

PROSPERITY



PRODUCTIVITY



OPPORTUNITY



TRANSFORMATION



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I. INTRODUCTION

Mr. Speaker, I am pleased to present to this Honourable House and the Nation, the Appropriation Bill for fiscal year 2005.

I wish to thank the Ministers, Parliamentary Secretaries and other members of Government, as well as those organisations and individual citizens who made proposals for shaping this Budget. We pay special tribute to all public officers who, with great dedication, produced the comprehensive documents that are an essential part of the Budget exercise.

Over the last two years this government has been taking action to create a better quality of life for all our citizens. With this Budget, we maintain our unwavering focus on transforming Trinidad and Tobago into a developed country by the year 2020. Our theme for this year is “**ensuring our future survival**”. Consistent with this theme, this budget represents another building block towards the social and economic development of the country.

Mr. Speaker, experience world-wide has shown that accelerated and balanced development can only be achieved through deliberate action and planned intervention in support of market forces. Let me therefore outline to the national community the three main pillars of our economic strategy.

Firstly, it is directed towards maximising returns from the energy sector, through increasing our participation in the value chain and raising the Government’s tax-take in a manner that is consistent with promoting a high level of investment in the sector.

The **second pillar** is to diversify the economy to reduce dependence on the energy sector and to achieve self-sustaining growth. Our diversification strategy focuses on six main sectors:

- the traditional manufacturing sector;
- a new technologically based industrial sector;
- tourism;
- financial services;

- agriculture; and
- the small-business sector.

The **third pillar** of the Government’s economic strategy is ensuring that the benefits of economic growth and development are shared by all sections of the population. This implies that growth must be accompanied by the creation of full-employment involving permanent jobs and a high quality of health, education and general welfare.

Mr. Speaker, these objectives are attainable over the next few years. However, as we set the basis for medium term prosperity, this year’s budget will contain specific measures to improve the welfare of the poor, the aged, the less fortunate, the retired – those at the lowest rung of the income ladder. We feel strongly that no one should be left behind.

Additionally, Mr. Speaker, this budget will emphasise steps to improve transparency and governance in the public sector. We are committed to being a Government, accountable to the people and absolutely rigorous in the management of public funds. In this context, this budget will propose a transparent and effective mechanism to ensure that the rents from higher oil prices are not frittered away but are utilised for revenue stabilisation, for inter-generational transfers and for strategic high quality investments that will benefit the people of Trinidad and Tobago.

Mr. Speaker, this budget is set in the full context of the International Economic Environment.

II. REVIEW OF THE ECONOMY IN THE FISCAL YEAR 2004

The International Economy

Since the last budget presentation, positive developments have emerged in the international economy. The two largest economies of the world are showing signs of recovery, and Emerging Asia is contributing significantly to the global upturn. Global trade has increased sharply and recent Doha framework agreements provide new hope for a further expansion of international trade. Financial Markets are now more buoyant, and we have witnessed a return of financial flows to emerging markets and to some developing countries, including Trinidad and Tobago. The prospects are for a sustained global economic recovery.

After two years of recession, economic activity in the Caribbean had begun to rebound on the strength of the global economic recovery and an increase in tourism. Unfortunately, the onslaught wrought by hurricanes has set back this recovery and created major problems of rehabilitation and reconstruction, not to mention the tragic loss of lives.

As for the global outlook, there are several risks. The transition to higher interest rates coupled with persistently high energy prices, could pose challenges for most countries. The threat of terrorism continues to impact negatively on most countries, undermining both investor and consumer confidence; while the AIDS pandemic continues its ominous spread in many regions of the world.

What this means, Mr. Speaker, is that we need to continue to manage our economy with discipline and foresight. We must, improve our macro-economic framework and implement the essential structural reforms to ensure the continuing success of Trinidad and Tobago in a world of uncertainty and challenges.

Recent Macroeconomic Achievements

Mr. Speaker, the economy of Trinidad and Tobago has continued to enjoy excellent health, thanks to high international energy prices and enlightened economic management. Our economic performance this year, augurs well for a rapid transformation towards Vision 2020.

Trinidad and Tobago recorded its tenth consecutive year of economic growth in 2003, and we are well on the way to another year of strong growth in 2004.

The rebased national accounts series, which uses the year 2000 as the base year instead of 1985 in order to capture our expanded energy sector, put real GDP growth in 2003 at 13.2 percent, almost double the rate of the previous year. Economic growth in 2003 was led by the energy sector, whose expansion largely reflected the burgeoning activity in the petrochemical sub-sector and the commissioning of the third LNG plant.

Based on data for the first half of the year, real GDP growth is projected to be 6.2 percent in 2004. While the energy sector continues to be the main driver, indicators suggest faster growth from the manufacturing, distribution and construction sectors.

Headline inflation continues to be under control at 3.8 percent in 2003 and 3.3 percent in the 12 months to August, 2004. However, we are concerned about the rapid rise in food prices, which reached 13.8 percent in 2003, and 10.5 percent in the 12 months to August 2004. This Mr. Speaker we will address.

Mr. Speaker, the latest data provided by the Central Statistical Office put the unemployment rate in the second quarter of 2004 at 7.8 percent. This is the lowest rate since the PNM came to power in 1956. I must note that this is about the same rate quoted by the IMF, based on the standard ILO definition. The CSO report estimates that some 22,000 jobs were created between the first and second quarters of 2004. Of these, 4,600 were in construction; 4,200 in banking, insurance, real estate and business services; 3,600 in manufacturing and 3,400 in the energy sector.

Mr. Speaker, Trinidad and Tobago recorded an external trade surplus of US\$ 1.6 billion in 2003. This was due largely to the sharp rise in gas exports, combined with an upswing in international oil and natural gas prices. I should note that Trinidad and Tobago also had a substantial trade surplus of US\$952 million with our CARICOM neighbours.

II. REVIEW OF THE ECONOMY IN THE FISCAL YEAR 2004

Reflecting this strong export performance, the country's external reserves position strengthened further and now stands at a healthy US\$2.7 billion, the equivalent of 6.2 months of imports.

Preliminary data indicate that central government fiscal operations resulted in an overall surplus of \$437.1 million or 0.6 percent of GDP in fiscal year 2004, after taking into account transfers to the Revenue Stabilisation Fund, in the amount of \$1,263.2 million.

Total Revenue and Grants received amounted to \$20,448.7 million, or 28.4 percent of GDP, this sum includes Repayment of Past Lending of \$256.1 million.

Petroleum Revenues generated \$6,916.0 million, or approximately one-third of total revenue. Taxes on income, excluding petroleum, amounted to \$10,768.0 million. Taxes on Goods and Services including VAT provided \$4,296.4 million while taxes on International Trade was \$1,208.2 million.

For fiscal year 2004 total expenditure is estimated at \$20,011.5 million, with Recurrent Expenditure estimated at \$18,295.0 million and Capital Expenditure at \$1,716.5 million.

This level of capital expenditure is the highest it has ever been and does not include additional investment by state agencies including state enterprises amounting to \$2,713.8 million.

This increased expenditure results from the recently implemented quarterly release of funding to line Ministries and Departments, the increase in expenditure limits delegated to Permanent Secretaries under the Central Tenders Board Ordinance, and the building of capacity in the Public Service to implement projects.

Mr. Speaker, we expect that as we build further project management capacity in the Public Service, expenditure under the PSIP will continue to grow.

Mr. Speaker, it should be noted that Central Government debt, including contingent liabilities, fell from 55.9 percent to 52.7 percent of GDP. The external debt also

declined from 16.2 percent to 13.8 percent of GDP. During the year, Mr. Speaker, the Government took advantage of the low interest rate environment to refinance a sizeable proportion of its domestic debt.

Mr. Speaker, as a significant endorsement of the strength of our economic performance and our prudent economic management, in June of this year, Standard and Poors upgraded Trinidad and Tobago's credit rating on its foreign long-term debt to Triple B Plus (BBB+). This was the second successive upgrade for Trinidad and Tobago in just over one year.

I now turn to our programme for the new fiscal year.

III. AGENDA 2005-2007

Mr. Speaker, our budget plans for 2005 are firmly grounded in our long-term economic strategy and take into account our very favourable economic outlook for the next three years.

Our economic projections, endorsed by the recent IMF Mission, indicate that over the next three years Trinidad and Tobago will enter a period of even more dynamic growth. In 2005, real GDP growth is projected at 6.7 percent, rising sharply to about 8-9 percent in 2006, and stabilising around 5 to 6 percent thereafter.

Growth in 2006 will be fuelled by the coming on stream of ALNG Train IV and several new projects at both Pt. Lisas and the La Brea Industrial Estates. Non-energy sector growth is also expected to increase considerably during this period. Construction activity will continue to be buoyant with our on-going house construction programme, intensified infrastructural development and private sector projects.

While buoyant oil and natural gas revenues and government capital spending are expected to put pressures on domestic prices, the Government's target will be to contain the rate of inflation to around 4 percent. We will achieve this through the continued implementation of disciplined fiscal and monetary

policies, which should facilitate a continued low interest rate environment, a further steady reduction in public sector debt as a percent of GDP, and a continued strong foreign reserve position.

Vision 2020 – Sustainable Employment

Mr. Speaker, one of our most important targets over the medium-term is the attainment of full employment – which means an unemployment rate of no more than 5 percent. With the growth path we have charted, this is a realisable goal. We intend to create 34,000 additional jobs in three years with a focus on five main areas:

- High-tech growth industries which will position us in the global knowledge-based industry;
- Light-manufacturing which will further our diversification efforts and increase our productive capacity;
- Agriculture which will provide an increasing proportion of the country's food requirements;
- Services Sector which will strength our diversification strategy; and
- Construction that will provide homes for our people and expand our infrastructure network.

IV. MAIN GROWTH SECTORS

Energy & Energy Industries

Mr. Speaker, the energy sector will continue to be the main engine of growth and development in Trinidad and Tobago, and as such continued development of this sector is critical to our attainment of developed country status as outlined in Vision 2020.

Our plans therefore are to leverage the energy sector to create conditions for sustainable growth and development.

Mr. Speaker, the main elements of our policy with respect to the energy sector are:

- to attract foreign investment in exploration activities so as to increase our hydrocarbon reserves;
- to increase the value added from our natural gas production capacity. This involves participation at every stage of the value chain including shipping, re-gasification terminals, the pipeline system and even the market place; and
- to increase the revenue take through the introduction of a new energy tax regime for oil and gas.

Exploration Activities

In the exploration sub-sector, the Government has employed a sustained policy of attracting foreign investment to explore and increase our hydrocarbon reserves. Signing is imminent with respect to four (4) of the ten blocks that were offered for exploration in the 2003 Competitive Bid Round.

Value Added

The Government continued to promote its policy of diversification by encouraging a deepening and broadening of the domestic gas processing industry. Another dimension of this policy is its potential impact on the development of small and medium sized enterprises.

New petrochemical plants, namely, CNC II ammonia and the Atlas methanol, among the largest in the world,

came on stream while construction of the M5 methanol plant by Methanol Holdings Trinidad Ltd. progressed and is scheduled for completion in June 2005.

We are advancing our gas processing activities further along the chemical chain to downstream ammonia and methanol products. We are taking steps to construct an ethylene petrochemical complex with a minimum of four plants, and a gas refinery complex comprising at least five plants. These investments offer great potential for spin-off industries and provide avenues to create and enhance linkages between the energy and non-energy sector.

