nature. It is only Parliament that could be asked to amend the Act and therefore the action of the Minister of Finance in introducing this piece of legislation is recognition of his understanding of the legitimate process

which is to be followed in order to allow Government to function with effectiveness and efficiency.

The purpose of the legislation is to allow Government to act within the lawful limits. The purpose of the legislation is to allow Parliament to endorse the actions which were taken in 1981, 1984, 1988 and 1990, and the purpose of the Bill is to facilitate whenever Government from time to time over the next few years finds it necessary to have somewhat more elbow room than the circumscribing 10%, which was a reasonable number in 1971, but surely in 1990 after nearly 20 years of use can only be regarded as something of an encumbrance.

All of the heat generated by persons on the other side and the very emotive language used, some of which I have written down, like "flagrant violations" and all these things, these are emotive terms which are only intended to incense people, but I am certain when Honourable Senators sit down and reflect upon the Resolution they will recognise that it is far simpler to understand if they have a will to try to understand.

The other thing is that so often we take a position without putting ourselves in the shoes of the people who bring this forward. I would like some of us to sit in the shoes of the Minister of Finance in 1990, recognising the total world scene and not listening to some of the persons who from their ivory towers speak a lot of things, have never been involved in anything productive, have never been involved in the day to day management of anything. We need to stop listening to some of them and let them keep their claptrap where it belongs.

I wish that Members on the other side would in future give these matters a little more consideration than they seem to have given this amendment. I support the Resolution.

SENATOR C. A. BLACKMAN: Mr. President, I made a note before I came to this Chamber today on this Bill to the effect that I saw nothing intrinsically wrong with validation, and as a lawyer I really cannot share the highly charged language of some of my brethren on this side of the Table in terms of the powers of Parliament. Parliament is sovereign, Parliament is supreme and I think that we have to recognise that only Parliament can validate.

In the course of this parliamentary Session there have been seven Bills brought for validation of one kind or another, the most significant one of which, which came in October 1986, was the Public Loans 1961 (Amendment) (Validation) Act and that Act was retroactive to June 1981 and increased the local loan limit. One must see it in the context of what has been done. I agree in part with Senator McClean that normally we use a validating measure for something of a trivial kind, but we cannot abridge the power of Parliament. If you are going to use it for matters

of trivia, you have equally a right to use it in fundamental matters.

I will draw to Honourable Members' attention that very recently in the Commonwealth of the Bahamas an Act was passed validating a matter retroactive by 42 years in respect of the Rate of Interest Act, and it is in pursuance of the sovereignty of Parliament and its inherent plenipotentiary powers that I would have wished Government had shown an equal degree of alacrity in doing what I had asked for some three or four years, to bring an Act validating an amendment to the Rate of Interest Act of Barbados to close the loophole used by some people who have been making claims on Trade Confirmers saying they do not have to pay because the Rate of Interest Act does not apply.

I would like to see that done, because it was disturbing when I saw a headline in last week's Press that all lost in Trade Confirmers because of loopholes like the Rate of Interest Act, when an agency of Government may have led people to believe that all was well leaving their money in that institution. Just as Parliament has shown a recognition of the injustice that was alleged to have been done in respect of Mr. Boyce by bringing a Pensions Act last week, I would like Parliament to do a validating Act so far as the Rate of Interest Act is concerned for the depositors in Trade Confirmers.

I have another point to raise, Mr. President. I do not agree with the Leader of the Senate in terms of the limit that may be there in so far as 10%. It was not an absolute dollar limit, it was a percentage of revenue. The Estimates approved in 1986-87 were for \$704 million and some change. By 1990-91 it had moved to \$1.2 billion and change, so in the course of five years the Estimates have gone up by close to 50%.
3.10 p.m.

So the very mechanism of a percentage recognised that your increase flowed with what was being provided for. So, my concern goes really, not to the validation. I make a distinction between the validation – I should think it is within the inherent sovereign power of Parliament – and the increase of the limit. If you have a mechanism where it is a percentage of what that revenue estimated is, you really don't need to change it, because you have a problem if you get overdrawn to the extent of 20% of your revenue or near 20%, you could look to that as a prominent crutch, almost as a lock-up as happened in the sugar industry. I think it sends the wrong signals. One of the difficulties, Mr. President, that this legislation has so far as increase goes – and I am distinguishing my argument between the validation and the increase is that the facility of the Government to draw down on the account it maintains at the Central Bank or such other banks as the Minister may draw on – represented what I see as a mixed signal in that

on the one hand the private sector were asked to freeze in October last year and the Government could go to utilise their funds without limit or hindrance.

The Minister in his introduction pointed to a shortfall in the expectation of revenue in certain areas where the drop ranged by 18% in one area, 9% in another. He went very fast and I didn't get all the numbers as he called them out and clearly, the cash flows were not as good as expected. I can understand that. I have just come to the end of a practice year which has been one of the most lopsided ones I have ever had in 20 years of practice, where I have done 50% of my bills in two months. The other 10 months was 'you-want-to-know-what-is-going-to-happen'. That's the way it goes sometimes. What I am concerned about is that there are areas of raising revenue which have not been pursued and I come back to my land development duty.

I am not going to let you get past that one Senator Clarke. For three years I have asked a question and it has not been answered. You have not brought the duties in place and money is going a-begging because the Government has failed to put in place the necessary mechanics to get what is due to Government. The financing of the cost of that road is predicated upon duty flowing into the public treasury; and the land being sold off that highway is changing hands at a pace and at a sum far in excess of the dollar per square foot it was valued at and at least conservatively over the last three years, I think, \$5 million may be lost in duty to the Government or \$10 million.

