THE

SENATE DEBATES

(OFFICIAL REPORT)

FIRST SESSION 1986 – 91

SENATE

Wednesday, October 31, 1990.

The Senate met in the Senate Chamber, Parliament Buildings, on Wednesday, October 31, 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 N. W. BOXILL
Senator Mrs. V. C. FRASER, B.S.S., J.P., M.C.F.A.
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 J. S. GODDARD
Senator the Honourable Dr. C. D. CLARKE (Minister of State in the Ministry of Finance and Economic Affairs)
Senator A. W. A. McCLEAN
Senator Miss V. P. BRATHWAITE
Senator Dr. Frank W. ALLEYNE
Senator T. C. ESTWICK
SENATOR Miss Y. V. WALKES.

Prayers were led by Fr. 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 following documents:

The Ombudsman (Salary) Order, 1990.

The Civil Establishment (Part-Time Officers) Order, 1990.

The Civil Establishment (Teachers)(Amendment) Order, 1990.

The Civil Establishment (General)(Amendment) (No. 2) Order, 1990.

The Judges Remuneration and Pensions (Amendment to the Schedule) Order, 1990.

Parliament (Administration)(Salary) Order, 1990.

Report of the Accountant General for the financial year 1989-90.

SUSPENSION OF STANDING ORDER

SENATOR THE HON. L. V. H. LEWIS: Mr. President, I move the suspension of Standing Order 45(2) in order to facilitate an item on today's Agenda.

The question was put to the Senate and agreed to.

INTRODUCTION OF BILLS

SENATOR THE HON. L. V. H. LEWIS: Mr. President, I move the First Reading of a Bill entitled an Act to amend the Local Loans Act, Cap. 98.

PUBLIC BUSINESS

ORDER NO. 1 – THE LOCAL LOANS (AMENDMENT) BILL, 1990

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, in rising to move the Second Reading of this Bill, I think it would be appropriate at this time to review the history of the Local Loans Act.

On 16th November, 1961 the Public Loan Act, 1961 was enacted by Parliament. This Act gave Government the authority to borrow money up to the statutory limit of $24 million for the purpose of offsetting the cost incurred in the Island's development programme for the period 1960 to 1965 and for other matters connected therewith. Since 1961 there has been a series of amendments to this Act. In 1967 we had the Public Loan (Amendment) Act which raised the statutory limit to $30 million. In 1971 the Public Loan (Amendment) Act raised the limit to $50 million. In 1973 the statutory limit was again increased to $100 million. In 1977 the statutory limit was increased to $150 million. In 1986 we have the Public Loan 1961 (Amendment and Validation) Act, 1986-17, and here the statutory limit was increased to $250 million. This Act was also designed to amend the Public Loan 1961 Act and to validate certain actions under that Act. In 1988 we have the Local Loans Act. Here the statutory limit was increased to $350 million and the amendment consolidated the law related to the raising of local loans by the Government of Barbados and is now cited as the Local Loans Act, 1988. Under this Act there were several major safeguards which were included, such as –

1. The monies raised under the Act shall be paid into the Consolidated Fund and the principal, money and interest charges shall be met from that Fund.

2. The Governor of the Central Bank of Barbados is required to keep a register of securities in which every security issued or transferred under the Act shall be registered.

3. There should be the establishment of a sinking fund for the redemption of securities issued.

4. Accounts are to be kept for the purposes of the Act. It is the duty of the Accountant General to require and to keep such accounts in respect of any loans raised under this Act of 1988 showing the monies received, the interest paid, the securities redeemed and all other matters of account relating to the said loans.

5. Annual statements are to be laid in Parliament as soon as possible after the close of each financial year.

11.20 a.m.

Based on the number of amendments to this Act and the frequency with which these changes have occurred, I am forced to raise the question, is there really any economic justification for a loan ceiling to be imposed for local borrowing? If so, if the answer is yes to that question, what should be the limit of that loan? It is my own feeling that this is an arbitrary constraint set without any concerns or consideration for economic reality as existed at the time. Specifically, let me see if I can demonstrate what I am trying to say here. Let's assume that there is no excess reserves or excess liquidity within the system. Let's further assume – and we are measuring this excess liquidity in terms of the excess reserves held by the commercial banks – that prices are rising. There are no excess reserves in the system. You are confronted with rising prices. We are further confronted with increases in imports and all the factors of production, especially labour and capital are fully employed. Under these types of circumstances, even if the loan limit was $24 million and we intend to borrow at that limit, I think that in those circumstances such a limit would be undesirable and such activity would be undesirable. I am sure Senator McClean would agree with that.

On the other hand, if the productive factors were not fully employed – and here again I am thinking in terms of labour and capital – and if the rate of growth in the economy has slowed, given the deficit, the only way that we can sustain or at least turn around, (that is to re-employ these factors of production) would be to borrow or, we either borrow to finance the level of expenditures or we could reduce expenditures, and if we do borrow, we could borrow either locally or foreign. So, let us examine the implications of the alternatives available to us. If we were to reduce expenditures... In Barbados, we know when we debated the Appropriation Bill here that most of the expenditures in the Budget go towards personal emoluments, well over 66%. Given the level of staffing requirements in the Service there is some minimum level other than personal services which will be required if those people who are employed can function. That is, there is a certain minimum below which we cannot go and ensure productivity in the country. Consequently, if we must reduce expenditures, having already pared other than personal services to the bone, we must then begin to cut employment and can we in good faith, as a caring government, consider this alternative if there are levels of unemployment which we consider to be unacceptable to us?

On the question of foreign borrowing, unlike local borrowing, I would suggest that we maintain some level on foreign borrowing for many reasons. There are certain inherent dangers. We cannot hope to repay monies in foreign currencies unless we earn that money in the first

instance or if our credit rating is such that we can go into the market and turn that money around. But we must bear in mind, if you are talking about foreign borrowing, that the Barbados dollar is tied to the U.S. dollar and to the extent that the U.S. dollar depreciates against the other major currencies such as the British pound, the Japanese yen or the Deutsch mark of Germany, to that extent that we have borrowed in either one of those currencies, then the debt burden begins to take on different proportions and at the end of the day, there is only one way that we can service that foreign debt which is by earning the necessary foreign exchange for that purpose. So, the similarity between borrowing locally and foreign is clear that while we are reallocating local resources – and in a way, we can say that we owe it to ourselves, say for the distribution effect of borrowing – because it is a matter from whom we borrow and who becomes the beneficiaries of the funds once they are employed. In the case of foreign borrowing it is a serious threat in terms of our ability to service this overhang.

When we talk about raising the local limit, we immediately begin to think at the point in time what is the liquidity situation extent within the country? I think if we turn to the Central Bank figures at September, we will find that we had excess reserves in the commercial banking system of about $14.6 million dollars and this compares to the $4 million, I believe, which we had at July 1989. These represent funds which the banks can lend, given our reserve requirements, but for which there are no loanable projects. To the extent that Government borrows these monies and put them to work, they are idle resources sitting there. Then we can have an impact on the level of unemployment and the profitability of the bank. You won't hear the banks complaining because there are idle resources earning no income and at the end of the day, no profits for the bank. So, as long as there are excess reserves within the system and all of our factors of production are not fully utilized, then, of course, there can't be any harm if Government comes in and tries to employ those idle resources.

Furthermore, and this is critical to the non-argument that Government is crowding the private sector from the economy, once we have idle resources there is surplus capacity within the system. So before we can think of crowding out anyone we will have to put this excess capacity within the system, employment and capital, back to work. We will have to wipe out the excess reserves which the commercial banking system now has. But, even if we were at that point where we had zero excess reserves and yet we had the unemployed factors, especially labour, all that would be required would be for Government to reduce the reserve requirement, especially the 80%, I believe, of the reserve requirement held in cash to free excess reserves within the system providing the other constraints and the other goals set out within the economy are being met: that is, stable prices, equilibrium in the balance of payments and reduction of the level of unemployment.

So, the bogey concept of crowding the private sector is really more myth than reality and is nice to trigger and get people's response. However, given the state of the economy it is possible that reserve requirements could be reduced if it was found that more reserves were necessary to sustain economic activity, because at the end of the day, these are only measurements and this Government is committed to full or near full employment. We have a commitment to maintain high levels of employment, stable prices and equilibrium in our balance of payments and these other activities are only means towards these ends.
11.30 a.m.

It is on this note, Mr. President, that I move that this Bill be read a second time.

SENATOR A. W. A. McCLEAN: Mr. President, we have before us a Bill to raise the ceiling on local loans which Government may borrow and as such this Bill makes contact with all aspects of Government fiscal activity because the purpose for borrowing money is to cover deficits. The reason for incurring deficits has to do with considerations which enter into Government's decision to tax. So the notion as to what is the appropriate limit for borrowing in any given year or over any given period must be informed by an understanding of matters pertaining to Government's tax revenue and expenditure.

This Bill raises a number of quite fundamental concerns which I intend to address this morning. I would like, however, to start by responding rather directly to certain submissions made by the Honourable Senator Clarke. His first suggestion was that there is no economic justification for a limit on local loans. This could not be further from the truth. At any given time one could always make a determination as to whether Government is borrowing excessively or borrowing within reasonable limits. One could apply economic analysis to determine appropriate levels for Government borrowing and appropriate rates of growth to Government debt. So there are fundamental economic justifications for establishing limits.

What we have here is a legal limit imposed by Parliament which has considerations even beyond what is the economic limit. Indeed, we will anticipate that the legal limit will be set slightly outside of the reasonable economic limit from time to time so that you would not have to change it every month or every year. The reason for setting limits is to afford Parliament the opportunity from time to time to review matters pertaining to the accumulation of Government debt. Parliament no part of the world will give Government a carte blanche and say, "Well, you can run up debt willy-nilly. You do not have to come back here ever again." No. The limit is to ensure a periodic review of

Government's performance in this area. So there is a political justification also in setting limits. Maybe the proposed limit may be a bit high as set out in this particular Bill.

Senator Clarke in suggesting that Government should not adhere to the notion of limits on Government borrowing adverted to the question of unacceptably high levels of unemployment. He suggested that Government cannot reasonably be expected to cut expenditure as a means of reducing deficits in the face of unacceptably high unemployment. This, quite clearly, is expressive of the policy of the present Government. So I cannot quarrel with Senator Clarke for articulating Government's policy. But I can take exception to that policy.