Our focus is no longer on first stage processing in the natural gas industry and instead we are rigorously promoting second stage processing of petrochemicals. In this regard, Methanol Holding Trinidad Ltd. has been progressing plans to establish additional ammonia and urea plants as well as diversification into the production of melamine. Another local investor, in partnership with a foreign company, plans to go into the production of ammonia, urea, nitric acid and urea ammonia nitrate. It is anticipated that these plants would be phased over the 3-year period ending 2007.

Aluminium Smelter

The NEC and ALCOA signed a Memorandum of Understanding (MOU) for the construction of a 250,000 tonnes per year aluminium smelter including an anode plant and associated facilities.

Independent Power Producers (IPPs) have been short-listed to bid for an up to 750 MW power-plant to supply the smelter and provide for normal increases in electricity demand. The smelter is expected to come on stream by 2008 while the power plant will be in operation one year earlier.

The construction of an aluminium smelter in Trinidad and Tobago is predicated on the sourcing of alumina from both Jamaica and Suriname. This project has implications for the expansion of intra Caribbean business activity as it is anticipated that it will generate trade in the order of US\$200 million on a yearly basis.

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Further, as part of a new downstream aluminium industry, we have approved a joint venture arrangement between the National Energy Corporation (NEC) and SURAL, a Venezuelan company, to create an integrated automotive wheel development and production centre using their newly developed technology. Once proven to be commercially viable this joint venture will compete internationally in the Original Equipment Manufacturing (OEM) market for high-value added wheel products. This facility is to be located in the Wallerfield Industrial Park. The total investment will be US\$87.5Mn.

This also recognises that even before the ink dries on the paper, the aluminium smelter capacity is being expanded to 322,000 tonnes per year.

Iron and Steel

Mr. Speaker, there is increasing global demand for steel and the outlook is that this will persist over the long term. Consequently, plans are apace for an expansion of the local iron and steel industry. NUCOR was granted approval to build a 1,500,000 tonnes per year mega DRI plant. Meanwhile, another international company, International Steel Group (ISG) is now concluding the purchase of the local Cliffs and Associates Ltd. plant, which has been closed since 2003. This plant will produce 350,000 tonnes per year of Hot Briquetted Iron (HBI).

It is anticipated that these additional iron and steel facilities would be in operation by the end of 2005. The companies have also pledged US\$100,000 to fund the establishment of a Steel Development Authority to examine the downstream potential of the industry. The possibilities include the establishment of a foundry to manufacture parts for automobiles, valves for pumps and taps and a pipe mill to produce pipe for the oil and gas industry. The companies NUCOR, ISG, ISPAT and the Government have set a target of creating five thousand jobs in the Iron and Steel sector by 2010. In addition, Mr. Speaker, the NUCOR plant also raises the very exciting possibility of a Steel Smelter at the Union Industrial estate at La Brea.

Liquefied Natural Gas

ALNG commenced construction of its fourth LNG Train at an estimated cost of US\$1.1 Billion, during the second half of 2003. The construction of this 5.2 Million tonnes per annum plant is scheduled for completion in first quarter 2006.

Refinery Upgrade

Parroting will soon embark on a gasoline optimisation programme consisting of the construction of five plants over the next four years. Upon completion of this upgrade, Parroting will be well placed to be the premier supplier of high quality environmentally friendly gasolines in the region.

Gas-to-Liquids

An opportunity has arisen for Petrotrin to establish synergies with at least one gas-to-liquids facility, which will produce high quality, clean burning and environmentally friendly diesel fuel. Diesel fuel produced from the GTL plant will be blended with Petrotrin's refinery diesel stream.

Local Content Development

Mr. Speaker, the government shall ensure that all participants in the energy sector are selected, engaged and managed in a manner that supports the objective of maximum local content and participation.

The Permanent Local Content Committee established earlier this year will be responsible for developing specific subsidiary policies and strategies to ensure the transfer of technology and know-how to improve local skills, businesses and the capital market as well as other related matters.

Fabrication Yard and Dock Facilities

The Labidco fabrication yard is a prime example of an initiative to promote local content. In April, BHP Billiton's 700-tonne Kairi-1 Platform was completed at the estate and loaded out from the adjoining La Brea Dock at the Port of Brighton. In addition, BPTT's

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Cannonball Platform is currently under construction at the fabrication yard.

Concrete coating of pipelines has also found a home at the site thereby presenting another opportunity for the involvement of local labour and materials in the deepening of the energy industry.

Union Estate

In tandem with discussions taking place for the establishment of additional heavy industries, we have been pursuing the development of the 750-acre site at Union Estate. This estate is earmarked to accommodate new industries including the aluminium smelter and associated power plant and downstream petrochemical plants.

The development of the Union Estate for industries is consistent with Government policy to create new nodes for social and economic growth throughout the country. Additional sites for the location of energy-based industries are also being identified and in this regard, the NEC has been mandated to identify suitable locations between Pt Lisas and Iacos for the siting of plants.

Environmental Awareness

The maintenance of the environment remains high on the list of the Government priorities. In the continuation of this policy the National Petroleum Marketing Company will embark upon an upgrade programme for its entire retail network including the current gas stations, new and abandoned sites.

The programme will involve remediation work on 211 sites over a period of five years. The National Petroleum Marketing Company will in conjunction with the site remediation efforts replace all single wall tanks with double wall fibreglass tanks. The cost of the remediation and tank replacement programme is estimated at \$414,000,000.

We will also be giving consideration to pursuing an initiative to distribute natural gas to homes in an attempt to enhance the quality of the environment for future

generations. We now propose also to pursue with added vigour the use of natural gas as a motor fuel.

Manufacturing

Mr. Speaker, our manufacturing sector is now a leader in the Caribbean. We intend to build on this, and position Trinidad and Tobago as a major manufacturing and commercial centre in Latin America and the Caribbean. We shall therefore maintain the appropriate domestic macro-economic environment including a competitive exchange rate, and provide infrastructure and institutional support for the sector.

Accordingly, the Government has begun implementation of the Trade Sector Support Programme to support manufacturers in enhancing their international competitiveness. This will be followed with a comprehensive business expansion and industrial restructuring programme formulated in conjunction with the various private sector organisations.

We are also targeting a number of specific areas for further commercial expansion including:

- Yachting;
- Fish and fish processing;
- Merchant Marine;
- Music and entertainment;
- The Film Industry;
- Printing and Packaging; and
- Food and beverage.

In 2005, additional initiatives will include:

- The continuing development of the Industrial Park at Wallerfield;
- Development of an Investment Policy and a Services Trade Policy for Trinidad and Tobago;
- A new Foreign Investment Act;
- Establishment of a Trinidad and Tobago Trade Facilitation Company in Cuba to promote trade and investment activities between the two countries; and

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- Establishment of a Research and Development Fund to finance the development of unique products from Trinidad and Tobago for the global market.

Small and Medium Enterprises

In the Small and Medium Enterprise Sector, EXIMBANK, in collaboration with BDC, NEDCO and NAMDEVCO will execute an outreach programme to Small Business by providing information on market access as well as financing options for exports to overseas markets. In addition, the guarantee limit under the Loan Guarantee Programme administered by BDC will be increased from \$250,000 to \$500,000.

These initiatives will be supported by a new marketing thrust to be undertaken by an export marketing company.

Venture Capital

Mr. Speaker, we believe the Venture Capital Regime in Trinidad and Tobago could play a greater role in financing economic activity and in the diversification of the economy. The Regime has remained at an embryonic stage, due largely to the restrictions prescribed in the Venture Capital Act, 1994. To correct this, we brought to the Parliament a number of amendments to the Act, to improve the effectiveness of the Venture Capital Regime.

We propose to amend the Act further to strengthen the effectiveness of the Regime and facilitate the development of the business sector, particularly those small and emerging businesses engaged in research and development, and innovative activities.

Tourism

Mr. Speaker, development of the Tourism sector is a major pillar in our economic diversification and employment generation platform. Last year we attracted a record 407,000 visitors to Trinidad and Tobago and indications are that 2004 could see a significant increase.

We have been very successful in attracting new airlifts to Tobago, and the number of visitors has been increasing steadily. In 2001, the number of visitors to

the island was 49,441. In 2002, this increased to 56,565. By 2003, the figure increased further to 67,240, and by August 2004 had reached 61,754. It is now projected that by the end of 2004 the number of visitors to Tobago will exceed 100,000. Mr. Speaker, this has significant implications for the Tourism industry in Tobago. There are now not enough hotel rooms in Tobago to meet the increasing demand, and perhaps of even greater significance is the shortage of labour in the Tourism industry on the island.

To address these issues, as well as increase the sector's overall contribution in the development thrust, we created a dedicated tourism agency - the Tourism Development Corporation, which will be charged with the responsibility for tourism investment promotion, product development and marketing.

In 2005, we plan to accelerate our efforts to market Trinidad and Tobago internationally. Negotiations are underway with several major US television networks, which are considering the destination as the backdrop for programmes that can highlight the culture and scenic beauty of Trinidad and Tobago. The print campaign will allow for a more targeted approach to the markets in which we have a competitive advantage.

Mr. Speaker, to attain the critical mass of international quality business and resort hotel rooms, we propose to attract major brands that will bring with them, their own advertising, marketing networks and destination profile enhancement. Simultaneously, we will target hotel chains as well as potential developers and investors with the ultimate objective of placing Trinidad and Tobago on their investment list and selling them on specific project concept possibilities.

Mr. Speaker, while most of these strategies and activities will be driven by the Tourism Development Corporation, they require the full collaboration of all the stakeholders.

Agriculture

Mr. Speaker, we believe the agricultural sector can make a significant contribution to the national development effort. Our goal is to increase the sector's contribution

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to economic and social development, and employment creation while providing an increasing level of the food requirements of the nation.

In pursuing this objective, we have been upgrading the agriculture infrastructure. We constructed access roads and bridges, established water management and flood control systems, and upgraded a number of fishing centres and markets to HACCP standards. The Ortoire Fishing Centre has been completed while construction of fishing centres in San Fernando and Toco are near completion.

We have made additional lands available for agricultural production at Oropouche and Plum Mitán by improving water management systems and agricultural access roads and bridges.

We installed three pumps at Depot Road, Longdenville and irrigated 160 acres of land, which will facilitate 35 farmers.

We provided increased access to agricultural credit and protection for domestic agriculture producers from unfair foreign competition through the CET and import surcharges.

Mr. Speaker, our programme for revitalising the Agriculture sector is expected to gain momentum in the next fiscal period. Last year we trained 1,254 individuals between the ages 17 to 25 years under the Youth Apprenticeship Programme in Agriculture, which is designed to develop practical skills in the area of farm management, production, marketing, post harvest management and food processing. An additional 1,500 individuals will be trained this year.

We will strengthen the current agricultural incentives programme by making it more production-based, and accelerate the distribution of agricultural State lands and Caroni lands to farmers and in particular to graduates of the faculty of Agriculture of the University of the West Indies, Eastern Caribbean Institute of Agriculture and Forestry (ECIAF) and the YAPA programme. The Government has implemented through NAMDEVCO a

food packaging and warehousing facility for the effective preservation of food products. The company will be establishing a multi-product processing facility that provides opportunities for product development. Our distribution of State lands for agriculture will therefore take into account the objective of establishing modern agro-processing facilities.

We will launch the National Agriculture Information System for the further modernisation of the sector. Databases already have been developed on technology, markets, livestock, crops, disease control, fertiliser use, seeds and other relevant agricultural information.