I wouldn't argue with the Honourable President. If he knows it is ten, it is probably more than ten and I think that these are shortfalls that Government ought to be looking at. I have said in this Chamber on the occasion of the Estimates that there are institutions of Government that are not making a proper contribution. I saw a headline in the newspapers a few days ago that the Queen Elizabeth Hospital is in debt. That is an institution whose rates have not been changed in seven years, in a situation where now in Barbados most people have health insurance and so the insurance companies are paying it. They will pay the money to go to Bayview Hospital and pay more than what it costs to have a hotel room and the Government has done nothing, although not for want of frequent suggestions over four years in this Chamber. So, when we come to deal with this matter, I think the Minister made some suggestion that you could have a private conversation and suggest things. All that I have said in this Chamber I have said to the Minister privately insofar as land development duty, the hospital charges, and I am only now saying it publicly to go to Hansard that I have said it and that I think there are other things that can be done to raise revenue rather than simply chuck up the limit to 17¹/₂%

There is one other matter, Mr. President, that I want to address before I sit down. It is in relation to some language

in the section. Clause 2(4) of the Bill on page 2 makes reference to

" "estimated current revenue" means the current revenue as estimated in the annual estimates passed by the House of Assembly for the year for whose current requirements of the Consolidated Fund the advance is required."

I have looked at this and taken an opinion of respected senior counsel and I am of the view that this definition section is ultra vires the Constitution. The Estimates are not passed by the House of Assembly. They are passed by Parliament. They come here in terms of the Appropriation Act and the language should be Parliament and not the House of Assembly. It is not a non-point. In this Chamber before, we have had a case where they said something was to be laid in the House and this Chamber was, as it were, passed over. Under the Constitution of Barbados, the Senate is an integral part of Parliament and this Bill should reflect that. A Resolution of Parliament done in 1971 probably was not something that came up to us but insofar as...

SENATOR THE HON. L. V. H. LEWIS: On a point of explanation, Sir. The point is a non-point only because the interpretation of financial matters authorise the House of Assembly to approve of money matters. The fact that money bills come to the Senate is a fact, and therefore Parliament is correct but because the word "Parliament" is not used and "House of Assembly" is used cannot derogate from the fact that it is the House of Assembly that is important.

SENATOR C. A. BLACKMAN: Mr. President, with great respect...

Aside.

SENATOR C. A. BLACKMAN: It has to come here. The Financial Act provides Bills must come here and therefore the proper wording in this section really is "Parliament", not "House of Assembly".

SENATOR THE HON. L. V. H. LEWIS: Except, Mr. President, that's the very point I am making. The Estimates come to us. It is the Appropriation Bill we debate. We do not debate the revenues.

SENATOR C. A. BLACKMAN: Mr. President, I'll leave that and deal with other things.

Mr. PRESIDENT: Yes. I think you are right.

SENATOR C. A. BLACKMAN: The Government's use of the cash flow and its facility in access to this cash flow to finance certain of its projects which require long term financing is probably what has contributed to its present financial state and therefore we must reflect as to

whether it is prudent to undertake the construction of a school or highways without identifying the long term source of funds to ensure that future beneficiaries of these institutions pay for that and not just the instant generation out of cash flow.

I would just like to end as I have begun, Mr. President, and that is to say that I would like before the end of this parliamentary session for Government to give as equal consideration to the validating of matters relating to the Rate of Interest Act and Trade Confirmers as it has done to its own affairs in terms of breaches of the Financial Audit Act.

When the Public Loans Act was passed in 1986, the then Minister said in the other place:

"Basically what we are seeking to do is to validate certain matters relating to the Public Loans (1961) Act and we are setting a new limit."

He went on to say what had happened at that time.

"...basically, what has happened is one of those things that happens from time to time in Government, that the limit for loans in the form of debentures was somewhere in the region of \$150 million in 1981. It was the intention of the past Government... to increase the limit to accommodate further Government debentures. The legislation was prepared but was not introduced into Parliament. There appeared to be a misunderstanding where in 1981 a communication was sent to the Central Bank to the effect that the legislation had been passed. The net result of that is that further issues of debentures have been made, and what this Bill seeks to do is to validate what took place during the period 1981 to now and to increase the limit as well."

I wish to agree with the Minister that from time to time even with the best will in the world and control of your own house, things happen for which you are not necessarily aware and you may need to bring back corrective legislation to Parliament.
3.20 p.m.

In that context, while I support the validation section of this legislation I cannot agree with the provision for increasing the limit.

SENATOR Dr. F. W. ALLEYNE: Mr. President, I wish to begin by indicating my agreement with most of the points Senator Blackman made in this debate. I believe he has introduced a level of balance into this debate which was missing for the greater part so far. I am particularly indebted to him for his contribution with respect to validation. I am not a lawyer. I had ambitions in an early stage of my life of becoming a lawyer. I have to leave that

to my children now. They will have to do that. In my own commonsense I had arrived at conclusions which are very similar to those which he presented in a very learned way. I think we are all indebted to him for his contribution with respect to validation. I certainly am.