It is that policy which has inclined Government to the view that the best way to tackle the unemployment problem in Barbados is for Government to engage in high and excessive levels of expenditure. It is that that has put this country in the fix that it is in today. The reason for it is that excessive Government expenditure especially when the associated deficit is not financed by foreign borrowing clouds out private sector activity in the very short term. It reduces the capability of the private sector to create jobs. The way in which it happens is that, first of all, Government expenditure has to be financed. If it is going to be financed by taxation, you reduce the disposable incomes, the real purchasing power within the community. It is going to reduce the profitability of certain businesses in one form or another. The end result is that taxation has a constricting influence on private sector activity. It slows down the rate of growth in the private sector activity. When it becomes severe it drives the economy into recession. Likewise credit.

The economy has a particular capability to generate credit in a reasonable way without printing money. If you try to generate additional credit in which the Central Bank is playing a predominant role, you will find that you will lose your foreign reserves. But if you adhere to some kind of discipline as far as printing of money is concerned, the economy has a certain limited capability to create credit out of the savings of people who earn income, save and deposit it in commercial banks and other institutions.

If Government is going to pre-empt the use of the capability of the country to create credit, then businesses, the private sector, both in the guise of consumers, householders and in the guise of producers of businesses, will have a lower level of access to credit. This will have a delimited influence on private activity in the same way as increased taxation would. It would lead, as it has led in Barbados, to a reduction in private sector activity and to a recession in the economy.

Government during this year has been going ahead and spending even ahead of projections in terms of the Estimates. On many items they have had to go back to Parliament for supplementary votes of a discretionary nature which were designed to last for a year. They blew them in six months. Government is spending more but yet, for all of that, the economy is contracting; which means that all of the contraction is being suffered by the private sector. In this particular year credit suffocation of the private sector has been the culprit.

If we consider page 37 in the September 1990 edition of "Economic and Financial Statistics", there is a monetary survey here, table c(ii) which sets out the growth of domestic credit alongside other aggregates such as the net foreign assets of the banking system and the total monetary liabilities of the banking system. The domestic credit is decomposed into credit to Government and credit to the private sector. Credit to the Government is given net. It means that if Government has any deposits with the Central Bank or wherever else within the banking system they net out what Government has by way of deposits or claims against the claims that the banking system has against the Government.

Government credit is given net but private sector credit, on the other hand in this table is stated as growth. If you wanted to get net private sector credit it would be a negative number all the time because the private sector always lends more to the banking system than the banking system lends back to the private sector. If you want to know what the private sector is lending to the banking system, including the Central Bank, you look at the figure for total monetary liabilities because this represents the whole end of the private sector. And for these purposes we are including the Government corporations in the private sector like the Transport Board and so on.

11.40 a.m.

If you want to find out what the private sector is lending to the banking system, look at the total monetary liabilities. This would always exceed the capability of the banking system to lend, for the simple reason that they have to hold some kind of reserves out of those things.

You will find that since October 1989, when the credit squeeze was imposed – and the latest figure I have, mentioned in this document, the September issue of Economic and Financial Statistics is July of this year – but between October 1989 and July this year the net credit of the banking system to Government increased by $173.2 million, from a figure of $239.6 million to $412.8 million. In the said period, total gross credit of the banking system to the private sector declined by $11.5 million. It has declined further since then, because I believe the Governor of the Central Bank indicated that it had declined by about $15 million by the end of September this year. This means that Government has pre-empted more than all of the incremental credit generated in the system. The banking system generated $161.7 million in additional credit;

Government took up all of that and then took away another $11.5 million that was previously held by the private sector to get the $173.2 million.

This has been rendered possible for one reason and one reason only, and you can get that by looking at the change in the monetary liabilities of the banking system, which in October stood at $1 billion 740.3 million and increased to $1 billion 883.4 million by the end of July, representing an increase of $143.1 million in additional claims against the banking system that the private sector, augmented by Government corporations and so on, would have been holding against the banking system.

This was a fairly healthy growth and it represents additional cash and deposits, and it is a fairly healthy growth in respect of those assets held by the private sector. One could reasonably expect that that growth is not going to persist for very much longer, for two very good reasons. The economy is shrinking and incomes are declining within the country, and from the point of view of income, the capability of people to save is declining. Some of this money is expressive of a certain frustration that people experienced since October in carrying through their investment plans, like building their houses and doing whatever else they had intended to do with money. Some of this money is money that people had plans to spend alongside of borrowed funds. They could not get the borrowed funds, so they had to postpone those spending plans and revise them. When the people are able to get figures back into some type of pattern to indicate that they can now go ahead with some type of modified plan, they are going to take up some of this money that they have put there temporarily and use it to renovate their homes, to do what they had intended doing when they were more or less brought up against the credit squeeze situation.

The first effect of the credit squeeze was that if you had $10 to put along with $20 you were going to borrow, and you cannot borrow the $20, you hold on to the $10 until you could work around the situation and then you spend it. That point in time is coming.

Senator Clarke also spoke about excess liquidity in the banking system – $14 million – and he said that this $14 million was there and it represented an amount which the banks could not lend because there were no bankable projects, and his Government could reasonably intervene and siphon off this $14 million. That analysis is fairly wide of the target, for all sorts of reasons, including the point I just made, that when the people start to utilise their deposits the banking system will suddenly find that the cash situation, their excess reserve situation, is going to decline dramatically.

Even if the situation was not as I indicated, $14 million in excess reserves is nothing to suggest that there is something there for Government to go and get, because the banks invariably need – at least they endeavour to have – some cushion or excess cash reserves. Otherwise they can find themselves the next morning short of cash and having to go to the Central Bank to borrow at a penal rate, the Central Bank telling them "we are lending you now, but try and get your house in order by next week or the week after, we do not want to see you coming here too often," so they have to keep some kind of excess to allow for the fluctuations which they face in their cash position. From time to time they lose cash. They have to pay out more than they take in in new deposits and so on, and $14 million, given the size of the banking system in Barbados, is not a lot. If you express it in percentage terms you will see that it is fairly trivial, so there is nothing there really to make you think this is $14 million you are carrying away.

Again, Senator Clarke said that the $14 million is an indication that the crowding out argument does not hold water, it is more myth than reality. Senator Clarke is speaking as though he is totally unaware that the private sector has contracted severely. I know that some people have blamed that on Saddam Hussein, even before he invaded Kuwait, but it is not right to blame it on Saddam Hussein; you have to blame it on Government's policies of excessive taxation and credit suffocation which have crowded out the private sector and led to contraction in that sector. If you doubt that, you can look at what has happened sector by sector. The only sector that would escape that type of explanation would be the tourism sector, because that is an export oriented sector. Not even entirely, because the contraction in the tourism sector is largely attributable to marketing inadequacies. Marketing is a fairly broad ranged concept and our ability to market has a lot to do with access to funds and to profitability of hotels. The high taxation would have reduced the profitability of the hotels.
11.50 a.m.

The credit squeeze did not explicitly put any restriction on lending to the hotels but at the same time if the hotels are not profitable they cannot... In other words, they cannot come forward with a lot of bankable projects as Senator Clarke explained. But there is an underlying reason for that tied back to Government's fiscal policy.

The other side to the tourism problem however, such as the airline seats which I think is a dominant constraint on the level of arrivals at the moment in Barbados, is the insufficiency of airline seats. The airlines may turn up here with empty seats but that happens all the time because you have last- minute cancellations, no-shows and so on. But because an airline should turn up here with 80% of the seats utilized or 90% or whatever percentage, it does not mean that a lot of people who were trying to make plans to fly on that particular day had to make alternative plans because at the time when they were trying to get a confirmation they couldn't get it. So you always expect to have some kind of excess capacity in the airlines. If you feel that you can run the airlines and have every seat filled and until then you

don't have a problem, you misunderstand the nature of the airline business. So, you have other problems with tourism but it is not at all unrelated to crowding out considerations.

When you look at the construction sector and you ask the question about the decline, quite clearly this is tied to Government's crowding out, taking action to prevent the construction sector from operating as it would otherwise have operated: credit squeeze, high taxation.

The same goes for the manufacturing sector. Our manufacturing sector is geared predominantly towards providing goods and services for the local market. The export arm of the manufacturing sector is of a secondary order of magnitude *vis-a-vis* the overall size of our manufacturing sector.

When Government reduces the purchasing power of the householders and chokes off their access to credit, householders are then going to have to cut back on their expenditures and they will cut back on a lot of the things that were manufactured locally. This is why the garment industry and the furniture industry have suffered such severe setbacks during the last year. That too, is evidence of crowding out on the part of Government. So that, I would thank Senator Clarke for his submissions. They help all of us to get a better insight into the inadequacies of Government policy which are rooted in fundamental misconceptions about economics and I would exhort Government to try to do something about correcting that.

Getting back to where I started, I indicated that this Bill must be seen in the context of Government finances, the present state of Government finances and Government's strategy for managing its debt and for financing its expenditures and so on. And so, it is instructive that we should take note at this stage that at the moment based on the report coming from the Central Bank, Government this year is facing a burgeoning deficit occasioned by a shortfall in terms of projected revenues and expenditure growth at least as fast as and indeed in many instances faster than was anticipated in the Estimates.

Now, I want to remind Members of this Chamber that the time when the Estimates were presented Government did not indicate how it was going to finance the major share of the deficit.

Pause

I had the page marked in the draft, but this is the approved one. I hadn't marked the page and I haven't found it very readily.

But Government has not indicated how it is going to finance the major share of the deficit at the time the Estimates were presented. The Budget came along and we are aware that Government did not increase taxation and made a few trivial reductions in a rather selective way in the Budget. It means therefore that we are still to hear what are Government's plans for financing the fiscal deficit. We also know that that deficit is turning out to be substantially larger than was projected. We also know that up to today, 31st October, there is no indication...Government has not yet come before us with any proposal to raise foreign loans. We have before us a proposal to increase the local loan limit by $100 million and we have also the statement by the Honourable Senator Clarke regarding problems with foreign borrowing. He tells us that when you borrow in markets other than...when you borrow in currencies other than U.S. currency, we expose ourselves to exchange risks, if we borrow in Europe or in Japan. He says therefore foreign borrowing is a serious threat in terms of our ability to service the foreign debt over time. I don't know if this is to say that Government therefore is going to eschew foreign borrowing this year. So far they haven't come here for any permission to raise new loans. We have also been told by the Governor of the Central Bank that the amount of money received by Government in terms of reimbursements for expenditures on projects in relation to project loans already negotiated, the foreign inflows in terms of Government borrowing for project financing and so on, those have fallen short of the repayment of foreign debt, including the fact that when we repaid the bond issue in Trinidad the Central Bank at the same time got a partial accommodation with the Central Bank of Trinidad who in turn lent them about half of the amount of money back. The indications we have in terms of the statement from the Honourable Senator Clarke in terms of our not yet, at the end of October having had a Resolution before us to permit Government to borrow abroad indicates one of two things: that Government is experiencing severe difficulty in raising foreign loans or in the alternative that Government is exceedingly irresponsible in relation to this matter. I would like to believe that it is the former but Government is still putting it abroad that they can borrow, their credit rating is high. I don't quite believe that...