To increase competitiveness, priority will be given to developing and enforcing grades and standards; enhancing veterinary diagnostic laboratory facilities; and expanding and strengthening sanitary and phytosanitary, and food safety capabilities to international standards.

We shall promote fish production through the establishment of the Fisheries Monitoring and Surveillance Unit, and will put sustainable management techniques in place for renewable marine and inland fisheries.

Mr. Speaker, the principal objectives of the Caroni reform programme are to create employment-generating alternatives for workers in a declining industry and to reverse the economic waning of many communities which were dependent on the sugar industry. The objective is to ensure a secure and sustainable livelihood for former employees of Caroni.

Many former employees of Caroni (1975) Limited are now actively engaged in the operations of the Sugar Manufacturing Company Limited and so too are approximately 4,000 private farmers who cultivate sugarcane for the Company. We intend to establish a Sugar Industry Authority to implement a quality based payment system for sugar cane.

In addition, Government is acting to catalyse economic activity and create growth poles on vacated Caroni lands through the establishment of light industrial, commercial and agricultural estates and development

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of residential sites. The focus at this time is on provision of agricultural plots and residential lots to the former employers of Caroni as part of the enhanced Voluntary Separation of Employment Programme (VSEP). The agricultural plots would expand agricultural production in approximately seventeen (17) locations. Work is far advanced on preparing the residential and agricultural plots for occupation by eligible former employees. Distribution of agricultural plots will begin as soon as surveys have been completed.

V. NEW AREAS OF FOCUS

Mr. Speaker, a country cannot progress or secure its future, without constantly seeking to chart new directions. No matter how much you are succeeding with present activity, you must always seek to capitalise on new opportunities. You can never stand still, sit on you laurels or be complacent. This Budget reflects that creative drive of this administration, which I have the honour to lead. There are consequently new areas of focus.

Financial Sector

Mr. Speaker, Trinidad and Tobago has now emerged as the financial centre of the region. In 2003, bond issues for regional governments and corporations amounted to over US\$500 million while investment in the region by TT financial institutions amounted to some US\$250 million. The financial sector in Trinidad and Tobago now accounts for 12.5 percent of GDP and employs 7.5 percent of the labour force.

We are convinced that we have an excellent base to become the Pan Caribbean Financial Centre. We have the advantages of our ideal geographical location, good air links and a well-developed legal code.

The legislative agenda for the financial system in fiscal 2005 will include the amendment of the Financial Institutions Act and the Insurance Act, as well as the modernisation of legislation relating to the Credit Unions and private pension funds. We are also examining a proposal whereby credit unions with an asset base of \$100 million and higher, as well as those undertaking business of a banking nature will be brought under the supervision of the Central Bank.

We are moving towards a modern regulatory and supervisory framework. The White Paper on the Reform of the Financial System has set the agenda for the upgrading of relevant legislation and the development of the entire range of financial infrastructure including the introduction of a Single Integrated Regulator for all financial institutions.

We shall also address the need for the establishment of a Development Bank, largely funded by the Credit Union Movement, to service, *inter alia*, the requirements of the Small Business sector. We intend to engage the services of an international consultant to guide our future course of action.

Wallerfield Industrial Park

Mr. Speaker, two other areas of economic activity identified for special focus are the Information Technology/Industrial Sector and the development of the Wallerfield Industrial Park.

The Park will encompass four zones of activity:

- A Mixed Business Industrial Zone focusing on Technology and Software Development and Incubation Facilities;
- A Manufacturing Zone concentrating on Light Manufacturing and Downstream Manufacturing from the Energy Sector;
- A Knowledge-Based Zone which will house the University of Trinidad and Tobago together with a significant on-line distance learning capabilities; and
- A Commercial and Services Zone.

The Incubation Facilities will enable small businesses to start operations with minimal capital outlay and will offer the latest technological advances including Broadband Internet Access and Real Time Video Conferencing Facilities for the UTT and Industry use.

The Park will house Engineering Technology including Optical and Microsystems Technology; Material Technology and Software Development; Light Manufacturing including Plastics, Electronic Devices and Petrochemical Manufacturing; and Services including Industrial Maintenance, Logistics and Distribution, and Training and Human Resource Development

The University of Trinidad and Tobago will provide synergies for industries on the Estate.

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Telecommunications

Mr. Speaker, this Government believes that a competitive Telecommunications Sector can add to the diversification and development of the non-oil sector. We have therefore established an independent regulator for the sector, the Telecommunications Authority of Trinidad and Tobago, which will implement policies to facilitate competition in a fair, equitable and transparent manner.

In the broadcasting sector, the Authority has a mandate to award additional concessions for television and multi-channel (cable) video broadcasting. In addition to more choices for the consumer, the licensing of additional multi-channel broadcasters will provide additional

opportunities for the provision of broadband Internet access at affordable prices to homes nationwide.

Within the first quarter of 2005, the Authority will be awarding further concessions to provide public mobile communications services. We expect competition to produce significant rate reductions, improve our service delivery and wider access to the service among other benefits.

Competition will also be introduced in the provision of international telecommunications services. This development, together with the registration of the international call centres, will result in a further reduction in rates for international calls.

VI. INVESTMENT IN HUMAN CAPITAL

Mr Speaker, Education and Health are critical to meeting the developmental goals of this Administration. We have initiated comprehensive reform agendas in both areas, which are already beginning to show positive results.

Education and Training

In keeping with our vision 2020 to position Trinidad and Tobago in the global economy we are in the process of revamping the entire education system to deliver total quality education. As part of our efforts to ensure quality education for all we are expanding from early childhood care and education to adult literacy.

In the New Year we shall construct 43 Early Childhood Care and Education Centres as we pursue our objective of universal access to pre-school education by the year 2010. This will make us one of the very few countries in the world to have targeted such an achievement.

In pursuing our agenda for quality education we have signed on to several international agreements as a means of benchmarking our progress.

We established the National Curriculum Council with a mandate to review and revise, if necessary, the national philosophy and goals of education. The Council will be responsible for recommending curriculum policy for all levels of the Education System.

The Government has also put in place research, development and evaluation committees to assess and make recommendations for the development of a textbook industry in Trinidad and Tobago.

In order for the education system to provide effective resources for our thrust in the knowledge-based industries, the government is pursuing a total infusion of technology into the system, which would involve the distribution of 3,000 computers at the primary school level, the establishment of IT Units in each educational district, and the implementation of a Wide Area Network connecting all schools. The 'Schoolnet' project will begin the transformation to deepen the use of computers and the internet as an integral part of the teaching/learning process in our schools.

Continuous professional development of the Nation's teachers is a critical component of our total quality education agenda. To date, a total of 1,000 teachers have benefited from training aimed at improving the quality of education in secondary schools.

The Government recognises that education involves a holistic development of the student and therefore requires effective support services. The Ministry of Education has recently acquired 120 new members of staff to support the psychosocial development of the student.

161,000 students are benefiting from the Textbook Rental Programme for primary schools, which commenced in January 2004. We propose this year to distribute 400,000 textbooks on loan to students and to extend this programme to include large print copies for visually impaired students.

The Government is also providing 95,000 lunches and 30,000 breakfast meals under the School Nutrition Programme. This programme ensures that our students receive the recommended daily nutritional requirement.

The Government is pursuing a restructuring and decentralising of the Ministry of Education to provide for greater efficiency in management, service delivery and governance. To this end, we expanded the Local School Boards Pilot project to include 36 selected Government Secondary Schools for a period of two years.

Another aspect of our approach to delivering total quality education is our comprehensive programme for school construction and enhancement.

We intend to double the number of 'A' level places in the Nation's Secondary School System. As part of our \$2 billion dollar school building programme, we shall provide 16 new Secondary Schools and upgrade 100 others throughout Trinidad and Tobago. The programme also includes the construction of 13 replacement primary schools and the upgrade of 10 schools for special children.

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Tertiary Education and Training

Mr. Speaker, the Government has embarked on a revolution in tertiary education.

We aim for a Tertiary Education sector that is responsive to the socio-economic needs of the country. In last year's Budget statement we stated our intention to establish the new University of Trinidad and Tobago. It has to be an extraordinary feat that in only one year we have already established this new University and admitted almost 2,000 students at the institution.

The University of Trinidad and Tobago will focus on programmes in engineering and technology, research, innovation, entrepreneurship and the humanities. Over the next three years, the UTT will expand its course offerings to include graduate programmes in the field of Offshore Technologies, namely: refining, gas processing and marketing, petroleum management, natural gas technology and electrical management. Degree programmes would be extended to manufacturing engineering, computer technology, earth sciences and maritime technologies.

In the new fiscal year we shall continue the expansion of the University of Trinidad and Tobago towards our ultimate objective of a networked multi-campus institution, including COSTAATT, CARIRI, the Institute of Marine Affairs, Metal Industries Company, San Fernando Technical Institute and John Donaldson Technical Institute. We shall also increase enrolment and offerings at the UTT through a complement of certificate and diploma programmes and Bachelor of Technology, Bachelor of Science and Master of Science degree programmes in engineering and technology disciplines.

Additionally, we have introduced a Transitional Studies Programme under the direction of UTT to prepare CXC graduates and persons wishing to re-enter the education system for entry into the University's programmes. The programme is to be conducted at four locations in Trinidad and one in Tobago.

We have upgraded the campuses of the College of Science, Technology and Applied Arts and shall further expand COSTAATT to focus on improvement of facilities, new programme offerings, establishment of communications networks, student support programmes, and staff training.

We have established the Accreditation Council of Trinidad and Tobago to foster and maintain quality in national tertiary education and have also prepared a National Policy on Distance Learning.

One of our key objectives is to improve access to tertiary education. This is the essence of the Government Assistance for Tuition Expenses program (GATE), which is available to all citizens, at both public and private institutions, and is of special significance to those whose financial situation does not allow them to immediately finance their development themselves. The programme is already very effective and it is no wonder that we have already witnessed an increase in enrolment in tertiary education in Trinidad and Tobago from 17,000 in 2003 to 24,000 in 2004; an increase of 40% in just one year.

In the new fiscal year, we shall increase the number of approved programmes and approved private institutions, thus increasing access to the GATE Programme. We have also decided to increase the scope and quantum of the GATE grant, to cater for additional categories of expenses that students normally face.

We shall also launch the Higher Education Loan Plan (HELP), which is an amalgam of the Student Revolving Loan and the University Student Guarantee Loan Fund, to provide low interest loans to students attending local and approved overseas institutions.

Skills Development and Human Improvement

Mr. Speaker, through skills development, we are ensuring that our citizens can take advantage of the employment opportunities created by the nation's development.

In this regard, another achievement of which we are justifiably proud is the re-introduction of the National

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Examinations Council programmes at the John Donaldson and San Fernando Technical Institutes. This is being done at no cost to the students of these institutions and will play a most significant role in the development of the skills required in an increasingly industrialised Trinidad and Tobago.

We have also established the Multi-Sector Skills Training (MUST) Programme in July 2004 to address training for employment in the construction industry for some 10,000 persons, particularly those who are 'at risk', financially or academically challenged, vulnerable or differently-abled. This will now be expanded to include the agriculture, tourism and hospitality, and the process manufacturing sectors.

Additionally, we have included the associate degree programmes at the Trinidad and Tobago Hospitality and Tourism Institute and will develop human resource systems and international training opportunities for students at this institution.

We have now re-directed and enhanced the YTEPP, and merged the Helping You Prepare for Employment (HYPE) with the National Skills Development Programme (NSDP) under the Metal Industries Company; graduated almost 700 retrenched and displaced citizens through the National Re-training Programme; and graduated over 5,000 On-the-Job trainees from the National OJT Programme.