Mr. President, I wish to call attention to the particular Bill which we have before us, Section 2, but in particular emphasis to section 25(1) of the Administration and Audit Act. It reads:-

"For the purpose of meeting the current requirements of the Consolidated Fund the Minister may borrow by means of temporary advances from any bank or banks money to an amount not exceeding 17¹/₂ per centum of the estimated current revenue of the Government".

I repeat "from any bank or banks". So far, Mr. President, the discussion has centred on the Central Bank of Barbados. No way in this Bill do I see reference made to the Central Bank of Barbados. This is a debate and we have to stick to the facts. I fully well understand the ploy of setting up a straw man to destroy him. This is the first point I wish to call attention to.

The second point I wish to call attention to, Mr. President, is in the Objects and Reasons section of this Bill, Section 1 line 3. It says:-

"The Bill seeks to amend the Financial Administration and Audit Act, Cap. 5

- (1) To increase from 10% to 17¹/₂% of estimated current revenue the amount which the Minister responsible for Finance may borrow by means of temporary advances from a bank or banks to meet the requirements of Government for a current financial year."

I emphasise "may borrow". Nowhere in this Bill is it stated that the Minister has to operate at the ceiling. I think these points have to be made crystal clear. Nowhere in this Bill - this is the Bill we are debating, Mr. President. This is the one I have. I do not know if Members on the other side have different Bills but this is the one I have. Nowhere does it say that the Minister has to operate at the ceiling. Nowhere does this Bill make reference to the Central Bank of Barbados.

A lot of references have been made on the other side to illegality. I was very pleased, Mr. President, to see that you put this matter to rest. As far as I am aware, as long as the Government three months after the end of the financial year pays back to the Central Bank those temporary advances, the Government is not in breach of the Central Bank Act.

A lot has been said about the Central Bank of Barbados in the Lower House as well as this House during this debate. Several calls have been made for resignation of directors. I believe most people know that I am one of the Directors of the Central Bank. Let me say the only comment I wish to make about the Central Bank is that I have served since July of 1986 under two Ministers of Finance, Dr. Haynes and Mr. Sandiford. I say with all seriousness today that never on a single occasion has the present Minister of Finance, Mr. Sandiford, attempted to discover from me anything relating to the Central Bank or tried to influence me in relation to my contributions to debate at meetings of that Central Bank. I cannot say the same about Dr. Haynes.

I do not make these statements lightly. There are very serious statements to make. I think it redounds to the eternal credit of Mr. Sandiford as a Minister of Finance and statesman in this country that he has never tried to interfere in any way whatever with the operations of the Central Bank of Barbados. When I make that statement I make it upon my honour as a man. Those of you who know me know that I am nobody's stooge. I say what I have to say because I have said before when I say what I have to say and I leave these Chambers I go to Ardennes. Nobody can put me out of Ardennes other than God.

The real issue in this debate has been carefully side-stepped. There has been a lot of attention paid to Government's Ways and Means and what effect it is likely to have on the economy. The real issue which has to be addressed is the total claims of Government upon the Central Bank of Barbados. That is the real issue which has to be addressed.

I was reading Senator Goddard's contribution in the "Advocate" newspaper there. I think he recognises that in his contribution a Treasury Bill is a claim on the Government. If you borrow and it is a temporary advance that is a claim on the Government. If the Central Bank holds a bond or debenture issued by the Government that is a claim. Therefore, what we have to concentrate on is the total claims by the Government on the Central Bank of Barbados.

The Minister of Finance in making his contribution to this debate gave a solemn assurance to the other Chamber that he was concerned about managing a country with respect for the Rule of Law. I am particularly happy that Senator Blackman put this whole matter in proper perspective when he dealt with the matter of validation.

The Minister of Finance pointed out that it was necessary at that time to come to the House to validate the action of the Government. I believe he set out the circumstances which led to a situation where the Government was borrowing as much as about \$175 million from the Central Bank. The Minister also said that it was

his intention to reduce borrowings from the Central Bank for as low a figure as possible.

Senator Clarke in introducing the Bill today pointed out that on December 27 the Ways and Means limit was not \$175 million but it was \$112 million, some \$12 million over the previous 10% limit.
3.30 p.m.

But then Senator Blackman I think pointed out that this could have been avoided if Government had exercised an option, Government could have substituted Treasury Bills for temporary advances and all the hullabaloo would have been avoided.

I have noted very carefully some points which were made by the Leader of the Senate. I will not repeat them. I think that they are very important in explaining the particular juncture we are at, in terms of the financial management of our country.

What are we saying to the ordinary Barbadian? Because this debate, as I understand it, is much more than an esoteric exercise. How are we going to help the ordinary Barbadian to understand where we are today with respect to the financial management of Barbados?

Mr. President, there has been quite a lot of loose talk knocking around in the public domain about recklessness and spending about Government putting curbs on the private sector and, at the same time, Government is opening the tap and spending wild. Mr. President, this evidence is farthest from the truth. I believe in this Chamber we must have respect for evidence.

The first point I wish to remind this Chamber of is that the Minister of Finance is a politician. He is not a priest. He is not an economist and when the Minister of Finance makes a decision, I do not expect him to make decisions which are solely concerned with economic matters. As a politician, his first constituency has to deal with politics. Therefore anyone who seeks to understand public finance and public policy must understand political economy. If you bring just some knowledge of economics to understand decisions made on public finance, you would never understand them. All the authorities, the learned authorities on public finance agree on this point.

