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INTRODUCTION

I beg to move, that a Bill to provide for the service of Trinidad and Tobago for the financial year October 01, 2010 to September 30, 2011, be now read a second time.

This is a money Bill and it was approved in the other place on September 17, 2010. It provides for the issue from the Consolidated Fund the sum of \$41,352,300 billion under the various heads as indicated in the Schedule of the Bill.

In presenting this Bill, I make reference to the various reports that were laid before this Honourable Chamber. I thank you for the privilege to be here to share my thoughts as we proceed to debate the budget statement of 2010/2011. To do so, I would like to, first of all, very briefly identify what are some of global challenges ahead of us and in the context of that determine how we in Trinidad and Tobago should approach our own situation.

Economic Review

International Environment

In the first place, the world economy is undergoing what I refer to as a "rebalancing" of its flows of investment and trade. Today, we are in the midst of the fundamental re-ordering of those flows between the different major economies of the world.

Secondly, our financial markets in the world, have in fact, been engaged in what I refer to as the "reluctant recovery" and at many times exhibiting volatility in its conduct; matters that are of significant importance to us.

Thirdly, the world economy as a whole, in the post-crisis period, has now been threatened with what has sometimes been referred to as a "double dip recession". This broad categorization of the state of affairs of the world economy has, indeed, affected what is possible and the challenges ahead of us.

The Domestic Environment

In the Caribbean, we continue to be characterized by what I refer to as a "fragile and exposed economy", not only in Trinidad and Tobago, but throughout the English speaking Caribbean and, indeed, beyond that. This fragile economy has reflected itself in major challenges, particularly on the fiscal account of our sister Caribbean countries and our own. It has also

reflected itself in terms of being exposed to what is happening in this open economy of the Caribbean.

It is in that context, therefore, that we come to Trinidad and Tobago, which over the last few years has been undergoing what I refer to a "stumbling of the growth effort". The stumbling of the growth effort has been the result of two major factors: One, is the uncertainty of which I spoke earlier and, more specifically, the uncertainty with respect to those particular issues of the price of gas and oil, which are the transmission agents through which the international economy affects our own economy. It has also been due to the fact that we have found our growth process somewhat choked. Although we have had 15 years of growth prior to 2008, we have found that within the last three years we have been choked in the growth process. This has resulted largely because, in my view, we have had a situation where our fiscal situation has left little room for manoeuvre, more specifically, little room to wiggle through; and secondly, our ability to be competitive in the global economy has in fact deteriorated. Both of these considerations have led us to a situation where our economy today is choked for the resumption of growth.

Steps to Economic Recovery

It is against that context that in preparing the budget presentation for 2011, I identified the two key issues facing our economy. The first would be to ensure that we can remove the uncertainties around us, many of which are uncertainties that are the result of domestic policy and some of

which are as a result of the external economy. The second would be to clear the blockages so we can remove the choke on growth that has taken place.

Those were the two major objectives of the budget statement. In so doing, we have analyzed the current situation and came to the conclusion that the foundation upon which we have built our economic edifice was a foundation built on sand, as a result of which, we now have to do two things. One of which is to rebuild a foundation on a bedrock of rocks and, at the same time ensure that we initiate and trigger a growth process in Trinidad and Tobago.

Madam Vice-President, that is why I believe the People's Partnership Government came into office because there was a fear that our situation which was built on sand was likely to crumble and secondly, there was the hope that we could exercise the necessary surgery required to bring about a new sense of life in the economy.

To some extent, the population at large intuitively sensed these two situations which led to the change in Government and the fact that we are here today as the People's Partnership Government to start the process of removing the fears that have kept us down and to initiate and ignite the hope that must take us forward.

In terms of our economic framework, there are four basic objectives that we in the People's Partnership Government have attempted to do in our Budget Presentation. The first is to ensure that we can once more find a

return to financial responsibility. I consider the measures outlined in the Financial Action Plan in the Budget Statement as a recipe for the financial recovery of true fiscal responsibility. That is our first objective.