We have identified national labour market needs through appropriate surveys to encourage priority training for employment and constructed and equipped the Laventille Technology and Continuing Education Centre, which is already accepting students and will be formally opened next month.

Mr. Speaker, to crown all this activity, I am pleased to advise this Honourable House and the national community of the following. This Government intends to ensure that by 2008, all nationals of this country will have access to tertiary education in Trinidad and Tobago, free of charge. I repeat. All Nationals, Free of Charge.

We also intend to achieve a participation rate in post secondary and tertiary education of 60 percent by 2015.

In other words, our objective is that within the next 10 years, 60% of our Secondary School graduates will proceed to attend university level or post-secondary level institutions. This is five times the current level of participation in tertiary education and will place us on par with the countries of Europe, North America and the Far East.

The revolution in Education and Training must and will continue.

Health

Mr. Speaker, I now turn to another of our priorities – the health of our People. We intend that by 2006 this country will enjoy a health care system that will set new standards of quality and accessibility.

In 2005, we shall commission the new wing at the San Fernando General Hospital, which will include an Intensive Care Unit, the out-fitting of a Burns Unit and theatres for Same Day Surgery. The outfitting of the Burns Unit will be in the coming year. We shall continue work in the Scarborough Regional Hospital, the National Oncology Centre, and the construction of a number of District Health Facilities and Enhanced Health Centres. Upgrade works will begin in 2005 at the Sangre Grande Hospital and construction of an Enhanced Health Centre in Sangre Grande will be completed in 2006.

Construction of the new Point Fortin Hospital will also start in 2005.

In addition to infrastructure development, we will also implement the Primary Health Care Systems Development, and the Training and Health Promotion Project.

The Government recognises the need to have adequate numbers of trained personnel at public health facilities. As part of this training programme, we will begin in 2005 to offer scholarships to train radiation oncologists and pathologists among others.

Most importantly, we will ensure a continuous supply of Registered Nurses by training approximately three hundred and fifty (350) Basic Nursing students annually

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and by providing post Basic Nursing Education for Registered General/and Mental Health Nurses.

To address the shortage of medical practitioners in the country we shall:

- collaborate with the University of the West Indies to expand the Medical Faculty at Mount Hope to increase the intake of doctors and pharmacists;
- pursue the provision of training for our medical students in Jamaica and Grenada;
- expand the GATE programme to include the cost of accommodation and books for all students and extend its applicability to medical studies undertaken in Jamaica and Grenada;
- provide additional medical practitioners, including nurses; and
- undertake, through COSTAATT, an urgent programme to provide assistants to doctors and allied professionals.

Mr. Speaker, implementation of the National Strategic Plan for HIV/AIDS has begun. Particular attention is being paid to controlling the spread of the disease through voluntary testing and counselling, treatment of people living with HIV/AIDS, and the provision of anti-retroviral drugs.

Mr. Speaker, the Chronic Disease Assistance Programme that provides free medication for persons afflicted with any number of Chronic Diseases, was initiated in October 2003. This programme has been highly successful and over 50,000 citizens have benefited from this programme to-date. During 2004 the scope of the programme was expanded to include Arthritis, Asthma and mental depression. In November 2004, the programme was made universal so that all citizen are now able to access free medication through this programme.

Mr. Speaker, the expansion in the scope and eligibility of the CDAP Programme by removing the age restrictions now means that over 500,000 of our citizens would benefit at a cost of \$50 million.

In order to increase accessibility of renal dialysis services to the general population, we will be providing before January 1, 2005 two renal dialysis treatment centres, one in the north and one in the south, each providing treatment for 200 persons. This will be supplemented by a Renal Transplant Surgery Programme to provide renal surgery at the Eric Williams Medical Sciences Complex at Mount Hope.

The Charitable Cataract Surgery Programme, in conjunction with the Ophthalmology Society of Trinidad and Tobago, will continue to provide surgery for patients on waiting lists at the San Fernando and Port of Spain General Hospitals. To date, over 1600 surgeries have been done and we intend to eliminate completely the waiting list for this procedure.

The Eric Williams Medical Sciences Complex will be expanded to include facilities for the treatment of cataract, glaucoma and a dedicated theatre for all types of eye surgery, as well as a full Cardiac Centre performing increased heart surgery.

We are providing open-heart surgery to the indigent and already 120 persons have benefited. We propose to expand this programme.

There exists in this country today an inequitable and pernicious system whereby residents of the Mt Hope and surrounding areas receive free medical treatment at the Eric Williams Medical Sciences Complex, while other citizens have to pay. We shall put a stop to that. With effect from the First of January 2005, all medical services including the use of the medical facilities offered at the Eric Williams Medical Sciences Complex will be free to all nationals of Trinidad and Tobago.

Research in Tropical Medicine

As we build the knowledge-based society, we propose to facilitate the expansion of research in many fields, including the development of tropical medicine. For this purpose, as part of the new University of Trinidad and Tobago, a State of the Art Laboratory facility will be provided for research into herbal medicine and tropical diseases. Another new initiative of a creative Government!

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Infrastructure

Mr. Speaker, a well-developed, modern infrastructure network is critical to the country's economic and social development. To this end we have awarded a contract to the firm Parket, Parson, Brinkerhoff/Trintoplan to undertake a comprehensive National Transportation Study to address the sea, air and land transportation needs of the country over the next 30 years. The study commenced earlier this month and is expected to last eighteen months.

In the case of land transportation, our policy objective is to develop a road network to ensure that within Trinidad no place will be more than 2½ hours away. Priority would be given to the development of a light Rail Mass Transit System from Arima to Diego Martin and from Port-of-Spain to San Fernando. A full feasibility of this proposal will be completed by July 2005 at which time an investment decision will be taken. If feasible, we expect to have a system in place by the year 2012, with some segments operational by 2008.

In addition, we propose to introduce a Roads Concessionaire System where developers would design, finance, build, maintain and operate specific highways. The road network will also be expanded to include the extension of the Solomon Hochoy Highway to Point Fortin, which will be given highest priority to facilitate development of the deep south and, in particular, the industrial development of La Brea and Point Fortin. This highway will also include a spur that parallels the SS Erin Road to cover areas from Debe to Erin. Other major projects include a highway from San Fernando to Mayaro, via Princes Town and Rio Claro, a highway from Port-of-Spain to the Chaguaramas Peninsula and an Eco Roadway on the North Coast from Matelot to Blanchisseuse.

The extension of the Churchill Roosevelt Highway to Manzanilla via Sangre Grande will support the growth and development of the light manufacturing industries at Wallerfield as well as encourage the opening up of new lands for development in the East. Design engineering contracts have already been awarded for these projects.

Construction of the interchange at the intersection of the Churchill Roosevelt Highway and Uriah Butler Highway, as well as ancillary works before and after the intersection will be accelerated this fiscal year. The engineering consulting firm of EDM Consult has already been engaged to work on this project.

In the case of sea and air transport, the National Transportation Study would determine the best mix of transport between Tobago and Trinidad, and between Port-of-Spain and Point Fortin. In the case of the latter, it also involves sea transport.

Our National Drainage Programme's primary objective is the provision of adequate drainage and irrigation infrastructure to alleviate the perennial incidence of flooding throughout the country. Flood mitigation works are on-going to key rivers including the Marabella, Ciperio and Vistabella Rivers in the South; Richplain Ravine, North Oropouche and Watercourses in Maraval/Diego Martin areas in the North; and the Caroni River in Central.

These works will be supplemented by the construction of the Mamoral Dam and Reservoir over the period 2005-2007. This project is the key component of the Caparo River Basin Flood Mitigation and Water Resources Development Project. This project should alleviate flooding in the Brasso Caparo and Mamoral Areas.

The Government Shipping Service (GSS) facilities at the Ports of Port-of-Spain and Scarborough are to be upgraded at a preliminary estimated cost of \$20 million. The upgrade will include the construction of a new terminal building at Port-of-Spain, upgrade of the terminal building at Scarborough, and construction of berthing facilities at Port-of-Spain and Scarborough. Work on the upgrade is expected to commence in January 2005.

National Security

Mr. Speaker, we continue the battle to curb the unprecedented level of criminal activity plaguing the country today. We would have been in a better position to wage this war had we the support of the Other Side in our attempts to institute more effective systems of management and accountability in the Police Service through the package of legislation that we introduced to the Parliament earlier this year. Unfortunately, narrow political preoccupations were placed before the welfare of the national family.

This notwithstanding, we continue with the battle on several fronts including increasing the capability and effectiveness of the police and the introduction of legislative measures.

This Government's policy is to ensure the safety and security of all residents and citizens of Trinidad and Tobago. To achieve this objective the Ministry of National Security and its various Divisions and Agencies have embarked on a wide-ranging series of initiatives.

The Special Anti-Crime Unit of Trinidad and Tobago, under Brigadier Joseph, is now fully operational and is performing an increasingly important role in the country's fight against crime.

Further, the Government introduced new and stricter legislation to deal with illegal firearms and kidnapping and, Mr. Speaker, had we obtained the support of the opposition, the Anti-Kidnapping Act would have been even stronger.

The Firearms Amendment Act has now been passed and measures are now being implemented, using modern technology and co-ordination among the various intelligence units to get illegal guns off the streets.

As part of the Government's expanded fight against the importation of illegal guns and illicit drugs, a new radar system, which will give us 360-degree coverage of our entire coastline on a 24-hour basis has been acquired. This system is expected to be fully operational by the end of the year.

We have also improved the effectiveness of our port security by satisfying the provisions relating to Port Facility Security and Ship/Port Interface as set out in the Chapter XI-2 of the International Convention for the Safety of Life at Sea and International Ship and Port Facility Security (ISPS) Code.

This, Mr. Speaker, was a major accomplishment.

The implementation of cutting-edge technology combined with improved intelligence is being accelerated and allocations to the Ministry of National Security have been increased with special funding being provided to treat with certain crime hot spots.

We are currently upgrading the IT infrastructure of the Police Service and the Automated Fingerprint Identification System project is being expanded.

The mug-shot system has been installed at all divisional headquarters and equipment has been procured to expand the Communication Network and extend its point to multipoint systems to additional users within the security sector.

The Global Maritime Distress and Safety System has been installed and the final batch of officers trained.

In terms of equipment, the Service was provided with, among other things: 16 Computer Systems, 2,050 Bullet Proof Vests, 630 Police Safety Vests, and 100 new vehicles to be deployed to Police Stations in specific crime prone areas.

A total of 1,112 Police Officers have received training in Forensic Investigations, Criminal Justice, Behavioural Science, Information Technology, Human Resource Management, and other areas intended to improve management standards in the service.

We have included a component on community policing in the training programme for recruits, as well as in the developmental programme for supervisors.

We increased the strength of the Service with the intake of 744 new officers and the creation of 118 new posts on the staff establishment.

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Refurbishment works have been completed on the Couva Police Station and construction of the Chaguanas Police Station (Phase II) has begun. Designs for the construction of Police Stations at Gasparillo, Belmont, Mayaro, Tunapuna, Carenage and Toco will be completed in the coming year. Work has started on the designs for stations at Oropouche, Brasso, Maracas Bay, Maracas St. Joseph, Maloney and Roxborough.

In 2005 there will be:

- 12 new police stations and continued refurbishment to existing stations;
- the expansion and modernisation of the vehicular fleet;
- the application of a greater measure of technology in the conduct of police work;
- the provision of computers to all police stations; and
- The introduction of an integrated IT platform and communications system.