It is quite easy to sit down and smirk. Are you smirking out of ignorance. All of the authorities on public finance, Professor Musgrave; the whole set of them agree with the point which I am making. So you cannot sit down and look at what a government is doing and try to understand it, in strict economics. After all, let us be generous. The people who run this Government are not fools. They are bright people. We have never had fools in Barbados, certainly not since I was following public life, managing the government of Barbados. You might not like

their values but they were not fools. You could never say about any man and woman in government in Barbados, since adult suffrage that he was a fool. Do not let us fool ourselves that we have fools managing a government in Barbados.

Anybody who would believe that Prime Minister Sandiford is a fool, that person is the fool. You do not have a track record like the one our present Prime Minister has and then you could say he is a fool. For you to make that conclusion, you would have to be the fool. I have no difficulty recognizing that. I think Barbadians have to get out of this habit of pulling down people. Too many of us enjoy taking pot shots at people and pulling them down. We ourselves know that those who are doing these things have never made any significant mark in life, either in professional or public life. But they get on the sidelines pulling at people. That is all they know. They go to the grave pulling down people.

What is the real context of this situation? Why does the Government find itself in this situation? If you look at the expenditure outturn for Barbados going back to 1965, 1966, Mr. President, and I choose this year for good reason, this was the year when Barbados achieved political independence. If you look at the growth of public expenditure in Barbados, 1966 represents a definite departure in terms of the growth of public expenditure. The reason being that Government took on new functions and therefore, it had to finance them.

It is, I would say, unwise and unsound to do an analysis of public expenditure in Barbados say, going back to 1944 without recognizing a distinct break in those outturn figures starting around 1966. That is the first point I wish to draw to the attention of this Chamber.

The second point which I want to draw to the attention of this Chamber is that in Barbados, we have always had a healthy respect for law. We have elections on a 5 year cycle, more or less. It is reflected in our public finance. Do not let us pretend we are angels. I would prefer to say not angels but fools. If you look at the expenditure outturn figures for Barbados, from the time of adult suffrage, particularly adult suffrage, you would see a 5 year cycle in the expenditure outturn for Barbados. Do not let us put our heads in the air and start to talk all kinds of foolishness. Come down to earth and discuss the thing in a way in which the ordinary man in the street could understand it. That is what we have to do.

I am dealing with the year, the runup to the election. I am going for the election years. That is where the cycle is. Because expenditure outturn reaches a peak in that 9 month period just before the elections and then there is a dip. It continues like that. If you draw the graph, you will see peaks and valleys with that 5 year high point. If you compare 1966 with 1965, in 1966 recurrent expenditure

compared to 1965 increased by 28.1%. The Member who was in office said this Democratic Labour Party. It is this Democratic Labour Party which was in office at that time.

Capital expenditure increased by 26%. I am talking about the run-up to the elections in 1966. In 1971 recurrent expenditure increased by 20.6% and capital expenditure by 38.6%. In 1976-1977 recurrent expenditure increased by 21.8% and capital by 38.3%. In 1980-81, Mr. Adams was in office then, recurrent expenditure increased by 25.5% over the previous year and capital by 25.4%. In 1986-87 the Labour Party was still in office, recurrent expenditure increased by 19.3% over the previous year and capital by 15.8%.

I come to the present period because you have to have a sense of history understanding it. For the first 9 months of the Calendar Year 1990 and the fiscal year will end on March 31, 1991. I am dealing with the first 9 months of this year for which there are outturn figures published, January to September. Recurrent expenditure increased by 6% and capital expenditure by 21.4%.

Mr. President, it is grossly unfair and untrue for parliamentarians in both Houses to be continuing to say to the people of Barbados that this Government is indulging in runaway expenditure. It is a gross untruth. The evidence does not support. It is time that these people stop telling lies.

Mr. President, I am dealing with a cyclical pattern. It is not right to mislead the public. I deal with that pattern to indicate to Honourable Senators that we must not take things out of context. I am saying that what is happening in Barbados today is what happened through time and that there are good reasons why these things have happened. You have to understand the politics and economics to understand the public finance.

If you will notice, the 6% increase in recurrent expenditure has come about, as Senator the Hon. Dr. Clarke has indicated in salary regradings, salary increases, and notice, Mr. President, all of us can be proud. I remember there was unanimity when the matter came to this House on the salary increases. Everybody praised the Government on the ease with which these agreements were arrived at.

Then one Senator got up and asked, "But can you pay the money?" The money has been paid and the merchants have been smiling all the way to the bank. Apart from these salary regradings, you have to recognize that the Prime Minister is also the Minister responsible for pensions and has adjusted all pensions, Government pensioners as well. The government has to look for money to pay these people. All of them are not coming out of the National Insurance kitty.

I am saying there is good reason why that 6%...

SENATOR A. W. A. McCLEAN: On a point of order, Mr. President, I think that the Senator has, perhaps, inadvertently misled the Senate when he said that the 6% included back pay. Indeed, the situation is the opposite. The 6% excluded salaries which were subsequently paid in November, December in the form of back pay. If you make the adjustments, the figures would be higher. He has also omitted to make mention of the inordinate increases in 1987-88 in Government expenditure. Therefore starting from a higher base, the increases are not as high, even though the expenditure overall is astronomical.

SENATOR Dr. F. W. ALLEYNE: Mr. President, I am not going to be diverted by intervention. I said very early that I was dealing with analysis which attempted to identify a cyclical pattern in public expenditure. That cyclical pattern has to do with the way we run elections in Barbados.