Our second objective would be to create conditions for financial sector stability which remained a matter of some concern although we have been able to withstand the weather on this issue to some extent. Thirdly, we are to take measures to expand the economy and design a pathway for growth.

Fourthly, we are to build and bridge the gap between entrepreneurship and development. These four objectives are outlined in great detail in the Budget Statement of which I have the honour to present today.

To some extent, moving onto this new path has obviously created some discomfort as we depart from the old ideas and, therefore, it is expected that there will be a clash of ideas; the clash of ideas that informed the development strategy in the past and the clash of ideas that inform the expectation of fiscal policy in the future. In addition to that clash of ideas which, essentially is what this debate is all about, there is also the need to establish the courage to put the economy back on track and to take bold measures to do so. That courage requires us to move into paths that we have not moved on before and paths that sometimes may be seen as too promissory, but courage becomes an important part of the path ahead of us. Thirdly, we must at all times be faithful to the mandate of the people and to capture the aspiration of the people as we move into building that new future on the economic front.

I believe that the debate so far in the public arena in Trinidad and Tobago, both within the other House and the wider public has really been anchored on the three basic thrusts: the clash of past ideas, the courage to take on head on what has to be done and thirdly, to capture the aspirations of the people for a better tomorrow; because after all, that what is why we are here in this House.

Madam Vice-President, in order to do so, I now wish to outline very quickly what the economic imperatives are that we face. In order to do that, I would just outline the six basic thrusts of the Budget Statement and the budget measures that are before us.

Firstly, we thought we should, in fact, clean the slate and remove uncertainties, because we cannot move forward if we have looming over our head a lot of uncertainties of a financial nature that simply adds to the sense of lack of confidence. We have inherited a situation in which those uncertainties were high in number and large in impact and it was necessary for us to go head on and deal with that situation. Clearing the slate allows us the opportunity, therefore, to move ahead, without doing so we will always have looming over our shoulders these uncertainties. This is not to say that the measures we have adopted would by a magic wand clear the uncertainties. It will take time to implement and execute; it will take a sense of confidence that must be built among the population that it is a direction that we must move together on for the collective benefit of our nation.

The first imperative that I saw was removing the uncertainties ahead of us. The second broad imperative would be to start the process of rebuilding the confidence, a confidence that is absolutely essential, both from the point of view of the external confidence required to build the necessary inputs into the economy and secondly, to build the confidence that the path we are moving upon would no longer be a path that is based on a foundation of sand but one based on the foundation of a rock.

Rebuilding Confidence and Realigning our Priorities

Rebuilding confidence required us to do many things, one of which is to realign our priorities, both our priorities with respect to expenditure and to our development targets. It is that context that the measures that we have outlined attempted to do both. At the same time we recognize that we are in a period of transition and that a society cannot move from one point to another point without acknowledging the need for an easy and soft transition. Therefore, in realigning our priorities of expenditure we were careful to realign the social objective of the expenditure, to move from social expenditure ensuring that that expenditure becomes social capital. It will take time in order for us to make that definite path forward but that is one of the areas of realigning our priorities.

The other area of realigning our priorities had to do with the question of our development targets. For too long we had recognized that our

development targets were in fact the wrong ones. It was that very recognition that led to the sense of discontent in the country and the feeling of fear that had developed and the expectation that there would be a collapse if something did not happen. Therefore we had to redefine our development targets. It is therefore with that bold move to undertake a new transformation in this economy that will now be based on a new set of development imperatives that many of the measures that are outlined are in fact incorporated.

The third area had to do with the recognition of what were the development requirements in Trinidad and Tobago today. I recollect as a young economist many, many years ago when we began to look at the missing link in the development paradigm before us. We talked a lot about the issue of capital and you would remember the debate that took place then as to the missing link of capital had to be dealt with and industrialization via investment became the order of the day. But soon it became evident that capital alone was not, indeed, dealing with the problems and the missing link had to do with the issue of foreign exchange. That led to the emergence and the supremacy of the international financial institutions coming into play, whether it be through the IMF or the World Bank or wherever, in order to deal with the missing link of foreign exchange.