Concurrently, the Service is undergoing a detailed transformation programme. To this end we will establish a Police Training Academy for the continuous training and retraining of police officers.

The Trinidad and Tobago Defence Force is also being made more effective to confront the security challenges facing the nation by being provided with the right mix of skills, competencies and manpower. TTDF has adopted a strategy of simultaneous engagements on several fronts and will be given additional assets, including:

- 3 Offshore Patrol Vessels (OPV) and 3 Fast Inceptor Vessels;
- Armed Helicopters for surveillance and drug interdiction;
- Armoured personnel carriers for force protection;
- Communications systems; and
- Weapons systems.

Prison reform is also an integral aspect of our crime

prevention programme. We are currently transforming the prison service to a rehabilitative and restorative mode. To ease the over crowding at the nation's prisons the facilities at the Maximum Security Prison are being refurbished and upgraded to house 2,400 inmates.

Mr. Speaker, the Forensic Division in law enforcement is critical and has received the Integrated Ballistic Identification System (IBIS) and has also refurbished its DNA equipment. This will allow for improved forensic science analysis and more effective case management. In the coming year, the Forensic Division will expand its facilities and capabilities.

Given the global reality of terrorism and trans-national criminal activities perpetrated by individuals using fraudulent passports, the Government intends to introduce modern machine-readable passports and the supporting infrastructure. These passports will contain electronic photos and biometric data (fingerprints or iris prints), which are difficult to substitute and which will readily identify travellers.

The supporting infrastructure will provide travel information to law enforcement agencies both at home and abroad.

This is yet another key component in our fight against crime and criminal activities.

Mechanisms have been put in place to ensure the integration and collaboration of the nation's law enforcement agencies. This will be effected primarily through the real-time sharing and dissemination of intelligence information.

The Government will enhance the capabilities of the Fire Services to ensure that they can respond more effectively to emergencies, which are peculiar to an energy-based economy.

Mr Speaker, you would recall in last year's budget Statement, I expressed concerns for the misguided young people of our nation. In this regard, we have strengthened the Civilian Conservation Corps and have established three new programmes for youth

development. They are:

1. Military Led Academic Training Programme (MILAT), which is designed to allow young adults, 16 to 20, to pursue academic disciplines as well as socially transform their behaviour in a highly structured and regulated environment.
2. Military Led Youth Programme of Apprenticeships and re-orientation Training (MYPART) which is designed to expose, train, develop and certify young people between the ages of 14 and 22 years in Technical/Vocational disciplines in a highly structured and regulated academic or skilled based training environment.
3. National Youth Service which is intended to engender in young adults between the ages of 18 and 25 years, the values and benefits to their communities and the nation through selfless service.

Additionally, the Ministry of National Security has

teamed up with the Ministry of Education and developed a joint action plan for school discipline. This will cater for the expansion of the Cadet Corp, Scouts, Girl Guides and Brownies, Boys Brigade and other similar organisations within the school system.

Mr. Speaker, in the aftermath of Hurricane Ivan's ravaging of Grenada, I must commend the members of Trinidad and Tobago Defence Force who continue to perform most admirably in Grenada. They have displayed true grit and professionalism. However, the Grenada experience has taught us the very important lesson of the need for preparedness and the need for an organisation responsible for spearheading the response to such a national emergency. In that regard Mr. Speaker, it is the intention of this Government to move from the National Emergency Management Agency to a new Office of Disaster Preparedness and Management. This Office will be responsible for all disaster response natural or otherwise and will also co-ordinate the efforts of the private sector in this regard.

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Mr. Speaker, this Government is committed to the social progress of the population by fostering an environment that promotes the continuous improvement of the individual.

Housing

One of the main goals of our social development programme must therefore be access to adequate shelter. Accordingly, the Government has sought to widen the range of alternatives for housing and living environment available to the different segments of the population, especially the lower middle and lower income groups.

Our approach to meeting the nation's housing requirements is to actively facilitate the construction of housing units as opposed to the settlement-approach pursued by the previous Administration. Our national housing programme anticipates the construction of approximately 100,000 homes over a ten-year period, with an average of 10,000 homes per year. In 2004 we completed a large number of homes for distribution to a wide cross-section beneficiaries.

Mr. Speaker, the Government is cognisant of the potential impact of such an ambitious home construction programme, together with its other infrastructural works and private sector infrastructure development, can have on the absorptive capacity on the domestic economy.

Accelerated Housing Programme

Construction of **3,249 housing units** have been completed at Rio Claro, Mayaro, Sangre Grande, Barataria, Diego Martin, D'Abadie, Arima, Malabar and Pleasantville and are currently being handed over to beneficiaries. Construction of additional units are continuing at Pleasantville, Rio Claro, Palo Seco, Plaisance, Malabar, D'Abadie, Kelly Village, Barataria, Debe, Tarouba North, Carlsen Field, Sangre Grande, and Mount Hope.

Additional housing units will soon be constructed at St Augustine, Corinth, Morvant, Arima, Castara, Roxborough and Blenheim.

Construction of 1,000 housing units has been completed under the Infill Lots Programme and a further 1,000 targeted for completion this year, the final year of this particular programme.

The Joint Venture Programme is an arrangement between the National Housing Authority and private Contractors/Developers to construct low-cost and middle-income houses to be sold to pre-qualified beneficiaries at pre-determined prices agreed to by the Cabinet. The contractors/developers would design, finance and construct the houses. An additional 6,336 units at 14 sites are targeted for completion during this fiscal year.

Urban Renewal and Development

Mr. Speaker, the Urban Renewal and Development Programme, which commenced in July 2003, is designed to improve the quality of life in low and middle-income residential areas in our older neighbourhoods and communities. The programme addresses redevelopment problems in targeted urban areas by providing improved services and infrastructure, including commercial redevelopment and social and recreational facilities.

Construction has already begun on ten (10) three-storey apartment blocks comprising 120 apartments at Beverly Hills, Laventille, and twenty (20) residential three-storey buildings comprising 120 three-bedroom units at Roy Joseph Street, San Fernando. The time frame for completion is 18 months. The anticipated improvements of these programmes will of necessity directly assault a significant facet of many of the social ills associated with existing urban decay. To this end, the revitalisation of our capital city, Port-of-Spain, as well as San Fernando and Chaguanas, are targeted for major improvements under the urban renewal programme of the Ministry of Housing.

Sites and Services Programme

Under the Sites and Services Programme, the Sugar Industry Labour Welfare Committee is about to award contracts for the completion of infrastructure works on

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107 lots, as well as contracts for the design layout and infrastructure works for four (4) sites comprising 811 lots.

In addition, SILWC expects to complete an additional 50 housing units by the end of fiscal 2005.

Regularization and Containment of Squatting

The Government's squatter regularization programme is being undertaken by the Land Settlement Agency (LSA), the mandate of which, under law, is the regularization of squatters, including physical upgrades and security, and squatter containment.

The LSA has completed physical infrastructure works on four sites at Harmony Hall, Gasparillo; Southern Gardens, Pt. Fortin; La Paille, Caroni; and Rice Mill Road, Arouca. Infrastructure works are approximately 75 percent complete at KP Lands, Valencia. Twelve other sites are under various stages of regularization ranging from invitation to tender, planning designs and engineering designs.

A total of 5,400 families are expected to benefit from infrastructural upgrade of squatter sites and regularization of tenure. As at the end of September, 850 lots would have been regularized. The LSA expects to regularize 2,150 lots in 2004/2005, and a further 2,400 lots in 2005/2006.

Housing Finance

Mr Speaker, a critical factor in our housing strategy is the availability of financial resources to support our various housing programmes. We have entered into an agreement with a Consortium of local Banks (FINCOR, RBTT, Scotia and FCB) to secure financing for the construction and purchase of housing units under the joint venture arrangement between the NHA and private sector Contractors. As part of this historic Agreement, the Consortium has pledged an initial \$1.2 billion towards the construction phase; takeout mortgage financing in the amount of a further \$700 million; and the provision of mortgages for houses in the \$150,000 range and lower under the IDB subsidized loan programme.

In addition, the Government has renewed the Approved Mortgage Companies Programme and a number of financial institutions have pledged their commitment to provide mortgage loans at preferential rates between 6 and 8 percent to persons purchasing houses under the Government's housing programmes.

Mr. Speaker, under the Second Stage of Phase 1 of the IDB Assisted National Settlements Programme, approximately 3,000 beneficiaries will receive subsidies for new housing, while 1,400 beneficiaries will receive matching grants up to a maximum of \$15,000 for improvements to existing houses. This programme is targeted to commence in this fiscal year.

The beneficiaries of the family subsidies will be persons in the \$2,000 - \$4,000 income range who will not otherwise qualify for conventional mortgages. Similarly, the matching grants are for persons in the \$2000 - \$4000 income range who own their homes but are unable to repair them due to their lack of financial resources.

Rent to Own Programme

Mr Speaker, the Government's Rent-to-Own Programme is now re-scheduled for implementation in this fiscal year. The program will target low and middle-income beneficiaries. These individuals will be considered for rental accommodation based on their income level.

The beneficiary will be allowed occupancy of a unit under agreement of a License to Occupy for a period of five (5) years with the option to purchase. At the end of the five years, two-thirds of the rental payment will be applied as a deposit towards the purchase of the Unit, and the rental tenancy will be converted to mortgage status.

Where Units are maintained by the NHA during the period of the Agreement, one-third of the rent paid will be retained by the NHA to offset maintenance expenditures. All other charges relevant to the property will be borne by the beneficiary.

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House Improvement Grant

In an effort to improve the quality of the existing housing stock, the Government has implemented a programme to facilitate repairs to dilapidated homes by homeowners who are unable to finance repairs due to their modest means. A maximum grant of \$10,000 is made available in two tranches of \$5,000 each to successful applicants who are selected via a random selection process. To date 980 grants have been issued.

Social Programmes

Mr. Speaker, last year we spent \$2,649.9 million, approximately 13.2 percent of the national budget on our social programmes.

Our social programmes are grouped into three (3) major categories: developmental programmes which empower clients; remedial programmes which alleviate existing problems; and preventive programmes, which prevent problems from arising.

Several programmes were expanded and strengthened in 2004, with the goal of facilitating greater programme reach and impact while concurrently seeking to improve service delivery and programme monitoring. Skills training remained a priority of many of the programmes as we sought to empower the less fortunate to become self-sufficient.

We identified twenty six (26) new programmes for implementation in order to widen the social safety net. These initiatives sought to address a multitude of social issues, including skills training, unemployment, poverty eradication, and health and nutrition, affecting various groups in society.

We are currently reviewing the Policy on Persons with Disabilities with the aim of ensuring conformity with international human rights standards. We are also undertaking a review of the Homes for Older Persons Act of 2000, which provides for the licensing, regulation and control of Homes for senior citizens throughout Trinidad and Tobago, and the establishment of an Older Persons Care Board which guides and assists in the

implementation of the Act, and advises on matters relating to the care of older persons.

The government is currently addressing the very important issue of the decentralization of social services delivery to communities. The new system, which has turned out to be very difficult to design, will focus on the diagnosis of the needs of individuals, households and communities, the delivery of services within communities, the institution of appropriate supervisory mechanisms and a strategy for effective collaboration. Regional offices will be established in the fourteen (14) regions of Trinidad and in Tobago and each region will be sub-divided into community grids based on socio-economic factors.