Mr. PRESIDENT: Order.

SENATOR A. W. A. McCLEAN: I believe that the difficulty is that Government has not yet been able to negotiate a loan that they can bring here and present to us but they are passing it off as though they are not interested in foreign borrowing, that exchange risks and all of this... On a previous occasion, we had a submission that you can only go to the market when the market is ready for you. Someone was suggesting that it looks as though the problem was the Japanese market rather than the problem being inherent in our situation. We would have to know that that would have to be a joke, because any money we want to raise in the Japanese market will be inconsequential and the Japanese situation doesn't have to be... In other words, you cannot embarrass the Japanese with the loan that we want to raise. So any difficulty would have to relate to their regard for us in terms of our credit worthiness. We are

hearing the excuses which seem to suggest that Government has everything under control and they are exercising their judgment and they are going to move at the right time and I say that the right time is past. Foreign loans should already have been raised.
12.00 noon.

Every day that goes by you are putting Barbados into a situation of embarrassment. I know they are trying. They are only bluffing us about the reason but try a little harder. Try and get some people to help them out. We on this side are willing to help them out if they ask for advice on how to raise that money. We would be willing to help them out because this is the country's business. We do not want to see this country end up in a situation like Jamaica simply because we know that when that happens the Government would lose the next election. No. We want the Government to call an election when the country is as healthy as it can be because it is our country. We will endeavour to win the election not because of any unhealthy state but because we would demonstrate that we can perform even better. We are willing at any time to give advice.

Mr. PRESIDENT: I do not want us to go off. The elections will be called when they are due. Do not let us bring in extraneous argument. The elections and the economy do not run side by side. The elections take their own place. Do not let us confuse the argument about the elections and the economy.

SENATOR A. W. A. McCLEAN: I will stay away from the elections. I notice other people are staying away from them too.

The fact that Government has not yet put in place any foreign loans – they have had to rely almost entirely on the banking system... There has been over-reliance on the Central Bank finance creating or burgeoning Government deficit. As a result, we have heard that the first nine months of the year our foreign reserves declined by $59 million.

The Central Bank in making that announcement took consolation in the statement that the decline this year is less than the decline in the nine month period from March to December last year. Between March to December last year the reserves declined by $133 million and they are saying it is only $59 million now. Remember that when you start losing that $59 million the $133 million has already gone. It does not come back the next day and say, "I have returned for duty." That has already gone so this $59 million decline is from an entirely smaller base and represents a much more serious situation than the $133 million decline the year before.

What has happened is that in the 18 month period reserves have declined by $192 million. In March, 1989 the reserves stood, including the CMCF... This is how the Central Bank presents its information. But remember whenever you read the reserves of the Central Bank we should reasonably deduct $143 million which is a claim against the CMCF held by the Central Bank. Of that $143 million you would see if you look at the relevant table A3 Central Bank Foreign Assets By Currency, you would only see $115.3 million. That is the capital portion based on their accounting system. But there would have been an accrued amount of $25 million that the Central Bank some time before had as profit, and that is reflected in their statements. That compounds the whole presentation of the accounts. So you have to take out that $140 either .3 or .1 million depending on whether it is 24.8 or $25 million in that category to get a better estimate of the available reserves of the country.

Available reserves really ought to be a kind of superfluous expression because reserves are supposed to be available. If they are not available they are not reserves. You have foreign assets and you have foreign reserve assets. Every foreign asset is not a reserve asset. It becomes a reserve asset when it is available for use in a general way by the banking system to honour claims for foreign exchange. To talk about available foreign reserves as though they had any other kind of foreign reserves is to mislead people.

The Central Bank nowadays talks about available foreign reserves and foreign reserves. When they use the international reserves here they include that $140.1 or .3 million that is a bad debt with the CMCF. So when I say it was $401.2 million you can take off $140 million from that and it comes down to $261.2 million in March last year. By the end of last year it had declined to $268.2 million and, based on the information provided by the Governor of the Central Bank, it would have declined by another $59 million in the first nine months of this year.

This by interpretation means that the reserves of the banking system (not what the Central Bank would call available reserves but reserves that are available, or ought to be) are only about $60 million, the other $140 million bringing it up to about $200 million CMCF bad debt. So when you hear that we have reserves amounting to about two months, that is about $209 million or somewhere above that million dollars, not really. We have reserves of about $60 million amounting to about three weeks of imports. That is intolerably low. That is why, if you look at the "Statement of Liabilities" of the Central Bank... It does not show up very well in this document because it does not tell you what is the foreign component. If you look under the heading "Deposits" and you see "Other", most of that is foreign, if not all. If you look at the "Statement of Conditions" that is published in the *Gazette*, you would see it separating the local and the foreign.

The Central Bank for the last 18 months or so has been having to ask foreign financial institutions to give them lines of credit which they have drawn down and when

they have become due to be repaid asked them to roll it over, giving them up to another three months or whatever period of time. Sixty million dollars is far too low so they have to borrow another $100 million to have about $160 million to work with.

Our situation is already entirely desperate. It comes from the over-reliance of Government on the Central Bank for financing its deficit. I could presume that the reason why Government is coming at this time for such a substantial limit in the local loans limit is because it wants to shift some of that burden off the Central Bank to other local institutions, private individuals and other financial institutions in the country. When they are dealing with the commercial bank, Government can impose reserve requirements and tell them how much Government securities they have to hold. They can squeeze the commercial banks further that way if they want to.

I wish to submit that there is no reasonable scope for extracting any more local loans by way of debentures or what have you from the commercial banks in the present situation. Already the private sector is credit-starved and to do that would be to ask the commercial banks to lean more heavily on the private sector and tell them to reduce their loan positions further as they have had to do in the last nine months in the distributive trades and among private individuals.

12.10 p.m.

On the other route, when you come into those unregulated areas like individuals, households and so on who would hold different types of Government securities, that is entirely on a voluntary basis up to now, and one would hope that it would remain entirely on a voluntary basis. I am putting it to you no business man or no individual who is aware that he cannot go to the bank and raise a loan even if the bank is satisfied with him, because there are restrictions on the bank's ability to lend to him – he would understand that he has to provide for his own situation and maintain his own liquidity. He is not going to take his thousands or millions of dollars, whatever it is he has, and lend it out to Government, tie it up on a long term basis and then find himself in a difficult situation, needing funds and cannot get any from the bank; he will hold on to whatever funds he has for himself.

This strategy, if it is aimed at the discretionary element of private lending to Government will fail, and if it is aimed in the areas where Government can lean on the commercial banks, there is not much more scope for that, especially having regard to the fact that the commercial banks already are holding excess Government reserves, and to force them you would have to raise that reserve, eliminate that excess and then put them into a position where of necessity they will have to hold, because even if you raise the reserve of the stipulated Government securities that commercial banks would hold by any modest percentage, they are already holding that amount; so you would not be doing anything. If you really want to lean on them to make them hold more, you have to lean hard and it would be entirely unconscionable.

So that Government is left with two reasonable options as far as this borrowing money is concerned; restrict the amount that they have to borrow, and to the extent that they have done this reasonably, try and borrow overseas. The main thing, however, is to cut out wastage in Government expenditure. If Government does not succeed in cutting out wastage, you will find that the circumstances of this country will continue to deteriorate. Government has a problem, though, in understanding what is wasteful and unnecessary expenditure, because Government has an entirely different view of Government expenditure than would be reasonable. That view of Government expenditure has to do with the Government's view of the role of Government *vis-a-vis* the private sector in the matter of generating employment.

In 1988 Government took a new policy on this matter of who has responsibility, what strategies to pursue in relation to the generation of employment; so Government believes that high taxation and high expenditure will provide employment. A certain Member of the Other Place got up on his feet and contradicted my saying that the high taxation will lead to recession by saying "I think it will create employment". What he was thinking is that if you tax heavily Government will get money to give to the National Conservation Commission and he will be able to employ people. What I was telling him was that if you tax heavily you are going to make it impossible for the myriad businesses in the private sector to employ as many people as they would otherwise employ. Although I was totally aware that the extra money would give Government the capability to employ some more people in the National Conservation Commission, I was equally aware that for every job so created you are going to destroy two or three in the private sector, and even that job in the NCC would be threatened by the situation which has now emerged where the private sector is no longer able to sustain Government's level of expenditure and taxation starts to decline.

This year we have had reported a $50 million fall off, or somewhere in that vicinity – $45 to $50 million –in Government revenue over the first six months of the fiscal year. This is something never before heard of. Even in the year when we had the heavy reduction in income taxes and in corporation taxes, there was an increase in Government revenues during that year. I know it has been stated in this Chamber before that no such increase took place and that the Senator who made that submission would challenge anyone to show that such an increase took place. The information is in this document and in all the documents ever published by Government. He went on to explain that it did not take place, because in the 1986-87 fiscal year the Government appropriated the funds that should have been

in the health levy and so on and called it revenue. That is not so. The information is in here as to when that shift took place in terms of the estimates of revenue; it did not take place in 1986-87, so revenue increased in 1986-87, contrary to what has been suggested in this Chamber from the other side before in the face of substantial reductions in taxation.

This year we have had no reduction in taxation and a 5% reduction in Government revenue, the first time in recorded history that you ever had a reduction at all. I am saying that can only come because of a contraction in the economy of at least about 5% also, because even when the economy does not grow, if you have a mild recession like 1/2% or 1%, if you look back at the years when we have had recessions, Government revenue also grew, and the reason why Government revenue grows even in the face of a decline in real output is because wages and prices go up, the nominal values go up and the revenue is in nominal terms. Government gets more dollar bills although the dollar bills would not be able to buy as much as in the previous year, but we have prices going up and revenues going down by 5%, which means that the real value of Government revenue has gone down by somewhere in the vicinity about 8% to 9%.

That is just the aftermath of bad policies, because in 1988 Government embarked on a policy where Government started to appropriate unto itself nearly all of the incremental income created in the country. In 1988-89 the change in the Gross Domestic Product valued at market prices, that is, including all the taxes, the prices at which people would buy the goods, which would include an indirect tax component, that increased by $186.6 million. Government revenue in 1988-89 increased by $155.7 million and GDP increased by $186.6 million. This is on a calendar year basis. If you make a slight adjustment the figure will come out in that general ball park anyway for GDP.

12.20 p.m.