But then it soon became clear that, that too, was not really the answer and

that what was required was that the technology gap had to be reduced and a developing country must now move to close that technology gap. Many measures were undertaken to attempt to deal with this and I am pleased that in the Senate there are people who are very much aware of how to close that technology gap. But even that was seen to be somewhat insufficient. As economies strive for a higher level of development expectations, it became sooner rather than later to recognize that the human capital factor was perhaps more important. Therefore, the focus began to change towards the human capital factor and included in that was the development of social capital in the communities.

It is against that kind of background that we analyzed what are the requirements of the economy in the 21st Century, and having recognized that all these may have played an important role in moving us to where we are today. The most important link that is missing in Trinidad and Tobago is the link between entrepreneurship and development and that is the link that we attempt to establish in this budget. Setting in place the platform for the building of a new entrepreneurship in the country, not an entrepreneurship that has been imprisoned by the past triangular trade; not an entrepreneurship that is risk-averse; not an entrepreneurship that in due course will simply allow us to carry on the future as if the past will be with us forever. An entrepreneurship that will call on the private sector to establish a new framework for risk-taking and a new impetus for resuming growth and also an entrepreneurship in order to be able to deal with the

issue of building a new class of entrepreneurs. In that respect large effort was placed in this budget on the development of the small business sector, the micro-business sector and setting the seeds in place for the growth of a new entrepreneurship for the future. That, therefore, became one of the premises upon which we have placed this budget's assumptions.

Then we recognized that what is required, having set the framework for this change and having identified that we cannot carry on in the past as we have done to our own peril, we recognized that there are two critical areas that must be addressed if we are to address the issue of the triggering of growth in the economy. Growth has been somewhat elusive within the last few years and although there has been a slight improvement due to the external factors this year, we recognize that we are coming from a very dark area.

Re-energizing the Economy

Re-energizing the economy, therefore, was based on three main pillars, the first of which had to do with the energy sector and the capacity of the energy sector to regain some of its strengths, especially with the production of oil and gas which will remain for some time the basis upon which this economy will derive its foreign exchange and its Government revenue.

The second has to do with the revitalization of what has been called the onshore sector and specifically with the agricultural sector and the

manufacturing sectors. Those two sectors, we believe, must now come to the forefront in order to create a new sense of resilience to the onshore sector in Trinidad and Tobago. Many of the measures that are incorporated in our proposals are aimed at reenergizing both of those sectors. At the same time recognizing the international challenge that has been brought to us as a result of the situation on competitiveness; And, the fact that Trinidad and Tobago has exhibited a fall in competitiveness by any standards that you may wish to measure, that it was necessary to set in motion those directions to regain our competitiveness. This will take some time; it is an institutional matter but it is a matter that has to be tackled. Therefore the ease of doing business is one of the indicators that we have used as a start in the process of regaining our competitiveness.

Finally, in terms of the basic imperatives before us has to do with what has been called in the Budget statement, public offerings. We believe now that we must build a strong capital market, one that will be able to be vibrant and will be able to attract capital and provide opportunities for the excess liquidity in the banking system and at the same time to allow us to have a new partnership between the people and the State. It is in that context that we have outlined the very different approach to public offerings, starting the process of reviewing many of the enterprises in which we believe people must now participate. Therefore, that becomes the sixth basic premise upon which this proposal has been made.

Growth and Developmental Policies

Let me therefore now go on to some of the very specific proposals that have been put before us: triggering growth, sustaining it and at the same time ensuring that we transform this economy towards one that is perhaps more competitive and also one that is likely to bring the people into development. You see, we believe that development must be owned by the people and must belong to the people and that we must at all times ensure that the people are, in fact, the main beneficiaries of development. That is why we started our Budget Statement by talking about inclusive development, how to have development that includes all; to ensure that no one is left out; to ensure that our security system is improved; to ensure that our justice system is open to all; to ensure that our programme for poverty reduction remains strong; to ensure that we build a strong pension system for the future so that our country will not have the frivolous debate that has taken place within recent times on the \$3,000 pension, as if that is all that there is. There is much more in pension reform and I have included that in the statement. That was only our first step and there will be many steps to come as we prepare this country for security in the future.