It is envisaged that the introduction of the new system will facilitate greater contact and closer interaction between social workers and citizens to enable more effective identification and treatment of the needs of clients.

The Government has drafted a National Policy on Ageing in recognition of the growing size and specific needs of this sub-population. Emphasis will be on the promotion of self-sufficiency, independence, participation, recreation and active and healthy ageing. Implementation of the policy will also involve a comprehensive upgrade of the delivery of social services to older persons.

Recognising that the institution of the family is facing serious challenges, the Government will address the task of the rehabilitation and reconstruction of this important institution as a feature of the culture. We propose to address such areas as, marriage and family counselling, domestic violence, parenting skills and family relationships.

The Government is determined to ensure that with the significant investments in human and social capital development, that programmes are effective and efficient and are relevant to the needs of the people. Consequently, a draft policy on Monitoring and Evaluation for the social sector has been developed and will be implemented in the new fiscal year.

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Of the many social programmes and services, which are available to citizens of Trinidad and Tobago, the Government has recognized that due to a lack of awareness, some deserving citizens may not be accessing the programmes. The Manual on Social Programmes and Services, which is now available, is designed to provide information on the range of social sector programmes and projects being undertaken and the social services made available to the general public by the Government. It is expected that the manual would contribute to the empowerment of citizens as they utilize it in their efforts to access social services.

Mr. Speaker, in the new fiscal year, we will strengthen our service delivery. We intend to expand to a national level those development-type programmes, which are currently conducted in specific geographic areas. Seventeen (17) critical social sector training programmes which focus on training and equipping persons with marketable skills have been identified for review, rationalization, and where necessary, strengthening and expansion to a national level. These programmes include:

- The On-the-Job Training (OJT) Programme;
- The Retraining Programme;
- The Multi-Sector Skills Training (MuST) Programme;
- The Helping You Prepare for Employment (HYPE) Programme;
- The Military Led Academic Training (MILAT) Programme;
- The Military Led Youth Programme of Apprenticeship Re-orientation training (MY PART) Programme;
- The Civilian Conservation Corps (CCC);
- The Youth Training and Employment Partnership Programme (YTEPP);
- The Geriatric Adolescent Partnership Programme (GAPP);
- The Non-Traditional Skills Training for Women;

- The Export Centres Programme;
- The Transformation and Development Centres (TDC);
- The Youth Apprenticeship Programme in Agriculture (YAPA);
- The Community Education Programme;
- Women in Harmony;
- The Adult Education Programme; and
- The Patient Assistance (PAC) Programme;

Emphasis will be placed on such issues as geographic coverage and location of training centres, trainee/trainer ratio, management structures, accreditation/certification status, post-training job placement opportunities and monitoring and evaluation mechanisms.

Establishment of the Children's Authority and the survey of needs of Children's Homes, which commenced in fiscal 2004, will be finalized in the new year.

Mr. Speaker, given the tremendous cost of family dysfunction to the State, the National Family Services Division of the Office of the Prime Minister will initiate a co-ordinated strategy aimed at addressing the various issues associated with family dysfunctions. This strategy will utilise the media in information dissemination and the services of NGOs, communities, the education system, religious bodies and other relevant stakeholders.

Poverty Alleviation

Mr. Speaker, we place special emphasis on eradicating poverty and inequality of opportunities; increasing investments in human and social capital; and promoting social inclusion and cohesion as part of our social objective.

We recognize that some citizens will be in perpetual need of assistance. However, we must identify those who can be rehabilitated and facilitate the socio-economic transformation of such individuals.

This will require life skills development, literacy, training and skills upgrade, and access to credit and other

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opportunities for the generation of sustainable incomes. This shift in emphasis will be pursued through an integrated service delivery approach among Ministries and Departments of Government, the SHARE Secretariat, and the newly approved Development Support Unit.

This added focus in our approach to poverty eradication will be strengthened by our existing empowerment initiatives including the SHARE Secretariat's programmes of development, implemented through NGO's participating in the hamper programme, the Micro Enterprise and Training and Development Grant Programme, the Micro Enterprise Loan Facility, and the Multi-Purpose Community Based Telecentre Project. Additionally, the Regional Councils on Social and Human Development will implement a micro project grant programme through which support will be provided to civil society organisations undertaking development initiatives within municipal regions.

As I indicated earlier, Mr. Speaker, the Government is concerned about the rapid increase in food prices, and

in particular its impact on the poor and more vulnerable groups. We have taken the decision to mitigate the impact of rising food prices on the needy and vulnerable groups.

Mr. Speaker, the case of Retired Public Officers also needs to be addressed. As at the end of July 2004 there were 27,565 retired public officers. Of these:

- 2,007 are in receipt of a public service pension of \$1,000 per month or less;
- 11,271 receive a public service pension between \$1,001 and \$2,000 per month;
- 10,379 receive a pension between \$2,001 and \$3,000 per month; and

Put another way, 23,657 or eighty-five percent of retired officers are in receipt of a public service pension of \$3,000 or less per month. Public officers' pensions were last increased in October 2000.

I shall return to the matter of the impact of price increases on the more vulnerable groups in society.

Pension Reform

Mr. Speaker, modernization of the Pension Industry in Trinidad and Tobago is another major component of the exercise to reform the Financial Sector. The Pension Reform Working Group, established in 2003, is committed to gearing this reform initiative to completion and is working closely with the Implementation Team on the Financial Sector Reform.

The magnitude of the Pension reform exercise requires segmentation into different phases and components with responsibilities allocated accordingly.

In phase one, the Central Bank will deal with the Legal and Regulatory Framework, focusing on such issues as the:

- Development of a new Pension Act governing the pension industry;
- Establishment of the supervisory and regulatory agency;
- Portability and transferability;
- Prudential criteria for the management of Pension Funds;
- Fit and proper criteria for Fund Managers and Trustees;
- Entry and exit criteria;
- Corporate Governance;
- Introduction of International Financial Reporting Standards; and
- Reporting requirements and information disclosure.

A Team comprising members of the Pension Reform Working Group, the National Insurance Board and the Office of the Prime Minister will oversee the administrative integration of the Old Age Pension and the National Insurance Scheme.

The Pension Reform Working Group, while maintaining overall responsibility for the Reform of the Pension Industry, will be responsible for the development and

introduction of a contributory, occupational pension plan for the Public Service, including Public Officers, Teachers, Police Officers, Prison Officers, Fire Service Officers, the Judicial and Legal Service, Statutory Authorities and Municipal Corporations, members of the Defence Force, members of the Higher Judiciary, members of the Industrial Court, members of the Diplomatic Service of Trinidad and Tobago, Parliamentarians, and hourly, daily and weekly rated employees.

In addition, the Working Group will be addressing such issues as

- Taxation issues in the pension industry;
- Treatment of pension fund surpluses;
- Minimum levels of income maintenance in retirement;
- Minimum income replacement ratios;
- Indexation of pension benefits;
- Changes to the retirement age in the Public Service; and
- Spousal, parental and children benefits.

Mr. Speaker, implementation of Phase 1 is expected to be completed by December 2005.

Phase 2, which deals with the review and modernization of the National Insurance Scheme, will take place upon completion of the Seventh Actuarial Review of the NIS, and its findings and recommendations thereon.

But perhaps, of greater concern, Mr. Speaker, is the urgent need for individuals to ensure they are in receipt of an appropriate level of income in retirement thereby reducing the risk of poverty in their retirement years.

The responsibility on the State to provide for one's welfare in retirement must be reduced and eventually removed. It is imperative that there be a shift in the culture to one of individual responsibility. Such a fundamental shift in responsibility will require an aggressive programme of information dissemination to educate the public at large on the benefits of individuals

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taking increasing responsibility for their own welfare during their retirement years. During the course of the coming year, the Government proposes to commence discussions with the relevant private sector groups to develop an appropriate programme and information content for dissemination to the public.

Reform of the Non-Energy Tax Regime

Mr. Speaker, in the *2004 Budget Statement* I indicated that there are considerable leakages in the Tax System due to weaknesses in the Tax Administration, and the absence of simplicity in the Tax Regime. We recognized the need for a comprehensive overhaul of the Tax Regime.

The process of simplifying and modernizing the tax system has begun. A Non-Energy Tax Reform Committee has been established in the Ministry of Finance and is currently developing a plan of action aimed at modernizing and improving the efficiency of the tax regime. The Committee has already requested the assistance of the Caribbean Regional Technical Assistance Centre (CARTAC) in this exercise.

Mr Speaker, I expect that the Committee will be meeting with the various stakeholder groups during the course of its work, and will be submitting its Report to the Minister of Finance not later than June 2005.

Public Sector Reform

Mr. Speaker, an efficient and effective public sector is an important element of good governance. To achieve these objectives we will intensify implementation of the Public Sector Reform Initiation Programme launched in March this year. The goal of this programme is to make the Public Service a client-centric, high performance organisation capable of meeting the developmental challenges of the day.

A key objective of the transformation process is the establishment of Electronic Government in Trinidad and Tobago. This is being done through **Fastforward** our National ICT Plan. The Public Service information backbone is now being put in place to create interconnectivity among all Government Ministries and

Departments for more efficient information flow and decision-making. This is the first step to eventually placing all appropriate government information and services online.

Local Government Reform

Mr. Speaker, as an essential part of our ongoing efforts to reform the country's institutional structures, we have now developed a Local Government Reform and Decentralisation programme. The objectives underlying the programme are the achievement of greater operational efficiency and effectiveness, the decentralisation of more responsibilities and autonomy to Local Government Bodies, and the promotion of greater citizens' participation and involvement in the affairs of Local Government.

We recently concluded a series of Public Consultations on this matter. In addition, a Local Government Inter-ministerial Transition Task Force has been established to review and advise on functions to be decentralised to Local Government Bodies Municipal Corporations and to co-ordinate and manage the Transition Process.

The Reform Initiative will be intensified in 2005 with the:

- Production of the White Paper on Local Government Reform;
- Identification of functions to be decentralised to Local Government Bodies;
- Review of the existing Legislation, By-Laws, and Regulations;
- Review of Local Government Boundaries;
- Restructuring of the Ministry of Local Government and Municipal Corporations; and
- Establishment of Tax Collecting Units in regional Corporations.

We believe the reform of the Local Government Administration can facilitate the more efficient delivery of services to the public and the deepening of the democratic process in Trinidad and Tobago.

Mr. Speaker, permit me now to turn to Tobago.

My Government wishes to congratulate the Tobago House of Assembly for their continuing efforts to develop Tobago; and for the genuine partnership that has been forged with the Central Government to ensure that Tobago, as I have indicated in a previous budget statement, “catches up” with the rest of the country. I am pleased to report that among the principal fruits of this partnership are:

- The record expansion of the Tourism Sector to an expected 100,000 visitor arrivals this calendar year;
- The significant improvements in the operations of the air bridge;
- The commencement of work on the new Scarborough Library;
- The Buccoo Integrated Community Development Project;
- The purchase of the Courland Estate; and
- The settlement, once and for all, of the Pigeon Point issue.

And, we are pleased to announce that, in a matter of weeks, the first phase in the long-term improvement of the service on the sea-bridge will begin. The Cabinet looks forward to the imminent submission of the Report of the THA-led Task Force on natural gas and Tobago’s future development; and to the Report of the recently

established THA Task Force on the Cost of Living in Tobago.