That corresponds to an incremental tax take of 83.4% leaving people with about $30.9 million more than they had in dollar bills the year before to buy what they bought the year before; but in that said year inflation was about 4.7% which means that the people would have required $103 million more to buy what they were able to buy before and Government out of the $186.6 million only left them with $30.9 million; which means that the people were about $72 million short of what would have been required to purchase the same quantum of goods and services that their previous amounts of income, after Government's siphoning off their part, would have purchased. That means that they were 3.3 percent worse off in relation to the previous year. Government should only have taken about 25%. They took 83.4% and in the following year they didn't take quite as much, but they also took quite a healthy amount of it.

So, that has been the basic strategy of the Government that we have here. They feel that individuals and businesses don't know how to spend money in the interest of the country but Government knows how to spend it. So, Government is going to take it and spend it. How have they been spending it? On the Sherbourne Centre. They have been spending it on Highway 2A, awarding the contracts to the highest bidder and in the process losing the project funds for that road. They have spent it travelling all over the place and entertaining in all sorts of forms and fashions.

Mr. PRESIDENT: Don't let us drift into those sort of drift arguments to deal with this Resolution. I find that if you are coming to the end, come to the end but don't let us go rambling now into the by-ways and hedges. Let us come to the end if you have come to the end.

SENATOR A. W. A. McCLEAN: Yes, Mr. President, I will adhere to your ruling. I was just indicating some of the problems we have had in terms of attaining efficiency in Government expenditure.

Mr. PRESIDENT: Not at Sheraton Park.

SENATOR A. W. A. McCLEAN: I will conclude simply by saying that Government is wrong to believe that there is no reasonable limit on the amount they should borrow. There are no economic arguments to suggest that. Government is wrong to believe that it has to maintain high expenditure because unemployment is high. Government is wrong to believe that because of the existence of foreign exchange risks you have to eschew foreign borrowing and all in all, the overall aspect of Government's economic and fiscal policy since about 1988 has been totally flawed. I thank you.

SENATOR Dr. F. W. ALLEYNE: Mr. President, this Bill before us to raise the limit of the Government's capacity to borrow..... I have heard several comments made on this Bill this morning and I certainly will not attempt to address all of the issues. Suffice it to say that I certainly did not interpret Senator Clarke as saying that the Government is of the view that they should not be a limit on the loan ceiling. If Government was of that view, we would not be debating this Bill today. That is the first point I want to make.

The second point which I want to make is that I did not understand Dr. Clarke to say that because there are exchange risks involved in foreign borrowing that Government should therefore eschew foreign borrowing. I certainly didn't understand him to say that but I certainly recognize that two people can hear the same thing and come out with different understandings of the situation. I certainly believe that the Government which is led by Prime Minister Sandiford is enlightened enough to know that foreign borrowing is appropriate at certain times. I am sure that the Government understands that there is a prudent

limit to the upper level of borrowing within the local economy.

There are some things, however, with which I wish to make contact immediately but before I do that, let me say that my understanding of what we are addressing today is that the Government is seeking to raise the loan limit because in the event it has to borrow to bridge the gap between revenue inflows and expenditure outflows a higher loan limit will increase Government's leverage in dealing with that eventuality. So, I have no difficulty in supporting in principle the Bill which is before us today. I would take this position irrespective of which Government brought this Bill to this Chamber because it is something which will facilitate economic management and eventually redound to the benefit of all of us who live in Barbados. Senator McClean at one time cautioned the Government against using this Bill and then putting the commercial banks in a position where they would have to lend to the Government and they would put the screw on the commercial banks by increasing the reserves requirements. I have before me the copy of the Economic and Financial statistics which is published by the Central Bank of Barbados. I can give the exact date of the document. It's September 7, 1990 and I am reading from page 91 of that document. Under Reserve Requirement and Stipulated Government Securities for Commercial Banks, this is what I see: the previous administration, that is the Barbados Labour Party administration, on the 31st March 1982 had set the total reserve requirements of the banking system at 27%. On the 17th September, 1986, the then Minister of Finance, the Honourable Dr. Haynes advised by his chief guru at that time, who is with us today, raised that limit by 3 percentage points to 30%. The last Finance Minister who put the screws on the commercial banks of Barbados, to put them in a position where they couldn't lend that much to the private sector which the Honourable Senator is talking so much about today, the last Minister who did that was the Honourable Dr. Richie Haynes, advised by his Chief Adviser at that time and who I am sure was the Honourable Senator. I have no doubt that the present Minister of Finance does not feel it is necessary to resort to those kind of devices.

Since time is against me, the other point which I wish to share with this Chamber is that it is nothing other than a gross slander. It is one of the greatest slanders ever committed against the people of Barbados to say that Barbados defaulted on its foreign debt. It is the gravest slander which can ever and has ever been committed against the country and the people of Barbados. I read it last week in one of the papers and it caused me great concern. Barbados, a small developing country, has the proud record that never in its entire existence and since it has had the opportunity to exercise discretion in its monetary management, has it ever defaulted on its foreign debt.
12.30 p.m.

It has never asked any lender to extend the time period within which the interest or the capital should have been paid on the loan. Here in Barbados you have a political leader, who is aspiring to lead this country, and at the same time is slandering this country. I wish to say that everything is above board with respect to the repayment of the loan which Trinidad and Tobago had extended to Barbados.

I can say this with great assurance because on Tuesday of this week I put the question directly to the Governor of the Central Bank of Barbados, Dr. Kurleigh King. I put it in very clear language. I asked him to tell me whether what I read in the newspaper was true, whether in fact Barbados had defaulted on its loan with Trinidad and Tobago. He expressed surprise because he said he had not seen it but he said that it certainly was not true.

I am saying I take offence at these kinds of things committed against this country. I am a Barbadian. I have no other place to go. Anywhere else I go I am a second-class citizen. I take very strong objection to those who are seeking political advantage pulling down Barbados. It is that kind of pulling down and bad talking of this country which in 1989... I am reading from the Balance of Payments Statistics of Barbados, 1990, the Summary at page 2, which states the cause of capital flight of about $76.1 million from this country.

They are not talking about this. They have created such uncertainty in this country day after day starting from 1987 telling you when devaluation is to take place and so on, that they have encouraged people to undermine those of us who decide to remain here.

Last year, this document tells us, there was capital flight from this country to the extent of $76.1 million. The last time that kind of capital flight took place in Barbados was in 1981 when it was $70.6 million. That is what they are doing for this country. I am worried about these things because in the final analysis it is the ordinary people of Barbados who have to suffer. Some of them cannot even buy a plane ticket to run from Barbados.

SENATOR A. W. A. McCLEAN: On a point of order, Mr. President. I think Senator Alleyne is misleading this Chamber if he indicates to you that anywhere on page 2 is information stating, or even indicating, that there was capital flight in 1989 of $76 million. I see here an item called "Errors and Omissions". But anyone who understands the compilation of balance of payment statistics would know that you cannot make any simplistic association between errors and omissions and the idea of capital flight.

SENATOR Dr. F. W. ALLEYNE: Mr. President, I never intended to return to this subject but if you read the

series which I am adverting to, I do not know where Senator McClean learned his Economics. I know where I learned mine.

Aside.

SENATOR Dr. F. W. ALLEYNE: I have to tell you, Mr. President, when I had an Upper Second Class Honours Degree (and first in my class...) the Senator was still an undergraduate. I had to tell you that so I want to know how a student could teach a graduate. That is irrelevant.

Now, look at this series and I am going to read it for you. I do not want to get into any personal things. In here is not the place for them. I will deal with them in the right place. You have "Errors and Omissions mean that these are capital flows which you cannot account for". That is what the Central Bank is saying to this country. You cannot account for them. If you do not know that it is not for me to come inside here to teach you that. In 1981 the outflow was $70.6 million. The other years, 1982, 1983, 1984, 1985 and 1986 there were no outflows. The next time you had an outflow was in 1987 when it was $37 million. In 1988 it was $28 million. As the pressure mounted and uncertainty increased in the society it has gone to $76 million. What foolishness you have come in here to tell me?

Mr. President, I am not going to ask Senator McClean to withdraw it because you expect certain things from certain people. When Gearbox was alive I would expect Gearbox to get on with foolishness in Broad Street. I did not interrupt the Senator when he was speaking and I do not understand why he insists on interrupting me.

SENATOR A. W. A. McCLEAN: On a point of order.

Mr. PRESIDENT: I want Senators to understand I am the Chairman. I do not wish any of the Members now to be coaxing me if they are sitting in their seats pretending they want to guide the Chairman. I am the Chairman and there is only one Chairman of this Senate.

SENATOR A. W. A. McCLEAN: I respectfully submit that it is misleading this House to in any way suggest that you could look at line item "Errors and Omissions" and attribute those errors to any particular economic event. Those errors are an accumulation of errors in both directions in any or all of the line items included in this statement that are not known for certain. All the line items above that. It is totally false and misleading and it ought not to be done by someone who should know better.

Mr. PRESIDENT: Senator McClean, I am not going to have a debate on those technicalities you all are talking about. You raised a point which you are contradicting the point raised by Senator Alleyne. Senator Alleyne objected to the point that you raised that the point he raised had no such meaning. So far as I am concerned that matter finished at that point.

SENATOR Dr. F. W. ALLEYNE: Mr. President, I was going on to make the point that the Central Bank Governor assured me that Barbados had fully discharged its responsibilities in relation to this Trinidad loan and it was part of an agreement with the rescheduling of the debt which is owed by Guyana to Barbados but in which Trinidad had some responsibility. That is all I want to say on that.

Now, the Senator had some things to say about the capacity of the Government for economic management. What I have to say to this Honourable Chamber is that institutions without an axe to grind have looked at some 136 countries. You can go and check the findings which are published in that document called "Euro Money". They examined Barbados up to the end of 1989. It gave Barbados a rating of about 5.3 on a scale of 1-10 and Japan got, I think, 8.5. Of those 136 countries Barbados, I think, subject to correction, was somewhere around No. 36. These are reputable institutions who have no axe to grind, which do not wish to pull down Barbados.

You also have to look at Barbados' position in the world in relation to its credit worthiness. Again, Barbados has a good rating, somewhere about 43 out of over 100 countries they surveyed. These are institutions without an axe to grind and which have no intention of pulling down Barbados. The fact of the matter is, Barbados is a small country. Its image in the world abroad is critical.

I have been hearing quite a lot of things said about Government's expenditure. The point was made that Government took away approximately 83% of the increase in income in 1988 through its fiscal policy. I sat back and laughed because I asked if Government took the money and buried it in the earth.
12.40 p.m.