We looked very carefully at our housing policy and our housing proposals and suggested the large part of the problems that we faced in the last administration had to do with the compromising of the housing initiatives. Particularly those institutions that were set up to do so, which were all

compromised in the interest, not of housing, but on the interest of building empires and building tall buildings and building the symbols of development, leaving the substance of development unattended. We shall return this country to building the substance of development and leave the symbols to take its own course.

We are also conscious of the continuing need of the society for gender equity and I have attempted to ensure that that particular aspect of public life is well taken care of in the budget. Sport and Youth becomes an important factor and in so doing we have identified some of the basic premises upon which we shall encourage the development of sport and youth.

Local Tax Collection

An important area that I wish to make reference to is what I refer to as taxpayers' rights and responsibilities. This has been a thorny issue and there has been a lot of lack of confidence in the society with respect the issue of taxation. In this respect, we have proposed that we shall establish a covenant between the taxpayers and the tax authority in order to establish what are the rights and responsibilities. Taxpayers do have rights and they must be honoured. We must go back to the day, sometime in the future, when the government debt is as good as gold. But to do that, we must ask the wider community to accept the golden opportunity to pay their taxes and pay it now.

It is in that context that we have included an amnesty for the taxation of arrears that have developed in the country, the size of which is enormous and I give you the assurance that if all those who owe taxes in this country were able to pay it, then we would have no fiscal deficit to deal with and we can move on faster to the process of growth. That has been one of our major thrusts in the tax collection aspect.

The Green Fund

We looked also at the second premise which is to sustain that future and to do so we had to expand the energy sector, of which I shall speak to you in more detail in a few minutes. We shall realign the economy, as I had mentioned to you, both in terms of development and in terms of public expenditure. We shall, in fact, attempt to protect the environment and we have taken specific measures with respect to the Green Fund to allow the Green Fund now to be accessible by many people in this country which, before now was not accessible, so that we can have a people-propelled environmental protection plan. Throughout this country, we believe that is an initiative that civil society can undertake with a great sense of purpose and therefore we have included measures to expand the access to the Green Fund in addition to the resources that will be there.

Infrastructural Development

I mentioned to you earlier, the question of the competitive economy and the question of public offerings and the question of the ease of doing business. But let me just briefly deal with the issues of how we intend to open new economic space. The measures that I have outlined are located in this framework and cannot be dealt with in isolation. They must be dealt with in the context of the framework for the future. Improving the infrastructure: In that respect we identified the need to establish definite access to the southwest peninsula for once more bringing forth the proposal to establish the highway to Point Fortin, but this time around to give the assurance that the People's Partnership Government will make it happen.

In addition, we have identified other avenues for infrastructure development that will support the growing economy. One of the problems we felt that had happened with respect to the transportation problems in the country was that the transportation infrastructure and initiatives were meant to support increased demand for transport and we wanted to increase the access of the country to new development areas, so that we could have a wider development space from which to move. In that respect, we talked about opening new economic space and identified five broad areas in which we shall do so, with a specific fiscal regime to support it: the south west peninsula, the northern coast, the north east of Tobago, central Trinidad; and the fifth one has to deal with East Port of Spain.

In each case, we have a peculiar response to that because we believe that if we want to expand the economy, we have to find new space that has not been used. In this respect, we had a special section in rethinking Tobago's development. We believe that Tobago has become too dependent on development based on public subvention. The potential of our sister island, Tobago, in the new global economy is untapped and we want to move into that area. At this stage we said: Let us start the process of rethinking Tobago and I have already had meetings with the Tobago House of Assembly, suggesting that after the budget we would relook at that issue with them along with others.