Looking ahead, we are once again encouraged by the proposals emanating from the Tobago House of Assembly for the next fiscal year; and this is why this Budget, includes important provisions for:

- Enhanced Human Resource Training and Development;
- The Tourism Rolling Plan;
- The Scarborough and Roxborough Police Stations;
- The Tobago Heritage Land Trust;
- The Roxborough, Blenheim, Castara and Adelphi Housing Estates; and
- The L’Anse Fourmi/Charlotteville Road.

Accordingly, bearing in mind this PNM Central Government’s firm commitment to ensuring adequate funding for the Tobago House of Assembly, the 2005 Budget includes an allocation of \$822.9 million for the recurrent expenditures of the Assembly; and a further \$200.9 million for development programme expenditures. To further facilitate the development of Tobago, the Minister of Finance will assist the THA in accessing, by way of borrowings, additional funding up to a maximum of \$500 million. Such funding will be subject of course to the explicit approval of the Minister of Finance.

Mr. Speaker, Trinidad and Tobago benefits a great deal by being a member of the CARICOM Community. We are the largest exporter in intra CARICOM trade, accounting for over eighty percent of exports within the Community. CARICOM is our second largest export Market after the United States and is therefore a significant contributor to employment levels and the economic strength of Trinidad and Tobago.

Trinidad and Tobago is also the largest market for regional Caricom exports. Additionally, in recent years, there has been a significant outflow of Trinidad and Tobago investments into Caricom destinations, as some of our leading Companies expand beyond our shores. The integration process is clearly irreversible and will be cemented even further with the soon-to-be-established CARICOM Single Market and Economy.

Our future is therefore inextricably bound up with that of our regional partners.

Our Caricom partners are now severely challenged by volatility in both the weather and the price of oil. I have already informed this Honourable House of steps we are taking to bring relief in both these areas to our Caribbean family and which will ultimately be of benefit to Trinidad and Tobago. We have now also decided to establish the CARICOM Trade Support Programme, to redress the trade imbalances between Trinidad and Tobago and its CARICOM partners by helping them to build capacity and expand their export capabilities. A major component of the programme is the provision, by the Government of Trinidad and Tobago, of a revolving loan fund in the sum of TT\$100 million to be disbursed on an interest free basis to firms in CARICOM except those in Trinidad and Tobago. May I also add that the feasibility study on the Caribbean Gas Pipeline has been completed. The Company interested in developing the pipeline is prepared to deliver gas at stable and predictable prices. We also want to ensure that prices are low if the real benefit of stimulating economic development in participating countries is to be realised. This may require significant adjustment to our approach with this project.

Disaster Relief and Management

Mr. Speaker, the vulnerability of the Caribbean to natural disasters has been accentuated in a most graphic manner during this hurricane season. Thankfully, Trinidad and Tobago has so far been spared the worst of these storms. We all pray for the persistence of our good fortunes, but there must now be further efforts to empower this country to cope with the effects of natural disasters.

In addition to strengthening existing institutions, we will establish the Office of Disaster Relief and Management, a civilian agency responsible for the management of the Disaster Relief Programme. We see a most significant role for the Private Sector in this agency in terms of co-ordination, resource mobilisation and logistical arrangements. We shall also access the expertise of a similar agency of the Jamaican Government. This initiative will be buttressed by the Engineering Division of the Trinidad and Tobago Armed Forces, which will be upgraded and equipped to provide disaster relief at the community, country and regional levels. We have budgeted \$15 million for the establishment of this office and the Disaster Relief Programme this year.

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Mr. Speaker, my Government is committed to good governance. For us, this means putting systems in place to ensure transparency, accountability, the highest level of efficiency and effectiveness, equity, and adherence to the rule of law.

An important element of good governance is the transparent and effective utilisation of our oil resources, which we must manage prudently taking into account the fact that oil and gas are non-renewable assets; that petroleum prices are inherently volatile and that we need to be mindful of inter-generational equity.

Mr. Speaker, total transfers to the Interim Revenue Stabilization Fund to date now stands at TT\$2,775.6 million.

It should be noted that following the Supplementary Appropriation Bill passed in September 2004, the total amount transferred for the last two years was \$1,760.6 million; \$497.4 million in 2003 and \$1,263.2 million in 2004.

The prognosis for higher levels of oil and gas revenues is based on the current increase in and demand for energy production – both in oil and gas – and its prospects. *Firstly*, oil production is expected to reverse its steadily declining trend over the past two (2) decades and increase from about 125,000 barrels of oil per day to about 203,000 barrels of oil per day by 2006. *Secondly*, Liquid Natural Gas (LNG) production has been increasing and by 2006, with Train IV becoming fully operational, the LNG industry in Trinidad and Tobago would have an overall production level of about 15.6 million tonnes per annum. *Thirdly*, the demand for natural gas will continue unabated due to the establishment of a number of natural gas-based plants.

The Cabinet has had intense discussions on various proposals for putting aside part of these oil and gas revenue resources. I would now like to report, Mr. Speaker, that the Government has finally decided to formalise the interim Revenue Stabilisation Fund, albeit with a broader, more comprehensive mandate.

While details are still to be finalised the Fund will seek to satisfy the twin objectives of revenue stabilisation and inter-generational equity.

The main principles underlying the design of the RSF will be as follows:

1. the annual estimate of oil and gas revenues would be determined by the long-term prices of crude oil and gas;
2. the larger part of the excess reserves (up to 60 percent) would be earmarked for stabilisation or inter-generational transfers;
3. the remainder of the excess (up to 40 percent) will be available to be allocated to strategic investments.

The resources earmarked for stabilisation and inter-generational transfers will continue to be managed by the Central Bank as part of the country's reserves with appropriate regard for the rate of return and risk diversification.

The part earmarked for strategic investments will be managed in accordance with the highest standards of transparency and accountability.

The proposed design of the Governance structure and the investment criteria governing this part of the Fund will need to be worked out. Overall responsibility for the management of these resources will be vested in a Board of Trustees, chaired by the Minister of Finance.

The Government will produce a public report on the Fund on a quarterly basis.

Procurement Reform

Mr. Speaker, to further ensure transparency, accountability and good governance, this Government is undertaking a fundamental reform of its procurement process. The imperative for reform centres on the need for good governance, public confidence in the integrity of the procurement process, conformity with international best practice, and regional and international developments. Prevailing deficiencies in the legal and regulatory framework, human resource

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limitations and lack of regulatory oversight, further add to the urgency for a new objective and comprehensive approach to the Government's acquisition of goods and services.

In recognition of the importance of an appropriate procurement policy, we appointed a Procurement Reform Committee which has completed a Green Paper on the Reform of the Government's Procurement Regime and which is now out for public comment. The Green Paper identifies current international best practice, suggests an appropriate procurement model for Trinidad and Tobago, and makes recommendations for an efficient procurement process. These recommendations include:

- Decentralising the procurement process;
- Establishing procurement units in all Government Ministries, Departments and other State Agencies and Organizations;
- Repealing the Central Tenders Board Ordinances, 1961;
- Developing new legislation incorporating the fundamental procurement principles of Value for Money, Transparency and Accountability;
- Appointing an Independent Regulator to monitor and audit the procurement process of all state agencies and organizations spending public funds;
- Recognising the Procurement Function as a profession in its own right;
- Providing education and training in procurement; and
- Developing a cadre of procurement professionals and specialists for the Public Service in the first instance.

Implementation of the new procurement regime is targeted for June 2006.

Mr. Speaker, the new procurement regime will signal to the local, regional and international community, this Government's commitment to a quality of governance that reflects the highest standard of Ethics,

Transparency and Accountability in the conduct of the people's business.

Reform of the State Enterprise Sector

Mr. Speaker, during the past fiscal year, this Government has undertaken several measures to ensure that the fundamental principles of good governance, namely: integrity, transparency, accountability and responsibility are embedded at all levels of the State Sector.

State Enterprises have been mandated to publish a summary of their un-audited half-yearly financial statements within two months of the mid-year date, as well as a summary of their audited financial statement within four months of the end of their financial year. These requirements have improved considerably the accountability of State Enterprises by bringing information on their performance to the national public in a timely manner.

Two seminars aimed at imparting good corporate governance practices were held in 2004 for Boards of Directors of State Enterprises and Statutory Authorities, and new Standard By-Laws and a Code of Best Practice for State Enterprise are currently being finalised.

Mr. Speaker, we are well aware of the importance of energy revenues to Trinidad and Tobago. As part of Government's commitment to transparency Trinidad and Tobago expressed its support for the Extractive Industries Transparency Initiative at a multi-stakeholder conference in the United Kingdom in 2003.

A number of multi-nationals with operations in Trinidad and Tobago have also agreed to support the Initiative. The Government intends to work with these multi-nationals and other relevant entities in this country to develop a reporting format for revenues generated in the extractive industry and the oil and gas industries in particular. This represents a joint public/private sector approach to transparency.

Integrity in Public Life

We shall do more. We have implemented the new law pertaining to integrity in public life; a law, which is

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consistent with international best practice. We have gone a bit further, however, and strengthened the mechanisms for detection and investigation of all acts of malfeasance conducted by public officials. We intend to take all measures necessary to prevent the illicit enrichment of individuals at the expense of the People of Trinidad and Tobago. In other words Mr Speaker, we shall deal clinically and comprehensively with corruption.

XIII. ANALYSIS OF THE BUDGET

Summary Analysis of the 2005 Budget

Mr. Speaker, I now turn to the fiscal measures of this Budget.

Total revenues are budgeted at \$24,015.5 million, of which petroleum revenues will amount to \$9,580.5 million; taxes on income, excluding oil, will generate \$6,112.4 million; VAT will provide \$3,045.0 million; and Taxes on International Trade of \$1,200.4 million.

Mr. Speaker, total central government expenditure including capital repayments and sinking fund contributions for fiscal year 2005 has been budgeted at \$27,917.9 million, of which the sum of \$20,769.4 million will be provided for by way of the Appropriation Bill. The sum of \$6,798.4 million will be a direct charge on the Consolidated Fund, while the Government proposes to spend \$300.0 million from the Unemployment Fund and \$50.0 million from the Road Improvement Fund. These items of expenditure do not form part of the Appropriation Bill.

Mr. Speaker, our Revenue Estimates are based on an average oil price of US\$32.80 per barrel (Galeota mix) along with an netback gas price of US\$1.50 per cubic foot for fiscal year 2005.

However, our expenditure programme for fiscal 2005 is based on an oil-planning price of US\$25 per barrel with a netback gas price of US\$1.50 per cubic foot. The difference between the oil-price on which our revenue estimates are based, i.e. US\$32.80, and our expenditure planning price of US\$25.00 is estimated at \$1,356.9 million. We are appropriating 100 per cent for transfer to the Interim Revenue Stabilisation Fund. This would bring the balance in the fund to \$4,209 million.

Mr. Speaker, consistent with our commitment to fiscal discipline to support our strong macro-economic environment, the budget for fiscal year 2005 envisages a fiscal surplus of \$7.7 million, after taking into consideration transfers to the Interim Revenue Stabilisation Fund.

Total expenditure for fiscal 2005 is disaggregated as follows:

Total Recurrent Expenditure	\$25,492,851,946
Of which	
Personnel Expenditure	\$5,372,108,455
Goods and Services and Minor Equipment	\$3,141,379,574
Current Transfers and Subsidies	\$7,660,674,822
Transfers to the Tobago House of Assembly	\$822,900,000
Transfers to Statutory Boards and Similar Bodies	\$1,753,540,255
Debt Servicing	\$6,742,248,840
Total Development Programme	\$2,075,000,000
Total of the Draft Estimates of Expenditure	\$27,567,851,946
Unemployment Relief Programme	300,000,000
Road Improvement Fund	50,000,000
Grand Total	\$27,917,851,946

The recurrent and capital expenditure on Government's fiscal operations is projected at \$24,007.8 million, which represents total expenditure of \$27,917.9 million less principle repayments and sinking fund contributions of \$3,910.0 million.