The mere fact that Government spent the money means that that money was re-injected into the economy and it formed income for those who received it. The Government did not take it and put it in the earth or in a puzzling tot. You have to understand these things.

I have to say to this Honourable Chamber, Mr. President, that some of us who understand what is happening in the Barbadian economy must be bold and candid enough to address the issues. The difficulties which we are facing in Barbados today have been in the works for many years. I have taken the time over the last couple of weeks to examine what has been happening to exports in Barbados. You heard a lot of comment today which tend to suggest that the Sandiford administration is against the private sector and that is why exports are not growing.

In a country like Barbados, what happens to exports determines what happens to GDP and I have computed the exports ratio of GDP, what percentage of our Gross Domestic Product was accounted for by exports. I have worked out that in 1977 it was approximately 25.5%. It reached a high in 1980 of about 27.4 and that was because we had unusually high sugar prices in 1979 and 1980. That is what caused this little deviation in the trend. It came down to a low point of 22.5 around 1985, it dropped again in 1987 to 22.4 and in 1989 it was 22.3. Between 1986 and 1989 a single export, to a great extent, was carrying Barbados on its back and that was tourism. After 1985 two of our export pillars collapsed. When the Trinidad market collapsed in the early 1980s the manufacturing sector in Barbados collapsed, to all intents and purposes, once firms like Intel, Corcom, Playtex and those enclave manufacturing activities had left this country. That was literally the end of manufacturing in Barbados.

Sugar, we all know, was paralysed since around 1981. Everybody who has been in sugar at that time was making losses. I know, because I had the responsibility for looking after a sugar crop for two consecutive years, and it was grief.

Aside.

SENATOR Dr. F. W. ALLEYNE: I was an attorney. After 1985 we had tourism. It is true we made some headway on financial services, but the fact of the matter is this. The reason why Barbados was able to achieve the kind of expansion in output in 1986, 1987, 1988 and 1989 was attributable to the phenomenal growth in tourism. Once tourism took a downturn, everything else had to take a back seat. Nobody can contradict that. Once tourism in the Barbadian economy took a downturn, any prudent Government had to put the brakes on credit to construction of residential buildings, credit for those kinds of activities which were just importing the raw materials and the intermediate goods and then selling in the Barbadian market. Why? Those are foreign exchange using activities, not foreign exchange earning, and the only time you can facilitate that kind of expansion in this economy is when the foreign exchange earning sectors are expanding.

This notion that the Government was wicked and that is why it brought on the credit controls in October, 1989 is a very misinformed notion. I happen to know that some of the people who propagate it know better. The only way expansion can start again in this economy within the foreign exchange using sectors, like housing, general construction and so on, without doing untold harm to this economy is when tourism, financial services and general export activities get going. I do not care who says what, not even God can change that.

Aside.

SENATOR Dr. F. W. ALLEYNE: Of course, you are right. God does not like ugly, He does not get into foolishness. So this thing of walking around telling people about what you can do if you win the Government and what you cannot do is one big joke. If the foreign exchange earning sectors do not get going again, whoever has the Government has grief on their hands. You have to struggle.

I am saying, Mr. President, that what we are seeing today is part of a long term trend which was clearly evident as far back as 1975. The difference between the 1970s and now is that in the 1970s our foreign debt was low, so when our export earnings started to decline we had the leverage to borrow, because our external debt service was low. There comes a time, when you continue to borrow and borrow like that, when your external debt service gets so high that you have to be very cautious about contracting additional debt. That is the time when you have to call a halt to it, and that is precisely what happened in 1989. I am raising certain fundamental imperatives which have to be addressed in the Barbadian economy.

I heard Senator McClean say that high and excessive levels of Government expenditure practised by this Government have put this country in the fix it is in today. Nothing can be further from the truth. The fact of the matter is that the export sectors, the productive sectors in the Barbadian economy have not been denied credit by the selective credit controls. There is the Industrial Credit Fund there. The sectors which have been controlled are the foreign exchange using sectors, particularly for consumption. It is no point fooling ourselves. If you do not have the foreign exchange, it is no point opening up on credit, unless you are a fool or unless you want to fool people. This talk about crowding out of the private sector, Mr. President, I have to ask which private sector the Senator is talking about.

There are several private sectors in Barbados, and the one which has to be given priority in terms of access to credit is the private sector which is concentrating on exports, not the private sector which wishes to leave Barbados and go and buy things overseas and come here and sell them to make a quick dollar. That will come in time, but the foreign exchange earning capability of the country has to be boosted first. Any amount of money is there for the people who are genuinely in exports. Notice I said "genuinely". This talk about Government policy generating a recession is the most idle I have heard for many a time. If my 13 year old daughter had brought this to me, I would give her some corporal punishment, because I do not expect her to bring stupidness to me.

In North America the economy is slowing down; in the United Kingdom it is slowing down. When those economies sneeze, we catch a cold.

Aside.

SENATOR Dr. F. W. ALLEYNE: Thank you. Pneumonia. The only person in this Chamber who does not seem to understand that is the very learned Senator. He doesn't understand that. He says the Government's fiscal policy has caused a recession to stop people from spending money. I really can't follow his logic and I am not going to attempt to follow it, because the fact of the matter is if you play monkey too often eventually you become like real monkey. So, I am not going to try to follow it.
12.50 p.m.

But having put the credit controls in place in October, the structure of our economy is so complex that when you try to correct one problem you create another. What the controls attempted to do was to protect the balance of payments position. But in trying to protect the balance of payments position, what you have done is that you have reduced the level of activity within the economy and once you reduce the level of activity invariably you reduce the level of income and consequently the revenue base – it follows. So, this notion that you put on the credit controls and this generates a recession you have to follow through logically and see that when you attempt to tackle one problem there are other problems which come up. But it would be nonsense at this time to try to reverse that recession by removing the credit controls prematurely. The wise thing for the Government to do is to make sure that the productive sectors in their exports have access to the credit.

I am reading here about revenue declines. There has been a lot of talk here quite recently about Government's cash flow problem. You don't have to have a knowledge of economics, just a modicum of common sense and you will understand why Government's revenue has declined. If you put on those credit controls as they were put on October last year... The revenue today depends very much on indirect taxation, very much unlike pre-1976. Once you put on those controls and you reduce the level of imports into the country it follows as night follows day that the level of revenue has to decline. But, I go further, if you make contact with the Budget presented by the Honourable Minister of Finance in 1990, you will notice that in that Budget the Minister gave a concession to the business sector when he made it law for businesses to hold the consumption taxes for 60 days rather than 30 days. That would have aggravated Government's cash flow problem because the third quarter of the year is a difficult revenue period within Barbados. Historically, it has been so and that concession would have started to bite, particularly in the third quarter. Also, too, let us recognize that because Government is saying now you hold the money for 60 days rather than 30 days does not mean that in the past the law was adhered to. It is quite possible some businesses were holding the money for 60 days and more. But now you double it, you will find that rather than holding it for the 60 days which they were holding it before, they might now hold it for four months or more.

If you wish to discover why Government's revenue has declined and why the cash flow problem has been so severe in the third quarter I suggest to the Honourable Senator that that is where he has to look and also understand that if I ease somebody's cash flow, I create mine at the same time.

So, when the Honourable Senator starts to speak about contraction in housing, contraction in manufacturing, contraction in this, contraction all around, I think it is important for the people of Barbados to understand that Government is charged with a responsibility and it is very easy for people without a responsibility to be irresponsible, because they are not accountable. Government can ill afford in Barbados to put us into a situation where they are afraid to take action to protect the balance of payments and then one morning you have to go to the surgery for an operation and you can't get the operation because they can't pay for the imported medicines and so on which you need. You can ill afford to allow that to happen in Barbados.

Mr. President, my position is quite simple. I have no difficulty in supporting this Bill to increase the loan limit. As I said earlier, it increases the options available to Government and I have every confidence that Government will use this new authority prudently. I am also assured and I am in a position to know. Irrespective of what the Senator may say, I do not have to bring secrets out to him. When the time is right... whether he thinks it is long past or not; I know it is not long past and I know this Government does not have to wait on the exhortations of the Honourable Senator. I know when the time is ripe for signing on the bottom line for that external loan.

For quite some time the Press in this country have come up with lies saying the Minister of Finance (as if he were acting through some act of stealth) went overseas to beg for $100 million. Is this the first Minister of Finance who went overseas to borrow money? Errol Barrow did it. Tom Adams did it more often than Barrow. Richie Haynes did it. What is wrong with Mr. Sandiford doing it? The trouble with Mr. Sandiford is that he is too decent. They are getting up and making you believe it is an act of stealth. Here is a Minister of Finance charged with the responsibility of monetary policy in this country and you have the Press behaving as if this particular officer is committing an act of stealth when he decides that it is in the best interest of the country to face the international community to raise a loan.

Mr. President, the period, the last three to four years in Barbados, is unprecedented in the history of this country. Within the last thirty years, it is the first time I can recall in which this country has gone through 4 years of economic, guerrilla warfare. It is the first time in my adult life that I

have ever seen it and how this country has survived that economic guerrilla warfare is something that has surprised me. It tells us a lot about the resilience of the ordinary Barbadian people. We have seen a lot and I believe we are going to see more, but the country will survive. Mr. President, I support this Bill. Thank you.

SUSPENSION OF SITTING

SENATOR THE HON. L. V. H. LEWIS: Mr. President, I wish to move that this sitting be suspended for one hour until 2 p.m.

The question was put to the Senate and agreed to and Mr. PRESIDENT suspended the sitting accordingly.
1.00 p.m.

RESUMPTION OF SITTING

SENATOR J. S. GODDARD: Mr. President, I would like to start off by thanking Senator Clarke for the very descriptive speech he gave on how Government borrowing has increased since 1971. It was very useful information and I found it very desirable on the present Bill before us today.

I would like to read two short quotations from two reports. The first one is the Economic Review of September 1990 issued by the Central Bank of Barbados where under the public sector section on page 4 it says:-

> "There was substantial widening in the overall fiscal deficit for the first six months of 1990. The sluggishness of the economy caused a decline in revenues and capital expenditure was heavy. The deficit was financed mainly by funds from the Central Bank and commercial banks."

The second quotation is taken from the Inter-American Development Bank Economic and Social Progress in Latin America, 1990 Report. I can make this a document of the House. In the section dealing with Barbados it states:-

> "Economic prospects in the short-term suggest a slower growth with continued balance of payments pressures resulting in part from large amortisation payments on the external debt due in 1990 and 1991 while the outlook for export earnings apart from tourism is less promising than in recent years. With foreign borrowings to finance external repayments becoming more difficult as the country's debt service profile deteriorates and with an expected low level of direct private investment from abroad, a further loss of official reserves seems likely."