Increasing our Competitiveness

We felt that the free trade zones had too many restrictions and to the extent that they were successful, the Free Trade Zones Company has been showing a profit, they need to remove the restrictions so that we could apply that to the economic zones ahead of us.

In that respect, we have suggested a very bold measure in the context of the past; but in terms of the future, a new model to manage industrial estates, where we are suggesting that our industrial estates should now grow and expand at a fast rate and a new management style put into place; that retains public ownership and allows these estates to have an objective of their own through which a new private initiative will take place. This has been the experience of the Dominican Republic as it embarked on what has

turned out to be a phenomenal industrial programme. To that extent, we thought we could move in that direction and start that with the new industrial estate; that we would resuscitate in this our correspondence to that and move beyond that.

We have not ignored what clearly is a matter of concern to many people in this country, that is, the efficiency of the public service and throughout the various measures that we have put into place, we have indicated our intention to improve the efficiency of the public service by first of all ensuring that many of our financial institutions that deal with small business, be it development corporations, small business development companies, or the other bodies that have been involved in that, that they return to the focus of supporting small business. In so doing, we have looked at the Port, Inland Revenue, Customs and we have indicated our intention to move directly to improve the level of customer service in these areas. This, therefore, has been the context in which we have moved.

Fiscal Policies 2011

What are some of the financial measures that we have outlined? I would like to bring to the attention of this Honourable Senate these measures outlined in the Budget Statement.

Our financial action plan is one that presumes that there will be an expenditure of the order of \$49.15 billion and a total revenue of \$41 billion plus. There was a fiscal deficit of \$7.7 billion, which represents 5.48 per

cent of GDP; similar to the projected fiscal deficit of our previous year. This has been based on the fact that we have used the gas price of \$65 per barrel and an oil price of \$2.75 per mmbtu. We have based this on a growth rate of 2 per cent and an inflation rate of 7 per cent. It is in that context that we have made our projections for the next year. In so doing, we have identified the investment requirements for the future in order to be able to resume growth in this economy and to start the process of redirecting ourselves and moving from the choke that has kept growth down. To this extent, we have embarked on an innovative programme to deal with the issue of attracting new investment both within the domestic economy and from the foreign sectors.

We have looked very carefully at a proposal to redesign an investment business company whose objective will be to move on to the areas of seeking foreign investment abroad that is required to help us in our economy on our onshore sector. We recognize that there is need to change some of the withholding tax arrangements and bilateral arrangements required to set up the conditions for these new investments to take place. In that respect, we propose investments coming from the energy sector, which we have in the first year very conservatively put at \$8 billion. We have also included investment from the local economy, which we have very conservatively put at \$3 billion and within the Public Sector Investment Programme, we have included, both with respect to the Public Sector Investment Programme of the Government and the Public Sector Investment Programme of the state enterprises, a further \$9 million

because, in preparing the Public Sector Investment Programme, we were very careful to identify such projects to generate some activity in the construction industry to ignite the growth process.

In others words, one of the fundamental requirements of the economic strategy for the next year is to encourage a further investment of about \$20 billion to ignite the growth and create sustainability.

The Energy Sector

Madam Vice-President, we go now to measures to improve the production of oil and gas. We have suggested a fundamental review of the energy tax regime. Essentially, those measures outlined will aim at increasing production and exploration and provide a new tax regime that will make it attractive. Already we are beginning to see some new interests expressed by international and other companies to deal with that issue. It is critical for us, especially in the deep water areas to include new exploration activities. Our measures for the energy tax regime are aimed primarily at doing that.

Oil production has been steadily declining. For the period 2000 to 2010, oil production has fallen by approximately 25 per cent from 138,000 to 103,000 barrels per day. There is a great need to revitalize activity in the sector. Consequently we will revise the supplemental petroleum tax regime. Under the new system, base rates on the sliding scale mechanism will be introduced for both marine and life operations. We also talked

about production-sharing contracts. Instead of the taxable production-sharing contracts used for the 2006 competitive bid round, we will return to the conventional production-sharing contract of the 1995/1996 competitive bid round modified to accommodate a flexible bidding process.