I am saying, Mr. President, that a 6% increase in recurrent expenditure in the run-up year to an election is a modest one when you look at the kind of increases which have been recorded, over time. This bears out, very clearly, what the Minister of Finance has been saying, that he has exercised prudence and restraint in dealing with the public finances of Barbados.

I have given you the facts, a 28% increase in 1965-66, a 20.6% in 1970-71, 21.8% in 1976-77, 25.5% in 1980-81, 19.3% in 1986-87. The first nine months of this year which is now coming to an end, 6%. What more do you want the Minister to do? Why do we find ourselves in this situation? Let us face the facts. This year is an unusual year in terms of revenue outturn. Let us deal with the evidence. The revenue is running about eight or nine percentage points down. That is the evidence. Let us try and understand why it is happening. I have been paying a lot of attention to it over the last four months, because I have to prepare myself. My students come and talk to me about these matters and I cannot talk off the top of my head, otherwise they would go away and laugh at me. Other people seek my advice on these matters and I have to speak from a position of knowledge.

3.40 p.m.

I will go back to the budget. In that budget the Minister of Finance gave a concession to business men where, rather than paying the consumption tax in 21 days they could pay it in 60 days. I need not remind this Chamber that almost 70% of our tax revenue comes from import duties, it comes through Customs. Once you start to play around with your consumption tax revenue, you are looking for trouble. That is the first concession which I want to call attention to, and the last people to attack the Minister of Finance should be the business community, because the Minister of Finance was trying to solve their problems. Their problems created his own cash flow problem.

The next problem has to do with warehousing of motor vehicles. Almost everybody knows that the single largest item of revenue comes off motor vehicles, because the tax on them is high. The total tax is somewhere in the region of between 110 to 120%. Do you know what it is when you have one shot and, say, warehouse these vehicles and pay the duty when you sell them? Do you know how many hundreds of vehicles are in Barbados at this time lying down in garages and the Government has not collected a penny of duty on them?

The other problem we have, and I am going to raise it, the same way we restructured National Insurance and rescued it from total collapse and chaos, Mr. President, I am convinced that the Customs needs similar surgery. People are getting away with too much murder in this country. Those who should pay into the public Treasury are not paying, and if they get away with that they will get away with other things too. I will not go into that, but I am saying the same way we did that surgery – and I am talking about the same Minister, he was the Minister who conducted that surgery – I was only the Chairman and I could not do anything unless the Minister agreed with it. I can say today with assurance that if I leave the National Insurance now you cannot reverse the changes which we have put in that place. It is sailing on a correct course. I would love to see similar surgery in the Customs to sort it out.

So what is happening? When you bring together the warehousing, the deferment of revenue and the consumption tax from 21 to 60 days, and if we just put a ball park figure of what we are losing because of the suitcase trade – there is no doubt, Mr. President, that the suitcase trade is blossoming in this country at this time – you are talking about Government losing at least 10% or 12% of its revenue, so in this fiscal year Government is going to end up with about nine months' revenue when it should have 12, and this is the worst time it could happen, because this is the year in which you get the highest level of expenditure. The ordinary man in the street has to understand these things. Do not let us come inside here and talk this highfalutin foolishness about net foreign assets. A lot of people who talk about these things do not understand them either. Talk things that the man in the street can understand.

On this very Bill I recall the Leader of the Opposition made the point that during his tenure of office he always adhered to the 10% limit. I will not deny that. One question I will raise today is this, I would be happy if the entire picture is given to the public, because I would like to know how many bills were unpaid. It is one thing to say as a Minister of Finance you are within the 10% limit, but at the same time you can have a lot of small business men out there with their businesses being crippled because you owe them a lot of money and you would not pay.

Mr. Sandiford finds himself between a rock and a hard place. You pay your bills and they say you are a spendthrift. You do not pay your bills and they say you are destroying small black people. I am very happy to recognise, Mr. President, that the present Minister of Finance recognises that with some people you can never win.

There has been quite a lot of talk about morality in public affairs. My understanding of morality differs from the interpretation of several of the Members on the other side who have alluded to instances of immorality in this matter. Again, I have to recognise my debt to Senator Blackman. I don't think that anyone can truthfully say that there has been a single man in the public life of this country for as long as the present Minister of Finance, Erskine Sandiford.

3.50 p.m.

SENATOR A. W. A. McCLEAN: On a point of order, Mr. President. I am enquiring whether we had suspended the standing order in relation to the time in which senators can speak.

Mr. PRESIDENT: I don't know if you are aware of it.

SENATOR Dr. F. W. ALLEYNE: Mr. President, I was about to make the point on this morality and immorality issue that I believe for the time I have been following public affairs in Barbados, and I am talking from about the 1951 elections, it is almost forty years that I have been following elections in Barbados and there is not to my certain knowledge a public figure who has been as upright in his public utterances as the present Minister of Finance. To accuse Erskine Sandiford of immorality is the height of immorality. Nobody, no one of you, can point to an instance where the present Minister of Finance has ever abused anybody publicly or privately or said bad things about anybody. In my view, he doesn't know how to do it.

I am saying it is time you desist from these low level tactics of trying to pull down people. I think, Mr. President, the Minister has spoken. He has given a solemn assurance that he found himself in a situation where in order to meet the inescapable liabilities of the Government...

Mr. PRESIDENT: Order. Members of the Senate, I want to make it clear that the Senate is still sitting and there is only one Chairman. Continue.