Those reports are dealing with a period before the attempted coup in Trinidad and the Persian Gulf crisis so they have nothing to do with the comments that were made in those two reports. Those reports suggest to me that all is not well with our economy. This is not unique. The same thing may be said of other economies in the region, indeed, other economies throughout the world. But it is our responsibility to pay attention to our economy and let the other people deal with the problems of their economies.

I do not consider that this downturn is just a cyclical movement which happens as you track economic developments. I believe that the symptoms have been there for a while. I now would like to examine the symptoms as I see them.

If I may turn to the September issue of the Economic and Financial Statistics published by the Central Bank of Barbados, page 54 (I am dealing with the fiscal deficits) I should mention that the way the Central Bank computes the fiscal deficit is different to the way the Accountant General does. This fiscal deficit does not include sinking fund and amortisation payments whereas the fiscal deficit shown in the Accountant General's Report does. I personally prefer this method of accounting. I think it is more accurate.

In passing I would just say, Sir, that since 1973/74 to the end of 1990 this country has never had a fiscal surplus. But if I may look more closely at the decade of the 1980's, we had a fiscal deficit of $1 216 180 000. That roughly is equivalent to the amount the national debt increased during that same period. I will come to that later.

The Central Bank Report deals with the public accounts for the first six months of this calendar year. I would like to deal with the first four months of the current fiscal year as compared to the same four months in the fiscal year of last year. In other words, Sir, April, May, June and July of this year compared to April, May, June and July of last year.

There was a decline in current revenue of $26 440 000, about 8.9%. There was an increase in current expenditure of $47 137 000 or 17.4%. The first four months of the fiscal year last year showed a surplus on current account of $26 858 000. The corresponding period in the current fiscal year we are now seeing a deficit on current account of $46 719 000. Last year capital expenditure was $54 million. This year it is $64 million, an increase of $10 million or 18.8%.

The overall picture, Sir, is that whereas the fiscal deficit – remember that I am eliminating amortisation and sinking fund payments – for the first four months of 1989-1990 was $30 714 000, for the corresponding four months in the current fiscal year it is $114 857 000, an increase of $84 143 000 or 174%.

If I may turn to page 11 of the Financial Statement and Budgetary proposals of the Minister of Finance dated

May 2, 1990, I will quote this one paragraph of what was said about the outlook for 1990/91:–

> "The 1990/91 Estimates of Revenue and Expenditure which have been approved by this House, show that Government is expected to record an overall deficit of $137.2 million when adjusted by deducting amortisation of $92.9 million. That is a deficit of 4.7 per cent of the GDP and is well within my medium term objective. However, the cost of the civil service reclassification, estimated at $33.0 million, will push the deficit in 1990/91 to $170.2 million. I expect that wages settlement this year will be very moderate indeed, bearing in mind the need to maintain sound public finances, and the need to keep distress from the doors of taxpayers. We cannot afford to throw out the baby with the bath water."

Based on the actual performance of the economy for the first four months of the current fiscal year, Sir, we are already way off target. I would expect the fiscal deficit to be very much higher than was shown in the Approved Estimates and, indeed, in the Financial Statement and Budgetary Proposals.

Next, Sir, let me turn to the national debt. I am still dealing with symptoms. Quoting from the September issue of the Economic and Financial Statistics issued by the Central Bank, in 1980 the national debt was $493 million. At the end of 1989 it had risen to $1 695 000 000, 3.4 times higher than it was at the beginning of the decade. I should mention that the foreign component of that national debt rose five times from $163.9 to $817.1 million.

I mention that because the United States, a far larger and wealthier country than ours, had a similar experience. In the decade of the 1980's their national debt also trebled. In fact, they went from the world's largest creditor nation to become the world's largest debtor nation. The difference is, in our case, we were never a creditor nation and as a debtor nation we may be approaching the point where we will not be able to incur any more debt. That is a cause for concern.

The United States, as we all are familiar, recently went through a fairly traumatic experience between their Congress and the Administration to hammer out a budget package aimed at, among other things, reducing their fiscal deficit over the next five years – that country with its vast resources. You can appreciate the importance of bringing the fiscal deficit under control.

Mr. President, I refer to these as symptoms – the fiscal deficit and the rising national debt. To me these are symptoms of an illness where the Government of this country, by that I mean the entire public sector, has become obese, overweight if you wish, or just too fat.

2.15 p.m.

Personal emoluments as a percentage of current expenditure is generally believed to be in the vicinity of 50%, but I did hear Senator Clarke earlier today say that it was higher than that; it was more in the vicinity of 66%. One out of four working people in Barbados is employed in the public sector.

I should also mention that Government expenditure, taken as a percentage of GDP, amounted to 36.2% of GDP in the year 1989-90, and I have got that figure from what the Minister of Finance said in his budgetary proposals. This is a tremendous superstructure of Government for this economy to sustain. I believe that the individual and the corporate taxpayers expect Government to grow as the economy grows, but they expect a Government to get fitter rather than fatter. That, I submit, Mr. President, is one of the fundamental illnesses facing this economy.

Earlier today Senator Clarke said that it was Government's policy to try and create full employment, or nearly full employment, to maintain stable prices and to maintain an equilibrium in the balance of payments, three objectives with which I totally agree. But we need to achieve these if we are really going to restore health to the economy. We can only create full employment if the economy becomes competitive again. I know of no other way, Sir. Stable prices are desirable, but there are factors outside of our control that can affect these prices. To illustrate, the Gulf crisis has already affected the price of oil, which in turn is affecting air fares, transportation costs, and they are totally outside of our control. We just have to accept those increases. The Government here has had to increase the prices of gasolene, kerosene and other petroleum based products.

The third factor, the only factor we have totally under our control, is striving for and maintaining equilibrium in the balance of payments. We have to concentrate on that if we really want to restore health to this economy. In other words, Sir, we have to restore the competitive position of this economy without which those goals cannot be achieved.

I should like to suggest, first of all, that we need a review of our tax system. It may mean increasing Government revenue as a result of that, but that would not be my prime objective. My prime objective would be to remove those obstacles within the existing tax system that prevent certain sectors of the economy and companies from being competitive, and by competitive I am not referring only within the local economy, Sir, I am talking about within the region and internationally.

Secondly, Sir, it is time that we recognise and deal with waste and inefficiency in the public sector. I do not have to go into any detail. All of us have walked into various Government offices from time to time, or seen Government projects, and we can see the tremendous waste

and inefficiency, and all that is reflected in the current expenditure and is backing up into the deficit on current account. We have to deal with that.

Thirdly, Sir, I believe we need to cut back on certain Capital expenditures. The approved Estimates this year provide for Capital expenditure of $242 million. I am sure it is possible to justify every single item, but the one question we have to ask is, can we afford all of them? There is no doubt in my mind what the answer to that should be. We cannot afford all, given the present state of the economy, and I believe steps have to be taken to cut back on Capital expenditure.

Fourthly, Sir, I believe the time has come, indeed overdue, where we need to embark on a programme of privatisation. Certain assets the Government now has could be transferred to private ownership. It would have to be carefully thought through, it would have to be a programme, it cannot happen overnight. It would be socially undesirable for it to happen overnight, but the Government cannot continue to maintain this tremendous investment in enterprises that could be operated within the private sector where there is a higher level of accountability, the accountability of the market. In fact, the day may come where we will no longer see a sum – I believe it is $150 million – which is transferred to subsidise losses et cetera within the various statutory bodies of this country.

Fifthly, and most importantly, or as importantly as any of the others, we need to restore again the pride and industry in ourselves and our country. I have provided, in my judgment, four economic or financial remedies. This is a social or national remedy and to me it is just as important as the economic and financial remedies which I think are required to restore the health of our economic development.

We all know what is required. I am only repeating what the Governor of the Central Bank said last week. We know what we have to do. We have to earn more foreign exchange, we have to protect our balance of payments at all costs. This, however, Sir, brings us to the question of choice. We can either decide to take the medicine voluntarily, and that will require commitment and sacrifice, or we can call in Dr. IMF. I do not think anybody here has any doubt in his mind what Dr. IMF would prescribe. There is no doubt in my mind as to which course of action we should take. Do what has to be done and do it voluntarily and remain masters of our own fate.

I support this Bill, but I recognise it is only a pain killer. It is like a shot of morphine. It can be administered once, but if it is administered too often the patient then becomes addicted.

2.25 p.m.

This is no solution. It is only a pain killer. I realize it could deprive the private sector of funds in the short term. I am not getting into the argument that the economist had as whether it could or it will. Suffice it to say, Sir, it might. But, I am interested, Sir, in the long term view for the health and progress and development of Barbados rather than any short term disadvantage that any particular sector may suffer. As I say, Sir, I support this Bill, but I repeat it is no substitute for the tough medicine whichever party is in office has to administer to this economy and this country. I thank you, Sir.

SENATOR C. A. BLACKMAN: Mr. President, this amendment to the Local Loans Act is the third measure of this kind to be considered by this Parliament during this session. In 1987, a Special Loans Act was amended to increase the limit from $375 million to a limit of $500 million. In 1987 too, Mr. President, the Treasury Bills and Tax Certificate Act was enacted for a limit of $600 million and at the end of last year almost $427 million of that have been issued. The authority for that is the Estimates for 1990–1991, Appendix D, page 29.

One of the features, Mr. President, of this session of Parliament is that almost one in three matters considered by the Senate during its 68 meetings have been Resolutions for the raising of money of one kind or another. In fact, there have been 16 Resolutions under the Special Loans Act of one type or another, a number of others under the External Loan Act, guarantees for Statutory Boards. Overall we have been, whether we like it or not, a borrowing Parliament. The purpose of the expenditures to be raised under the Local Loans Act in the Schedule is to defray Government's capital expenditure and Senator Clarke in his introduction almost queried the necessity for imposing these, what he considered, artificial limits on the Local Loans Act and felt that perhaps it should be an open cheque. My note at the time was that the reason for limitation and for the need to come back for approval for any increased limit is really accountability. I would like to be assured by the Senator in his reply, given that on the figures given in the Estimates the current limit has not yet been exhausted. According to the Estimates, there is still an undrawn portion of the Local Loans Act, Amendment Act of 1988. You are now increasing by another $100 million and also there is room in other legislation, the Treasury Bills Act and the Special Loans Act. What is the imperative for this piece of legislation? That's my concern because you have a facility of almost $175 million under the Treasury Bills Act not utilized: you have about $30 million not utilized on the Special Loans Act, given the figures that we have in the Estimates laid before us earlier this year. So I raise the question, what is the imperative for raising the limit for another $100 million at this time that we must go out there and take up whatever liquidity there is in the system? I share all of the sentiments expressed by Senator Goddard because to those people who are seeking to go out there and take control of the country after the next election I really

wish them the best of luck because it's really an election that nobody in his right mind would want to win; because whoever wins will have the responsibility for giving us a very serious dose of medicine.