Measures to support the alternative energy use: In this respect, we are setting the conditions for the solid foundation for the future by opening the door for alternative energy use to the future. Although we hope and expect that the oil industry will remain an important part of our own economy, we have to anticipate the post oil/gas period and have started the steps in order to set in motion investments in that regard. We are not building this economy for tomorrow; we are building this economy for the next generation.

The Agriculture Sector

Measures to increase the growth of Agriculture, Madam Vice-President, there are many measures that have been included and I have no doubt that the Minister of Energy and Energy Affairs will speak at length on these issues. Let me point out that we have taken the rather revolutionary step of making the cost of doing agriculture less. We believe that the basis of agricultural growth is to make it profitable. To do so we propose to reduce the interest rate in the Agricultural Development Bank from the present level of 6 to 8 per cent—although I must say that many people have told me that they are paying much more than 8 per cent. We will reduce whatever the percentage is to a level of between 3 and 5 per cent.

The Environment

I mentioned earlier the issue of cleaning up the environment and spoke about access to the Green Fund. In addition to that, we have increased our penalties with respect to the Litter Act, merely to identify that it is time that we literally clean up this country; and you know that the People's Partnership Government's first act was to clean and beautify this country. The Prime Minister led that herself. We intend to carry that forward and have a clean and beautiful country in the years to come.

Institutional Investment

Measures to generate new investment: We have taken what might be referred to as a risky measure by saying that pension funds can now be utilized for expenditure in the downstream energy sector. I know that some of you may feel a little uneasy because you believe that that is an increased risk. We have included in our proposal that this will be examined in terms of the least-risk parameters, but we do believe that such investment must take place to develop the energy sector. In addition, the manufacturing incentives that are in place have been increased.

An interest rate policy: We have argued that the repo rate, which is an indicator of the interest rate policy in Trinidad and Tobago, has reduced recently and is a move in the right direction and we will allow the monetary authorities, in particular the financial sector, to continue with that trend to

reduce interest rates. We recognize that there is a risk between fighting inflation and fighting growth. In other words, you keep the rates high in order to fight inflation; you keep the rates low in order to induce growth. We recognize there is a need for a risk decision. We have taken the risk to move towards growth and hope we can deal with inflation by increasing production in the agricultural sector.

We have a new measure of ploughing back profit incentives by increasing the depreciated allowance to 90 per cent as well as 25 per cent and to apply this beyond the specific industries named in the Aid to Industry Act, which include shipbuilding, recycling and other new industries that we have identified.

In order to support the housing sector, in addition to the current programme with respect to house building, and in addition to the programme of reorganizing the companies that are involved in giving mortgages, we will introduce a first time house owners tax credit at the level of \$18,000 per household on mortgage paid in the year of income for five years with effect from the date of acquisition. This measure is aimed at increasing investment in the private sector housing industry and providing support for the first time householders.

We have also suggested some modification to the employer share ownership plan that is in existence in order to allow workers to have easier access to share ownership. That is the objective of this, so that we will

increase public participation in share ownership in plans and we will now make it very attractive for workers to become greater shareholders in the plant in which they work. We have included a special measure to sustain small business development, by establishing for the first time the Pioneer Innovative Fund window, which will now allow those who have pioneering ideas and are in acknowledgment of the fact that the area in which we have scored least in the competitive index has to be in pioneering and innovative activities. We have included a \$10 million allocation in the first instance, which would allow young people or others to be able to access that at very soft rates, in order to encourage new ideas. Wherever we go in this country and we talk to the people of the land, what we found is that they seem to have much better ideas as to how to develop the country than those of us in public offices. I want to give them an opportunity to now come forth and create that development they have been speaking about. I am sure that all members of the Legislature would have had that experience.