The level of capital expenditure included in the budget (the development programme) is \$2,100.0 billion, an increase of 22.3 percent over last year's outturn. This figure does not include capital expenditures executed by state agencies on behalf of the central government as well as state enterprises in the sum of \$7,402.5 million.

The Government's expenditure priorities as reflected in the allocation to the following key Ministries as follows: -

- (i) Ministry of Education \$3,140.3 million;
- (ii) Ministry of National Security \$2,331.5 million;
- and
- (iii) Ministry of Health \$1,861.4 million.

While expenditure in social services is estimated at \$3,080.2 million.

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Mr. Speaker, I will now wish to give a summary of the major fiscal measures being introduced in the context of the 2005 Budget.

Relief to recipients of Pensions and Public Assistance

- We propose to increase the maximum old age pension from \$1,000 per month to \$1,150 per month. This measure will take effect from the first of October 2004;
- We propose to recommend to the Public Assistance Board that payments of public assistance be increased by \$150 per month and that this increase takes effect from the first of October 2004;
- We propose to increase the level of disability assistance grants from \$650 per month to \$800 per month. This measure will take effect from the first of October 2004.

These measures relating to the increase in Old Age Pension, Public Assistance and Disability Assistance Grants will benefit 98,065 individuals and will cost approximately an additional \$177 million per annum.

Measures to address the rise in prices

- We propose to reduce the surcharge on the importation of chicken and turkey parts from 86 percent to 40 percent. This measure is expected to reduce the price on these specific products, improve the level of competition in the market, and hopefully lower chicken prices in general. This measure will take effect from the First of November 2004. If this measure does not generate an appropriate reduction in poultry prices, the surcharge will be reduced further until the expected benefits to the consumer are realised. Mr. Speaker, we should note that under the Seventh Schedule to the Miscellaneous Tax Order of 1997 this surcharge would come to an end on the 31st of December 2004, unless renewed;
- We propose to remove the Common External Tariff (CET), subject to the approval of the CARICOM

Secretariat, on;

- Powdered Milk;
- Split Peas;
- Black eye Beans; and
- Cheese.

We propose to Zero-rate for VAT purposes and with immediate effect:

- Brown Sugar;
- Cocoa Powder;
- Coffee;
- Mauby; and
- Orange Juice.

Poverty Alleviation

We propose to expand the SHARE Programme from 15,000 Food Hampers per month to 20,000 per month, as well as increase the value of each hamper from \$200 to \$250 per Hamper. This measure will take effect from the first of November 2004 and will now cost the Treasury \$60 million annually;

Relief to Low Income Wage Earners

- In order to directly help the lowest paid of the labour force deal with recent price increases, we propose to recommend to the Minimum Wages Board that the minimum wage be increased from \$8 per hour to \$9 per hour with effect from the First of January 2005.
- To help small businesses deal with this increase in the minimum wage, we propose to remove the Business Levy from registered small businesses; this will take effect from the first of January 2005.
- To provide relief to low income taxpayers, We propose to increase the personal allowance for tax purposes as follows:
 - (i) For individuals with a gross income not exceeding \$30,000 per annum, the

XIII. ANALYSIS OF THE BUDGET

personal allowance will be increased by \$5,000 from \$25,000 to \$30,000 per annum;

- (ii) For individuals with a gross income exceeding \$30,000 per annum, the personal allowance will be increased by \$5,000 less \$1 for every dollar of gross income above \$30,000.

Public Service Pensions

To address the plight of retired Public Service Officers, we propose to grant an ex-gratia award to retired Officers as follows:

- Public Service Officers who retire on or before 31st December 1984 will receive an ex-gratia payment of \$400 per month;
- Public Service Officers who retire Between 1st January 1985 and 31st December 1994 will receive an ex-gratia payment of \$300 per month;
- Public Service Officers who retire between 1st January 1995 and 31st December 1999 will receive an ex-gratia payment of \$150 per month;
- Widows of Public Service Officers will receive an ex-gratia payment of \$150 per month.

This measure will take effect from the first of October 2004 at an additional cost of approximately \$62 million.

Duty Free Allowance

Mr. Speaker, individuals travelling abroad currently enjoy an exemption from customs duty (Duty Free Allowance) in respect of goods belonging to them not exceeding \$1,200 in value per annum. The goods covered by this exemption are goods which accompany the passenger and which were acquired abroad or in local In-Bond shops for personal or household use or as souvenirs or gifts.

We propose to increase the exemption from \$1,200 to \$3,000 per annum.

Tax Administration

Mr. Speaker, in order to improve the efficiency of the Tax Administration, we propose to put into effect a number of measures designed to close some of the loopholes in the tax regime.

Set-Off of Losses

Mr. Speaker, Section 16(3) of the Income Tax Act prohibits the set-off of losses from any trade, business or farming against income from employment or profession. However, losses from other sources of income such as rental income may be set-off against income from employment or profession. Taxpayers have been utilising increasingly losses from sources other than trade, business or farming to reduce their income from employment or profession. We therefore propose to amend section 16(3) of the Income Tax Act to prohibit the set-off against employment or professional income of losses from any other source of income specified in section 3 of the Act.

Taxation of Benefits in Kind

Sections 133 to 141 of the Income Tax Act provide a scheme for the taxation of benefits in kind received by employees and directors of companies. However, section 136(5) provides that these provisions do not apply to persons employed by schools or other educational establishments. There is no justification for this exemption.

Further, section 139 of the Income Tax Act provides that the benefits in kind provisions apply only to companies carrying on a trade or engaging in investment. The provisions also do not apply to persons employed by charities or municipalities. There is no justification for the favourable treatment of such employees.

We propose to delete sections 136(5) and 139 of the Income Tax Act with effect from the coming into operation of the new Finance Act.

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Deed of Covenant

Mr. Speaker, the Finance Act, of 1997 abolished claims for deeds of covenant by individuals. One of the amendments made to achieve this was the deletion of section 21 of the Income Tax Act, which provided for one-year deeds of covenant. Section 21 had been applied to the Corporation Tax Act. The effect of deleting section 21 from the Income Tax Act means that since 1997 companies have been entitled to only deductions via multi-year deeds of covenant and not one-year deeds. This was obviously an oversight in the drafting of the Finance Act of 1997. In fact, the Board of Inland Revenue continued to approve one-year deeds of covenant submitted by companies since 1997 even though the legislation does not provide for such deeds.

We therefore propose to amend the Corporation Tax Act to include a provision similar to the former section 21 of the Income Tax Act and that this amendment be made retroactive to January 1, 1997 to validate the deeds of covenant already approved.

Application of VAT Refunds to Other Tax Liabilities

Mr. Speaker, Section 11(a) of the Finance Act, 2004 sought to amend the Value Added Tax, 1989 to permit the Board of Inland Revenue to apply a person's VAT refund to any other type of tax liability such as income tax or corporation tax. However, there was an error in the amendment contained in section 11(a) in that the section in the Value Added Tax Act, 1989 to be amended, namely section 35, was not specified.

We propose to amend Section 35 of the Value Added Tax Act, 1989 to provide for the application of VAT refunds to outstanding taxes under any other Act administered by the Board of Inland Revenue.

This amendment should take effect from the first of January 2004.

Waiver of penalties Under the Stamp Duty Act

Mr. Speaker, Section 87(2) of the Stamp Duty Act gives authority to the Minister of Finance for waiving stamp duty penalties. The current practice as prescribed in

other tax legislation is to confer on the Board of Inland Revenue the power to waive penalties. This simplifies the procedure instead of having to obtain Ministerial approval.

We propose to amend Section 87(2) of the Stamp Duty Act to confer on the Board of Inland Revenue the power to waive penalties.

This amendment should take effect from 1st January 2005.

Energy Tax Regime

Mr. Speaker, I indicated earlier that notwithstanding the significant increase in the price of oil, the tax accruing to this country from our hydro-carbon resources was considerably less than expected, due to a number of reasons, including a tax system that needs to be reviewed and modernised.

Mr. Speaker, the current tax system came into effect in 1992 at a time when the energy landscape was considerably different from what obtains today.

Today, our gas and gas-based industries are poised to dominate the energy sector, surpassing the once dominant oil sub-sector. Today, we are a contributor to the energy security of the U.S. and in particular to the U.S. Eastern Seaboard. Gas is now the preferred source of energy for the U.S.

This notwithstanding, the oil sub-sector, would continue, and must continue to make a significant contribution to the development of the domestic economy by providing its fair share of revenues to the national treasury. Accordingly, we propose to review the current petroleum tax regime, and have already begun discussions with the oil producing companies. Given the highly complex and technical issues that need to be resolved, we expect that these discussions will take upwards of six (6) months before a new tax regime is hammered out.

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In the interim, we propose to:

- Review and re-negotiate all existing Production Sharing Contracts (PSCs)
- Re-activate the Petroleum Crude Oil Pricing Committee
- Monitor exports of crude oil on a destination basis
- Review the tax liability of the oil companies over the last six (6) years as provided for in the current tax laws

Application of Sport Allowance to Petroleum Companies

Mr. Speaker, Section 10 I of the Corporation Tax Act provides for a 150% allowance up to \$1,000,000 for the sponsorship of sporting activities and sportsmen. However, petroleum companies have been unable to access this allowance since the provisions of section 10 (I) were not applied to the Petroleum Taxes Act. It should be noted that the Finance Act, 2004 extended the 150% allowance for art and culture and sponsorship of audio and video productions to the Petroleum Taxes Act. We propose to extend the 150% sport allowance to petroleum companies with effect from the first of January, 2003 when the incentives extended to Petroleum Companies under the Finance Act, 2004 took effect.

XIV. CONCLUSION

Mr. Speaker, with this Budget, we take the country forward into a future of continued prosperity and stability, greater equity and enhanced opportunity for all.

We shall make the economy stronger through increased investments and further diversification.

We shall continue to invest significantly in the country's human resource, as a principal factor in social and economic transformation.

We shall improve the nation's infrastructure for the better comfort, convenience and security of the citizenry, and for greater economic efficiency and productivity.

We shall modernize the administration of the nation at both central and local government levels.

We lead the way in saving for a rainy day.

With these Measures, we move towards our goals of full employment, poverty eradication, and vastly improved opportunities for individual fulfilment.

We shall attain enhanced security and greater social cohesion and stability.

We shall improve care for the elderly, disadvantaged and physically challenged.

We are setting the standards and establishing the mechanisms for openness, transparency, accountability and integrity in the conduct of public affairs.

We shall fulfil our regional and international commitments and responsibilities.

Ours is heading to be a model nation of the modern world. This Budget shall strengthen our foundations and create room for the planned expansion and managed development that will take us to our goal of transforming Trinidad and Tobago into a developed country.

Let us therefore move forward with greater determination than ever before. Let each individual try harder than ever to improve his or her life through legitimate means. Let us build friendships and strengthen the family. Let us practice equality of treatment and respect for all. Let our spirit be always nourished by our rich diversity. Let us build our Communities and love our Country. Let us ensure a secure legacy for the children of Trinidad and Tobago.

Mr. Speaker, I beg to move.