Mr. PRESIDENT: Order.

SENATOR C. A. BLACKMAN: Because the regime of borrowing to which we have become committed over the past period of time is one that creates some concern.

I know from my abstract of the figures that between now and 1991 something close to $43 million that was borrowed in 1988 is going to be due for repayment. Maybe some of this money is going to roll over those debts but the purposes for which we can use this money under the Act of 1988 is Government's capital expenditure and for all the historical overview which the Minister gave us in introducing the Bill, that issue has not been addressed.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, there are some questions raised by the Senators and I think I should make an attempt to address these. I think it is advisable to start with the last speaker, Senator Chris Blackman. He has concerned himself with the limits of the loans position. For the benefit of the uninitiated, I think it is advisable to state that debt management, that is the management of the public debt is one of the tools available to a government and the Central Bank to achieve objectives that all of the economies seek to achieve. Like any good, prudent investor, one seeks to have a mix within one's portfolio, short-term debt, long-term debt, etc. Government is no different from this in terms of introducing short-term monies and long-term monies as evidenced by treasury bills and debentures. Perhaps Senator Blackman is falling into the trap of some businessmen who would prefer to seek overdraft facilities to finance capital equipment. Normally, you try to match the life of the loan with the purpose for which you are acquiring the said loan. We go in, not because Government's revenues have been underestimated but it is a question of cash flow. In business, you know only too well that profits are not always reflected in cash. While you show an account receivable with a debit and a credit as to income it is a far cry from the cash which you receive. Government in the interim, must meet payrolls every month and cannot default on said. As a consequence, Government is then required to see that it has the cash necessary in spite of the receivable which might be due and owing to it. Any limit is not indicative of the fact that Government intends to use all the money. However, it wants to be in a position (whether people pay their taxes or otherwise) to honour its obligations to all suppliers and to meet salaries when they fall due.
2.35 p.m.

I am dealing with the local aspect of the borrowing. We want to be in a position to make sure that we honour all of our obligations when they fall due. If it means undertaking increasing the loan limit to facilitate our cash flow position, this Government is prepared to do this. We are not prepared to ride the train and ride on the backs of small suppliers to see us through rather than coming to Parliament and facing the music at this point. I want to make that abundantly clear to all who is listening, if you have ears to hear.

On the question of the fiscal deficit, Senator Goddard would have us believe that the deficit was incurred primarily to meet current expenditure.

Aside.

SENATOR THE HON. Dr. C. D. CLARKE: I am sorry if I misunderstood you on that one, Sir.

The deficit is part of current expenditures, less revenues (I think there is a small surplus on that account) plus capital expenditures. Once we start dealing with capital expenditures, we are dealing with assets and investments that have a life over time. The philosophical question is, should this present generation be taxed so that they will pay for it now when it will have a life and future benefits over time or do we provide the asset now so that this generation could benefit and future generations could also benefit and ask those future generations to pay part of the cost and part of the benefits to be derived from them? That is the question which we must address.

If you were in business you would have shown this as a capital investment. It would have gone to your balance sheet and you would have had your long-term debt or balance sheet items. The only thing that would have showed up in your income statement would be the debt service, the interest expense. Based on Government's current method of accounting, it is a deficit and it shows up as one statement. You are spending more than you are receiving. But the nature of the expenditure is not reflected.

I think I have gone through that in here before. I am sure that all of us who have been in business clearly understand the differences. I do not think that we should try to perpetuate to the public at large that we are spending more for consumption purposes rather than for investment purposes.

The Government is too fat. We are into the perennial question of the debate. Is it more efficient in the public sector than in the private sector? Those in the private sector believe that if you follow the private sector therefore they are necessarily better. They believe this to be true. I do not know that it is anything more than a belief.

If I look at the staffing – I go into various parts of the private sector – I see waste. I have been associated with companies where I have seen people who start out as clerks with no limits on their salaries and they go on right through

to earn salaries just by longevity, not that they are producing more or that they have greater responsibilities in the company, but they sit quietly.

Furthermore, in this country we have questions of monopolies. They charge whatever price and we have to take it. Price fixing between companies interlocking directorates, all these things which are in the United States of America, we have them. We accept them. We come in here because we have to bear it and we talk about efficiencies in the private sector. Let us have a good look at ourselves. Let us have a good look at the people who manage the private sector. Let us have a look at the people who manage the public sector.

Privatisation, a new word served up. Let us take transport services, the whipping boy. To the extent that service was not being subsidised, the private sector could not function because somebody would have to pick up the cost or buses would not run. People would not get to work. Those people who remember when the Transport Board was privatised, there was no bus going to St. Joseph after 4.00 o'clock in the evening. You either walked or you did not leave your immediate area to seek employment. You lived there and you worked there.

Government recognised it would be unfair to ask companies... We did ask some private companies if they had a third shift at night to provide transportation. We did ask them to put on their own buses. We can privatise and make it a responsibility of the companies to absorb the cost in getting people to and from work. I have no problem with that. You pick up the cost. It is a direct subsidy to the business sector. It is not only to the Transport Board itself. The private sector is the major beneficiary. We can keep the cost low and give them the monopolies and interlocking directorate and you have an opportunity to keep prices artificially high.

The national debt. In my presentation I was at pains to point out the difference between debt that is foreign owned and debt that is locally owned. I was at pains to point out the incidence of that debt. Who bears the burden of the debt? This Government... I think it has to be said. This Government has assumed office with a severe and heavy debt profile with a lot of short-term monies falling due. When I talk about short-term money, I am talking about foreign debt with maturities less than 8 or 10 years.

I will go through and read to you, for the benefit of the Chamber, from the national debt and debt service, the profile of debt service for this Government over the years. Let me go back from 1980. The debt service was as follows:

1980	–	$33.7 million
1981	–	35.0
1982	–	61.8
1983	–	85.4 million
1984	–	106.4
1985	–	156.3
1986	–	187.2
1987	–	269
1988	–	251
1989	–	210
1990	–	322.2

In 1991 it fell to $260.4 million. Because of Government's ability to be able to do this, that is, substitute local debt for foreign debt, you begin to find the foreign debt burden falling to $181 million as projected in 1992 , $142 million in 1993, a deliberate effort. We had to service it. We did not incur it.

I have heard Senator McClean telling us that we should keep borrowing and passing on to future generation, more or less locking them into a situation under which they will have little or no escape. We cannot guarantee that they will earn anything down the line to service those debts. The problem with most developing countries today is the incidence of that foreign debt sitting around their necks. When you start to get into foreign debt service of over 100% of GDP then you begin to have a problem.

Review of the tax system. Senator Goddard raised this question. The Prime Minister and Minister of Finance has made statements from time to time that we are looking at this. We have already sought technical assistance in this area as a total review of the tax system. We are not quite satisfied with the incidence of the tax at this point. Before there was a progressive income tax regime in this country. It was transferred to indirect taxation with all its ramifications. We are looking at the best mix of these two to ensure that we have not what is expedient but an equitable and just tax regime at the end of the day.

Aside.

Mr. PRESIDENT: Please address the Chair. I do not want to be hard on the gallery, if I may, but I want Honourable Members not to interrupt the speaker, if not I will have to invoke the Rules.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, I understand that debt is always an emotional topic. We tend at times to see it from our own perspective as individuals rather than as countries. While if I went into a bank and borrowed money I have a commitment to the bank, as a nation borrowing from its financial institutions then, of course, it is owed to itself. Government has the right to borrow. It also has the right to tax.

The choice for the services that we are demanding from Government if we continue to demand the level of services, we will either pay for them through taxation which deprives the individual of a right – Government has a right

of appropriation through taxation – or through a loan for which it says, I will use your money and pass on to you interest for the use of that money while you still retain the claim to it. In any event, to the extent that the deficit exists, it must be bridged and there are only two possibilities to bridge it, that is through taxation or through loans.
2.45 p.m.

I put it to you that to give you greater discretion. . . .

Aside.

Mr. PRESIDENT: Senator Clarke, you have to address the Chair. Do not be caught in any net of answering a speaker across the Floor.

SENATOR THE HON. Dr. C. D. CLARKE: I am sorry, Mr. President. There are two possibilities to finance the deficit. If we are talking about an equitable and just society and ensuring that people have a right to work, and that Government must react as the employer of last resort... If the private sector through the profit motive fails to employ people, Government has a responsibility to put people to work to make the society safe for all of us. We all in turn have to pay the price. The Government has given up out of its revenues all sorts of concessions to ensure that the private sector begins to employ people and increases output, but they have done nothing. They have taken the concessions and they have increased their profitability. I do not have the information concerning the various companies with me, but I can bring it in. I have seen the various prospectuses and read about the various performances, mostly through the incentives given by Government, and now Government is being castigated, since Government has to employ the people. Government has already said we will not tax you to do this, because we have given you the concessions, but we will borrow out of excess reserves to do it.

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

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

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, this is a money Bill and as such I move that this Bill be read a third time.

The question was put to the Senate and agreed to.

SENATOR THE HON. Dr. C. D. CLARKE: Mr. President, I move that this Bill do now pass and be cited as the Local Loans (Amendment) Act, 1990.

The question was put to the Senate and agreed to.

ORDER NO. 2 – RESOLUTION TO APPROVE THE COMPULSORY ACQUISITION OF LAND AT SCARBOROUGH, CHRIST CHURCH TO FACILITATE THE IMPLEMENTATION OF A NATIONAL LOW INCOME HOUSING PROJECT

SENATOR THE HON. L. V. H. LEWIS: Mr. President, the Resolution deals with the acquisition of some 29 parcels of land at Scarborough in Christ Church in connection with Government's implementation of a National Low Income Housing Programme.

The main objectives of the programme are to provide serviced lots, with and without starter units, upgrade existing infrastructure, upgrade existing tenantries and provide services to the lots.

Scarborough is situated in Oistins, Christ Church and it is proposed to acquire some 14.82 acres, or six hectares. Some of the lands are presently occupied. There are a number of land owners in the area from whom the acquisitions will be made. The site presently accommodates 119 dwelling units, some of which are chattel structures, and the units are generally in a good condition. This is a question of improving the area moreso than providing a large number of new house lots. Much of it is the upgrading and provision of services to the units.