We shall expand the research and development facility of the Business Development Company and also expand the list under the approved manufacturing industries that will have access to duty exemption to allow for the removal of customs duties on equipment and parts, which are now excluded, so that we can have a greater input of investment in the manufacturing sector.

In addition, we shall have incentives to small businesses; in terms of trying to make doing business much easier and in that sense formal custom entries is required now for goods valued \$1,000 or more. We have increased that to \$20,000 or more to allow small business people to have greater ease of doing business in Trinidad and Tobago. In addition, we have made provisions for the expansion of the free trade zones to improve the tax collection system and to support social equity. We have mentioned earlier that we will in fact repeal the property tax and reintroduce the old rates and at the old values, the land and buildings taxes.

We have not only honoured our pledge to start the process of pension reform to a harmonized universal system by the \$3,000 pension, but we also increased the minimum pension to public servants to allow that to take place.

We would allow the contributions to be made to the Children's Life Fund, so that the private sector is inclined to give support to those children who are in dire need, will have an opportunity to do so and get the necessary tax benefit for so doing.

Finally, in terms of measures, we have included strong measures with respect to arts and culture and entertainment. In this respect, the Government will increase the arts and culture allowance applicable under the Corporation Tax Act from \$1 million to \$2 million, so as to encourage greater activity in arts, culture and entertainment.

CLICO and BAT

It would be remiss of me if I did not deal very briefly on one of the measures that have created much concern and that has to do with the proposals we have made with respect to the CL Financial problem.

Let me put on the record that when we analyzed the situation, and this was done very deliberate, professional advice, we found that there are in excess of 400,000 taxpayers who are affected by this decision, because they are the ones who will have to pay for whatever is being proposed.

There are also 225,000 policyholders in CLICO and the British American with traditional insurance products, who were at risk as a result of what has happened. There are approximately 25,000 investors in CLICO and BAT on short term investment products, which have been referred to as EFPAs and mutual funds. There are approximately 450 agents in CLICO and BAT and approximately 500 employees in CLICO and BAT. That was the constituency that would be directly affected by our measures. It is in that context and bearing in mind the need to satisfy the legitimate aspirations of all these groups, including the aspiration of the State, which is to ensure that it relies on the principle of fiscal responsibility.

There are three particular options that we laid before us. The first option I would not go into the history of this and I would not go into ascribing blame. We can do that and the country knows it. I can do it at any other

time, but at this time we attempted to identify what were the options before us. The first option was to have no additional funding to what was previously given by the then government. That will require liquidation based on the current assets available. In other words, the option was to close down the operation.

The second option was to have full funding of the assets shortfall and repayment based on contractual terms. That is to meet all requirements before us. It not only would have required us to find an additional \$7.2 billion, sometimes people think the word billion is the same as million. But, let me make it clear, \$1 billion is \$1,000 million. The sum of \$7.2 billion. In addition to that we would have had to recover some funds from the sale of CLICO and BAT assets to be able to repay the shore term liabilities that would arise.

The third option before us was an option to have an initial payment of up to \$75,000 and a deferral of the remaining liability for the repayment over the only longer term. Even that option required us, as we intend to extend the \$75,000 to all, but it would cost us \$1.5 billion, to simply honour that obligation and a further \$1.8 billion for the investment that is required to generate the income to pay for it. Therefore, it was in these costs, in terms of financing and also the one that is fiscally responsible. One of the things that would differentiate this administration from the last administration is our pension for fiscal responsibility in Trinidad and Tobago.

It is against that background that I should just give you some of the basic figures that are before us. If these proposals, those with traditional policies are among 225,000—they are now protected under this scheme for their policies would be honoured in a restructured CLICO/BAT operation. EFPA's and mutual funds amount to 20,200 people. I am advised that 50 per cent of those fall within the \$75,000 or less category. There is a further 14,000 who will be covered by this new scheme, without any problem. With respect to non-resident policies that were written in Trinidad and Tobago, there is a sizeable figure, \$1.2 billion, written in Trinidad and Tobago but from abroad. That will be included in the programme as well. This does not include CLICO/BAT policies written in foreign jurisdictions. That is CLICO companies aboard.