SENATOR Dr. F. W. ALLEYNE: The Minister has given a solemn assurance to the other place that he fully appreciates why as Minister of Finance the Ways and Means had reached the limits they had reached that, he found it necessary to call upon Parliament to validate his action and he went on to point out, to the best of my recall, that he would try as far as possible to keep the Ways and Means at the lowest limit possible. His subsequent actions have confirmed that he is serious about his word. I have no

reason to doubt him. I believe that all Senators of good will would wish to see sound and prudent financial management of the resources of Barbados. I have every confidence that this is what the Minister of Finance is committed to and Mr. President in the circumstances as I have explained them, I support this Resolution.

SENATOR T. C. ESTWICK: Mr. President, I, too, rise in support of this Resolution.

When I listened to the speeches from the other side I became convinced that we were just rehashing old ground because it seems to me that the foundation of the arguments against what is before the Senate today is that old problem of what role should Government play in this country and the economy of this country. For some strange reason, I still get the feeling that Senators on the other side do not accept the fact that Government has a role to play. I believe that Senator Dr. Alleyne should take some more time and do what he did today some more so that at least we would not have the sort of strange positions taken by some Senators.

I accept fully all that Dr. Alleyne has said and to a lesser extent, what Senator Blackman has said, because it bothers me somewhat when some Senators talk about morality and immorality in the finances of this country. That issue does not arise at all. Certainly it does not arise in these circumstances. Some Senators even went so far as to be outlandish enough to speak about crime. There is no crime here whatsoever. Senator Blackman ought to have told those who sit around him that a crime normally is followed by a sanction or a penalty. I would not believe the Financial Administration Audit Act ever carried a penalty so we cannot conceptualise this as a crime and talk in a way in which we are sending the wrong signals to society. I think the only person who could possibly be sending a wrong signal to society would be the said people who deliberately, with all due respect to you, Sir, misunderstand what was being done today. The passage of this Resolution cannot in any way send a wrong signal to anybody in society. The only persons who would try to swing it in that position would be people who have a particular agenda, which is to undermine every single thing that is being done here and done by the Government. I think what should have put that sort of mindset to rest and let it not rise at all was when the goodly Senators from this side itemised that there were breaches in 1981 and there were breaches in 1985, not by the Democratic Labour Party Government at all, but yet we hear talk about immorality, we hear talk about illegality. I believe that again is a comprehensive misunderstanding about what law is and a comprehensive and a deliberate misunderstanding of the role that government ought to play in this society. Again, I have to go back to say that Dr. Alleyne should take more time or have private classes with some people to explain to them the role that Government should play in an economy such as ours.

There is no law here, and I must deal with this point, because we are at a junction in this society when everybody is saying that Government is not doing this, and not doing its role to stem crime and all that and for Senators who are respected in this country to get up and say that this said Government is sending the wrong signal when no such thing exists other than in the minds of the people who are putting it forward is particularly wicked and mischievous and wrong. Those Senators, Sir, owe a duty to apologise publicly to all of us in here and to the country at large. I would not believe in all honesty that persons could do such violence to good sense and such brutality towards its logic, to get up and put forward positions that the Government is sending a wrong signal. In what regard?

I must make this point again. The distinction between an act of this kind and a criminal act is too wide. The line of demarcation is too well defined to bridge the two and cross refer one to the other.

Asides.

SENATOR T. C. ESTWICK: I will ignore him, Mr. President.

Mr. PRESIDENT: Senator McClean, I do not expect that you would while the young member is making his speech that you would try to cross him like that when he is making his speech. It is impolite to say the least.

SENATOR T. C. ESTWICK: Thank you very much, Sir. I would not in my youth, Sir, seek to reply to a learned gentleman like Mr. McClean for putting it right for me. But I do not believe, Sir that... I have no problem with this Resolution because I can see nothing wrong with it. Government is not only responsible for the proper maintenance and well-being of the economy and the finances of this country but it is also responsible for the proper bookkeeping, housekeeping and administration of this country, Sir. However, my particular concern today was this talk about wrong signals and morality when those issues do not exist. I do not, Sir, believe that the question about what role Government will play or should play in any economy will ever be settled by economists, by politicians, by priests. It will never be settled, so we will always have arguments on these and the least persons can do is to be fair and whether there is a political axe to grind or not there comes a time when you have to be fair and honest and I believe we can ask nothing more of people than to be fair and at the right time, Sir, give absolute support to this Resolution. Thank you very much.

SENATOR THE REV. CANON I. McK. JONES: Mr. President, I have been listening to the debate very carefully but I must say I take exception to what the last Senator said, implying that because people disagree with what Members of the Government are saying that they are mischievous and should apologise. I don't agree with this at all. Are you

telling me that I am not entitled to have an opinion of my own after I have listened to other people speak and I still have an opinion that is different from theirs and because my opinion differs from theirs I am mischievous to express it? Absolute nonsense!

Mr. PRESIDENT: I think the language in the Chamber should be a little bit more polite.

SENATOR T. C. ESTWICK: On a point of order, Sir. I did not Sir, ever say that. I said the whole issue of the thrust about the immorality when no such issue exists... 4.00 p.m.

Mr. PRESIDENT: I was making an explanation. I did not take it that you were making that statement. That is the point I was making. There is no point in making these barbs at one another on this. The Honourable Member was making a maiden speech so to speak. It did not require that. This is really out of place.