I believe that on an earlier occasion questions were asked about Government's programme in relation to its housing development and Government was taken to task for not constructing new housing units. On the very day of our debate I was privileged later in the evening to read in the newspaper that the National Housing Corporation had advertised for tenders for the construction of new units which would be used as rental units.

I mention that in passing, because often comments are made in this Chamber and they are not challenged forthwith, because it is not possible that Ministers in the Senate have all the answers to these questions. When we are able to research them we often discover that the questions which we could have answered could well have come to the knowledge of the persons asking the questions what the answers would be.

This is all part of Government's continuing attempt to provide housing for persons who are less privileged. I wish to move that this Resolution be passed.

SENATOR A. W. A. McCLEAN: Mr. President, it is always to be desired when we have Resolutions which will make some contribution towards an improvement in our housing stock, and as such I have nothing but support for this Resolution.

However, my specific reason for intervening in the debate at this stage is to indicate that Government seems to have been misled by some of the information contained in the Economic Report which they keep on quoting every time they have something on housing. I am referring to the Economic Report 1989, page 21, where it is indicated there that the leading indicator of house completions, electrical inspections, shows that approximately 4,180 houses, the highest number in any one year, were completed, compared to 2,667 in 1988. That number, 4,180, relates to 1989.

Government seems to be using information about housing inspections to inform them as to how many houses were completed in Barbados. Every time a house is inspected this represents a house completion.

SENATOR THE HON. Dr. C. D. CLARKE: On a point of order, Mr. President. This is a document which has been made a document of the House. We have accepted the information in it and I do not think that Senator McClean or anybody should seek now to question the veracity or the accuracy of the information contained therein.

SENATOR A. W. A. McCLEAN: Mr. President, this is a document which makes a presentation, it purports to present some kind of analysis and one can comment on it. Even if it purported to document factual information, one can also comment thereon.

The essential point I am making here is that it is rather simpleminded to equate housing inspections with house completions. Houses that were completed many years ago all across the country are getting electrified for the first time and they have to be inspected. Many houses which had electricity before had to be rewired and because of certain changes in the standards, if you carry out certain extensive modifications, you have to get reinspected and so on, so there are many inspections that are not associated with house completions and Government needs to try and refine its information.

SENATOR THE HON. L. V. H. LEWIS: On a point of order, Mr. President.

Mr. PRESIDENT: I was allowing Senator McClean to catch his breath after that statement. The Resolution before the Senate is a Resolution to approve the compulsory acquisition of land at Scarborough, Christ Church to facilitate the implementation of the National Low Income Housing Project.
2.55 p.m.

That is what this Resolution before you is about and I am not going to let this expand into anything you can throw balloons into. This is what this Resolution is about.

SENATOR A. W. A. McCLEAN: Yes. And I indicated that I am supportive of the Resolution but I am suggesting that Government in its entire housing policy is basing its estimate of its own performance in the area of low income housing, in the area of facilitating...

Mr. PRESIDENT: Period. I'm not having a debate on that. Make that statement but I am not having a debate on that for them to get up and say something else. This is not a kindergarten school.

SENATOR A. W. A. McCLEAN: I entirely agree with you that they should not be getting up and interrupting.

Mr. PRESIDENT: No. I don't accept that either.

SENATOR A. W. A. McCLEAN: The basic... In conclusion, what I want to say is that if you look at information and that information tells you that you are completing twice as many houses as you ever started, something has to be wrong. You can't perform those kinds of miracles. I thank you.

SENATOR A. MORRISON: Sir, I would like to compliment the Government for having gotten the chance to put into place this project at Scarborough. Although this was started in the other Administration, I think that the people of Scarborough deserve this kind of development that will realign the spots that they already have and will provide new spots for people to move into that area.

Scarborough spans from as far as above Marshall Courts at Oistins as well as to the north on the other side of the road beneath Oistins Hill and Foundation School. That is also part of Scarborough Estate. There is a playing field which was used by a club in the 70's but which is no longer in use. The Hill-top Club. I would hope that in the new alignments which are being made to make Scarborough a better place for the residents of Scarborough that we will be able to get back the use of some playing field in that particular area. There are also the Hilltop people who now meet in a small section of Oistins, in a small room at the mercy of the Ministry of Community Development. I would hope that somewhere in this development we could have a community development centre for those enthusiastic youngsters who now keep their business going in this small room at the mercy of the Ministry of Community Development.

I would hope too, Sir, that we would be able to improve on the drainage in that area and even the junction by the plaza corner which is a very dangerous junction. The road goes to Grantley Adams Airport, the one which goes to Sears Court up Keizer Hill. I believe that some kind of road construction improvement could be done at that particular junction by way of roundabout or whatever in order to improve further the facilities in that area. I think that we should move very fast now on a project of this nature because it tends to bring the kind of physical development features that a people, whom I feel deserve

this kind of development, whom we call 'the outer Oistins' and who have contributed in no small manner to the life of Oistins. At some time the particular project which is now getting off the ground under our Administration was somewhat delayed being in close proximity to a former member of Parliament and which might have delayed the kind of development which we are now embarking on and which might redound to the benefit of both parties as time goes on.

I think that the people in Scarborough, Sir, deserve this kind of development and I hope that we move very fast to get things in place with the realignments to be made and the new road systems and other sites to be created so that when we see Scarborough again it should be a much improved local development advancing Oistins even further. Although the Oistins redevelopment has not taken the kind of artistic development that we thought it would have been with the new market in Oistins, which is now due for a refurbishment. That whole market development, after five years has been a complete disaster. The Minister of Agriculture went for funds to actually do over the jetty, which after five years is no longer usable and is hazardous to people walking on it, by way of electrical shocks as well as masonry falling off. It has to be done all over again after only five to seven years in existence.

We hope that as we continue to improve the physical features of Oistins, that we will make Oistins a better place for the people who work and sojourn there and that Scarborough will look like a new town when this development is completed. Thank you Sir.

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

RESOLUTION TO APPROVE THE COMPULSORY ACQUISITION OF LAND AT KENDAL HILL, CHRIST CHURCH FOR THE CONSTRUCTION OF A TRANSPORT BOARD HEADQUARTERS

SENATOR THE HON. L. V. H. LEWIS: Mr. President, the Resolution deals with acquisition of some 15 acres, 6.30 hectares or thereabouts of lands the property of Kingsland Estates Limited situated at Kendal Hill in the parish of Christ Church.

The story of this acquisition leads us from another location at Haggatt Hall where it was agreed that the new Transport Board Headquarters would be situated. After further examination of the Haggatt Hall site and certain problems which would arise because of its proximity to the new Adams/Barrow/Cummins Highways and other developments in that area, it was recognized that it should go back to a site which had been identified by the Town Planning as being the best location for this development so that the Kendal Hill Site is now chosen. It is adjoining another development, a private transport development at Kendal Hill. It is in an area where the traffic movements are somewhat less than in the Haggatt Hall area and it is accessible from off Kendal Hill rather than off the Highway.
3.05 p.m.

In addition it is in a Zone 5 area, I am informed, which makes it a very suitable location for disposal of any effluents which would result from locating the workshop and other facilities at Kendall Hill.

In addition, there is somewhat more land available at this Kendall Hill site for future expansion. It is an extensively flat area which does not provide too many hindrances to the proposed construction.

I beg to move that the Resolution do now pass.

SENATOR A. W. A. McCLEAN: Mr. President, I intend to be brief in terms of the Resolution which I find nothing wrong with as it has been explained.

I would want to suggest that the Transport Board still needs to do something about improving its efficiency and once again providing a service that is attractive to persons that live on the routes serviced by the minibuses, the Z vans and various other types of vehicles.

I just want to make one suggestion and that is, the introduction of certain circular routes. Barbados is fairly badly serviced by public transport in that most of the routes radiate from Bridgetown to the furthest parts of the country on one long route or so. It is desirable that we link areas across the country through St. Michael to other parts. Circular routes would help this.

There are two circular routes that suggest themselves to me within the St. Michael area and closely adjacent areas. For instance, the Wanstead route could probably (instead of going to Wanstead and coming back retracing its steps) go around the Holder's way, down across While Hall and either go down Spooner's Hill or down the Bank Hall Road. You could have another service travelling in the opposite direction, making a loop with the route terminating in the bus stand, whichever terminus you go to.

A similar route could probably come up Station Hill, perhaps, go down the Spooner's Hill side with another one running in the opposite direction so that people would find it easier to travel between those sections of St. Michael where now there is some considerable difficulty. That same thing could be developed for other sections of the country where we have circular routes that would bring different sections of the same parish into closer contact with one another.

Right now many people have to travel to get from one part of St. John to another; they probably have to travel to

Bridgetown, travel back out by another bus to get into that part of St. John. We need inter-connecting routes that would tend to solve that problem. In other words, what I am calling for is for the Transport Board to display a little more imagination in designing routes which relate more to contemporary Barbados than to Barbados as it was when those routes were first developed.

I thank you.

SENATOR C. A. BLACKMAN: Mr. President, I have just two concerns in this Resolution. One is in relation to the issue of transport generally, that is, whether consideration has been given to the issue of transfers between routes. I have seen it operate in a couple cities in North America where if you have to make a journey from point A to point B but in order to do so you have to change a bus, there is a transfer which is given to you for a given period of time, an hour, or half an hour, then you present that transfer instrument. I have seen it in Atlanta, Montreal, Toronto, and you present that transfer without paying an additional fare. It might well be that if this is in the transport system it would attract people to the Transport Board away from the competition.

The other aspect of this matter to which I wish to speak is the area described in the Resolution which butts on two sides on the ABC Highway and is some 15 acres of land. I speak of this, Sir, in the context of my question which is nearly two years old in this Chamber as to really what is Government's policy in relation to the issue of attracting and recovering development duty in respect of developments off that Highway.

There is a lot of development taking place in the area of that Highway for which the Treasury of this country is not benefiting and to the extent that we could minimise loans such as the one we have discussed earlier today, I need to ask why after nearly two years, November 16, 1988 I asked the question, a reply is not yet forthcoming?

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

ADJOURNMENT

SENATOR THE HON. L. V. H. LEWIS: Mr. President, we have cleared Public Business for today. At the beginning of today's session some envelopes were circulated which have in documents which we would wish to deal with next week. They relate to Resolutions which cover certain Orders which were laid today.

I therefore move that this Senate be adjourned until Wednesday, November 7, 1990 at 11.00 a.m.

The question that the Senate do now adjourn until Wednesday, November 7, 1990 at 11.00 a.m. was put to the Senate and agreed to and Mr. PRESIDENT adjourned the Senate accordingly.

3.15 p.m.

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