We have also noted that and we looked very carefully at two areas. One has to do with citizens in particular who for some reason, based on the investments that do materialize their income coming out of their interest payment. We are informed at this point that 1,262 persons are 60 old and over and that we need to look at that particular matter at this stage. Based on discussions in the other House and discussions with others, we would look into that matter. We are also told that the credit unions and the trade unions have had substantial investments in these failed institutions; the sum of \$605 million with respect to the credit unions and trade unions. State enterprises are also very much exposed, with respect to these investments; \$285 million with respect to the Government of Trinidad and Tobago state enterprises; other CLF related finances to entities, example

CIB, a total of \$400 million; and other non-state corporations, a further TT \$445 million. That is to show you the size of exposure that the Government has on this matter, over and above the needs to meet the requirements for the depositor at this point in time.

We have agreed that we will look at the special situation, with respect to the credit unions and have started to have discussions with the group at this point in time. We will continue those discussions, but the model that we have put forth is clearly the model that supports the principle of fiscal responsibility on one hand, and on the other hand it provides the maximum welfare support that is required in these circumstances to allow the people to move on and build something in the future. Let me point out that the 20-year bond that we have spoken about is 20 one-year bonds, which will be paid at the end of each year, one-twentieth of it to the full face value. But if one wishes to use it before, they may wish to undertake to get it redeemed at a financial institution at a discounted rate. Or it may be used, for instance, to borrow money so that people can then use that as a basis for further investment on their own.

We will, in due course, explain in greater detail to the population all the details of this very innovative and creative plan. I am convinced that this plan is perhaps the most creative plan that has been designed at this issue as a result of the problems that have been created for 18 months of inaction on the part of the previous government, having diagnosed the problem wrongfully in the first place has put this country, this nation and

the Caribbean at risk. We have to correct that and we shall correct that with creative plans. We are open to dialogue, as I have pointed out, on special situation, but the policy is clearly well worked out. In those respects, I intend to have more discussions, not only with other stakeholders and other taxpayers, but I also intend to hold discussions with the workers and the bankers who must also have a responsibility in sharing the responsibility for the solution to this problem.

In this particular proposal, we have indicated that we will restructure the CL Financial/BA, so those who are engaged in it should see the possibility of a new enterprise which we hope will be done in such a way that it becomes attractive to other investors in the future. Therefore, the allies that they may have had, we do not know what the outcomes of those things are going to be, but that is the direction in which we are moving.

Conclusion

The budget that we have put forth cleans the slate, deals with some of the outstanding issues, sets in train the basis upon which we can now move ahead. We know that it is bold in many ways. We know it is moving in uncharted waters. We know that it is creating a new dimension to the economic management in Trinidad and Tobago. We know that we have inherited something that would bring us into a state of complete dejection if we had not changed it. We know our fiscal accounts were in shambles. I said that in the budget presentation when I pointed out that the cash

balances of this country had reduced from \$17 billion two years ago to the level of \$5 billion when we took office. Today it is now in the vicinity of \$4 billion. That represents the sense of fiscal irresponsibility that we have inherited.

I want to let you know that we of the People's Partnership Government are determined and committed. We have now worked out the direction in which we shall move. We have put in place the framework. We have attempted to satisfy the needs of the people and to respond to the issues of the people's mandate. At the same time, we recognize that there is a clash of ideas and we expect those who have been wedded to the ideas of the past will try to bring it forward again for today.

At this time, I invite those to come and think of new ideas in order to deal with the problems. It is a clash of ideas that we are involved in, and the measures are aimed at that direction. It is also an attempt to have a courageous effort to deal with the problems, recognizing that there will be problems as we emerge, but as they emerge, we will take on those problems with the courage that we have taken on the election the last time around, and with the courage that we shall take on the economy this time around. At the same time, we will capture, as I said, the inner aspirations of our people, particularly the aspirations of the young generation for a new Trinidad and Tobago.