SENATOR THE REV. CANON I. McK. JONES: Mr. President, what I was trying to say is this. There is nothing that there is only one opinion on. I may say that I am a man. Somebody may say that I am somebody else.

Mr. PRESIDENT: Make the point you are making. That is no argument.

SENATOR THE REV. CANON I. McK. JONES: The argument is this. I agree with what Senator Blackman has said about validating that Parliament has the right to validate. If people believe that what they are validating is something that still allows people to have a different opinion on, you can express it. That does not mean that you are going to stop them from validating it.

The whole point is this. It is believed by many people that to jump from 10% to 17.5% seems to be really a quantum leap. That makes some people say "Why should they have to do this". Then there is the fact that is being mentioned all the time going back to 1981, 1982 and 1985. My information so far - I hope it is correct - is that in 1981, 1982 and 1985 the difference in the excess of borrowing from the Central Bank over the 10% was never more than \$8 million. That is what I have been informed whereas at the moment it is over \$50 million or more. If you are going to tell me that \$8 million is the same as \$50 million and therefore you should not be anymore worried about \$50 million than you should be worried about \$8 million, well, some people may see it that way. I could never see it that way.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, just for the accuracy of the numbers.

Mr. PRESIDENT: I do not think there is anything in that to reply to.

SENATOR THE REV. CANON I. McK. JONES: I shall just finish.

Mr. PRESIDENT: No. I think you have finished the debate, Senator Jones. Do not get up after the event. You sat down.

SENATOR THE REV. CANON I. McK. JONES. No. I sat down because Senator Clarke got up.

Mr. PRESIDENT: I am sorry.

SENATOR THE REV. CANON I. McK. JONES: Senator Clarke rose and I thought the correct thing for me to do was to sit.

Mr. PRESIDENT: I saw you sitting down quite calmly.

SENATOR THE REV. CANON I. McK. JONES: I thought Senator Clarke got up on a point of order or a point of elucidation.

Mr. PRESIDENT: You want to give some figures?

SENATOR THE HON. Dr. C. D. CLARKE: The figures you gave are erroneous. I do not think you did it intentionally.

SENATOR THE REV. CANON I. McK. JONES: I said I had been informed. I hoped my information was correct. I said so. I would still be glad if you would elucidate that point.

SENATOR THE HON. Dr. C. D. CLARKE: I would assume that in the interest of fair play you would like to get the accurate figures.

Mr. PRESIDENT left the Chair and Mr. DEPUTY PRESIDENT assumed the Chair.

SENATOR A. W. A. McCLEAN: On a point of order, Mr. Deputy President. You will get a chance to reply.

Mr. DEPUTY PRESIDENT: Senator Clarke you may proceed.

SENATOR THE HON. Dr. C. D. CLARKE: In September 1981/1982 the actual Ways and Means, that is, the overdraft, was \$62.3 million and the limit was \$48.4 million.

Mr. DEPUTY PRESIDENT: You may continue Senator Jones.

SENATOR THE REV. CANON I. McK. JONES: Then I also heard during the debate that there are many other means of getting that money through Treasury Bills

and debentures. One wants to know if that is true why it was not done instead of having to come and raise the limit from 10% to 17½%. These are some of the points that I made.

Even Senator Clarke himself in introducing the Bill mentioned that there were opportunities where they could have tried something else which they did not try. Am I correct in saying that or am I telling lies again?

Another thing I wanted to know is this. I would like to know if the Governor of the Central Bank was entirely in agreement with this.

Aside.

SENATOR REV. CANON I. McK. JONES: It is not his business to be in that. I am just asking some questions. I also understand that the Director of Finance was not in favour. It is not his business either. The point I am trying to get to is this. Because the Government feels that all that they have done is perfectly correct, are they saying that nobody on any other side should have any other reason or opinion than the opinion they have? Are they saying this?

You have the responsibility but if people feel the way you are going about it is not in the best interest of the country then we have a right to say so. If we feel it should be done in another way for the country we have a right to say so. No Government can stop us from saying so. We are Independent Members of Government. We are not members of a party.

Aside.

SENATOR CANON I. McK. JONES: I have been in this Chamber longer than anyone of you except Senator Wickham. I have voted against the last administration five times inside here. I will vote against you all if I do not agree with what you are doing too. That is my position. I do not care which Government you belong to. If I feel you are doing something that is not in the interest of Barbados, or the best financial interest for Barbados I will oppose it. I am not going to support this.

SENATOR J. C. W. WICKHAM: Mr. Deputy President, I am afraid that I am not able to follow the accounting ramifications of all the fancy talk which I hear. Nevertheless, the debate has been very instructive. I want to take this opportunity, however, to ask a single question.

When we use the word "borrow", the ordinary citizen to whom Senator Alleyne referred in my mind, connotes paying back. Will Senator Clarke tell me, even if he tells no-one else, what arrangements are made for repaying the borrowings from the Central Bank? What is that system?

Will we hear about it? Will we see it anywhere where and how it will be paid back? If we continue to extend the limit of borrowing, then we would only be paying back in name.

Thank you, Mr. Deputy President.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. Deputy President, in winding up the debate on the second reading of this Bill, I think Senator Dr. Alleyne drew attention to the fact that three months after the end of the financial year the Ways and Means Account should be zeroed out by law. This is the paying back of that.

SENATOR J. C. W. WICKHAM: Would that be paying back all the money that they have borrowed?

SENATOR THE HON. Dr. C. D. CLARKE: Yes, the Ways and Means Account. This is neither the time nor place really to go through the whole thing of debt management, control of the cash flow of the state of the economy, the influence and the amount of money supply and all these other factors to be taken into consideration.
4.10 p.m.

Senator Jones touched on a point in his contribution, the same one that Senator Goddard spoke about, the quantum leap from 10% to 17.5% which is an increase of 75% which is okay and sounds quite formidable, in terms of arithmetic. But really we are well under 10%. We are dealing in relatively small numbers. Furthermore, and I think Senator Alleyne referred to this in his contribution, there is nothing in the Bill that says that we shall borrow 17.5%. As a matter of fact, at the very time that we are debating this, the Ways and Means account is actually going down. Secondly, for those who have the concern that borrowing from the Central Bank creates money more so than it would from the commercial banks, the central Government does not have to borrow from the Central Bank but rather they can also borrow from other commercial banks well within that ceiling.

We are dealing with small numbers from 10% to 17.5%.

Aside.

SENATOR THE HON. Dr. C. D. CLARKE: From 1 to 2 is 100%, from 2 to 3 is 50% increase, from 3 to 4 is 33% increase. I am talking about the same absolute number. You should understand this too. Your problem...

Mr. DEPUTY PRESIDENT: Do not distract Senator Clarke.

SENATOR THE HON. Dr. C. D. CLARKE: I think at this point I should address the contribution made by Senator McClean. Since I have been in this Chamber and Senator McClean has been in here, I am more convinced now than

ever that rather than addressing the contributions that come before us, he is trying to strengthen his position and enhance his candidacy for running for the office of Governor of the Central Bank.

Mr. DEPUTY PRESIDENT: All right. You may continue.

SENATOR A. W. A. McCLEAN: Mr. Deputy President, on a point of order.

Mr. DEPUTY PRESIDENT: Yes, Senator McClean.

SENATOR A. W. A. McCLEAN: I believe there are rules relating to the types of references which Honourable Senators make about other Senators. I want to suggest that that is an infringement of those rules. I draw it to your attention.

Mr. DEPUTY PRESIDENT: I shall rule upon that. There is nothing derogatory in that statement. Senator Clarke, you will continue your debate, please.

SENATOR THE HON. Dr. C. D. CLARKE: If it is offensive to Senator McClean, with all due respects to the Chair, Sir, I had no intentions of being offensive to Senator McClean or anybody else. Some of us do run for office in the usual way and some of us attempt to run for offices for which it is not normal to declare one's candidacy.

SENATOR A. W. A. McCLEAN: Mr. Deputy President, I am not taking offence. I do not take offence at such things but rules are rules.

Thank you.

Mr. DEPUTY PRESIDENT: All right Senator Clarke, proceed.

Aside.

Mr. DEPUTY PRESIDENT: Ignore any asides by Senator McClean and distractions and continue please.

SENATOR THE HON. Dr. C. D. CLARKE: When I opened up the debate this morning, I indicated that had Senator Goddard heard the contribution and our own position in support of the measure that he would not have written the letter. He would have changed his mind. I am sure, having heard now from the Government Benches that he is willing to do the right thing and to change his mind. I can understand that all the information was not readily available to you but since it is now available to you that you will do the right thing, that is, that you cannot defy logic.

Senator Shorey, the least said, the better.

Mr. PRESIDENT resumed the Chair.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, Sir, I beg to move that this Bill be now read a second time.

The question was put to the Senate and agreed to.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, this Bill has been certified as a money Bill and, as such, I beg to move that the Bill be now read a third time.

The question was put to the Senate and agreed to, the Senate dividing itself as follows:

Ayes: Senator the Hon. L. V. H. LEWIS; Senator the Hon. Dr. C. D. CLARKE; Senator A. MORRISON; Senator Dr. F. W. ALLEYNE; Senator Mrs. V. C. FRASER; Senator A. J. N. PHILLIPS; Senator T. C. ESTWICK; Senator Miss YVONNE V. WALKES; Senator T. A. PRESCOD; His Honour Senator M. deL. JORDAN.

Noes: Senator A. W. A. McCLEAN; Senator Dr. L. L. SHOREY; Senator J. S. GODDARD, and Rev. Canon I. McK. JONES.

Abstentions: Senator Mrs. P. Y. FORDE; Senator C. A. BLACKMAN, and Senator J. C. W. WICKHAM.

10 AYES, 4 NOES, 3 ABSTENTIONS.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, I beg to move that this Bill be now passed and be cited as the Financial Administration and Audit (Amendment and Validation) Act, 1990.

The question was put to the Senate and agreed to.

ADJOURNMENT

SENATOR THE HON. L. V. H. LEWIS: Mr. President, that concludes Public Business today. I should like, on this adjournment, to wish for Honourable Senators a most peaceful and happy New Year and success in 1991 in all their endeavours.

I beg to move that the Senate be now adjourned *sine die*.

Mr. PRESIDENT: The question is...

SENATOR C. A. BLACKMAN: Mr. President, on the motion of the Adjournment, may I join the Honourable Leader of the Senate in extending those wishes to the staff of Parliament for their hard work and forbearance during this session and also to hope that when we return for 1991

we would have benefitted from the rest of the Adjournment.

SENATOR A. W. A. McCLEAN: Mr. President, I should also like to extend my appreciation to the staff of Parliament and to wish all Senators all the best in the New Year.

Thank you.

Mr. PRESIDENT: I wish Honourable Senators a very sober New Year.

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

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