



Republic of Trinidad & Tobago

# Budget 2006

presented 28th September, 2005

**Vision 2020**

Ensuring Our Future Prosperity  
Addressing Basic Needs

2006

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# 1. Introduction

Mr. Speaker, I am pleased to present the National Budget for the fiscal year 2005-2006.

Before proceeding, however, I must thank all those who participated in the pre-Budget activities. I especially want to express my gratitude to the private sector and civil society groups for sharing their perspectives and recommendations on so many issues; and my Cabinet colleagues and other members of the Government for their work in shaping the strategies and programmes that form the core of the Budget. I also salute those public officers who continue to demonstrate the highest levels of professionalism and dedication in preparing all the documents laid before this Honourable House today. The theme of this year's Budget is **Addressing Basic Needs**.

Mr. Speaker, notwithstanding our immediate challenges, we approach a new financial year with a great sense of optimism in the future of Trinidad and Tobago. In recent times, we have had the deep satisfaction of seeing this country evolve to become a global leader in the gas and petrochemical markets; the centre for financial services, business and manufacturing in the Caribbean; a preferred destination for investment in the Western Hemisphere; and one of the fastest growing economies in Latin America and the Caribbean.

I am pleased to say, Mr. Speaker, that the journey to a society in which all citizens can aspire has begun. The initial phase of planning has been completed. A Draft National Strategic Plan has been prepared by the Multisectoral Group, which was given full autonomy in this exercise. May I take this opportunity, Mr. Speaker, on behalf of the Government and people of Trinidad and Tobago to thank the members of that Group which was chaired by Mr. Arthur Lok Jack and all those who contributed to the formulation of the Draft Plan and participated in the various Vision 2020 exercises undertaken throughout the country. Their efforts, in spite of the cynicism and lack of faith of some, demonstrate that they are indeed true sons and daughters of this blessed Nation.

This Budget continues to strengthen the platform for achieving the goals of Vision 2020 by responding to those fundamental needs that we desire and deserve to have fulfilled. It gives priority to the issues affecting the family as well as our collective concerns for security and safety, a relevant education system, quality health care services, adequate housing and poverty reduction.

Mr. Speaker, achieving Vision 2020 will require a great deal of introspection on the part of all of us in this country. As a people, we must re-examine our values and attitudes. We must develop a greater sense of national and personal pride, community ownership, environmental sensitivity, respect, discipline, tolerance, responsibility and a culture of performance and excellence. If we want to enjoy a higher quality of life, Mr. Speaker, we must also be prepared to work harder and be more productive.

This Budget, therefore, zeros in on those basic elements that will ensure our future prosperity and, ultimately, our ascension to the standards of the developed world.

But Mr. Speaker, while we work towards this development, we must continue to deal with the issue of crime and safety of our citizens.

## SAFE COMMUNITIES

Mr. Speaker, the escalation of violent crime and anti-social behaviour constitute the most fundamental threat to the economic and social development of our country and the well-being of our people.

### Understanding the Problem

Any effective strategy to control crime must be based on the fullest understanding of the dimensions of the problem. Trinidad and Tobago and other islands of the Caribbean are located directly between the major cocaine producers of South America and the major consumers of North America and Western Europe. The recent seizure of nearly six tons of cocaine in our territorial waters has

## 1. Introduction

been described by our international partners in the fight against drug trafficking as possibly less than 10 percent of the amount being trans-shipped through our waters.

This illicit trade in drugs has created a criminal elite with considerable financial resources with which they corrupt public institutions and officials and recruit our sons and daughters for all sorts and all forms of criminal activities. The proceeds from this trade are also used to finance the procurement of illegal arms and as a result sophisticated arsenals end up in the hands of competing gangs which in turn fuel the murder rate. Over time, other criminal activities emerge, the most sinister is kidnapping. There can be no doubt as to the debilitating effect of kidnapping on the law-abiding majority, the fear and anxiety it creates and the extent to which it contributes to the perception that our country is not safe.

Mr. Speaker, the situation is further compounded by criminal deportations from the United States of America, the United Kingdom and Canada. These add significantly to the challenge of law enforcement by bringing to our country the sophistication and expertise of the most advanced international criminal networks.

In the face of this, we are experiencing a significant increase in all forms of anti-social behaviour. The carnage on the roads which directly leads to a depreciation of the value of life, the disruption of commercial and social life, the bomb scares, and the tendency to resort to violence in settling the most minor dispute are all indicators of the deteriorating fabric of our society.

Within this context, therefore, crime, although manifested nationally, is co-ordinated and directed both locally and internationally. Accordingly, solutions must go beyond the community and national borders to regional and international cooperation. The corruption, intimidation and violence, which go hand-in-hand with organised crime, undermine law and order and threaten the very essence of democratic governance.

### Response of the Government

Mr. Speaker, over the past year, the Government made a number of strategic interventions that we believe, in time, will go a long way to address the current crime wave on a sustainable basis. Some of the more important initiatives are:

- Acquisition of state of the art crime fighting technology.

The package includes:

- an aerial surveillance system outfitted with radar and imaging systems;
- a forward-looking infrared camera;
- twenty-four mobile police units;
- sky watch units;
- a 360 ° radar system which will be available in the next few days;
- Four armed helicopters;
- Six fast patrol boats; and
- Three Offshore Patrol Vessels.

Tenders for three Offshore Patrol Vessels (OPV's) are to be awarded in the next month; the first two of these are expected to be delivered in the first quarter of 2007.

- We also established the special anti-crime unit, SAUTT and we have intensified operations of our inter-agency task force in areas where gang warfare is most prevalent.

- We established an **Incident Co-ordination Centre** to facilitate information sharing and more effective response by law enforcement officers. Several persons from a number of specialized agencies have been selected to staff the Centre.

- We are conducting frequent Police patrols and random searches on the nation's highways and within communities.

In November 2005, the Police Service will take possession of one hundred and forth-nine (149) additional vehicles. Work on five police stations (in Mayaro, Gasparillo,

Belmont, Tunapuna and Toco) began this month and the project to rebuild six police stations (Roxborough, St. Joseph, Manzanilla, Maracas, Old Grange and Matelot) has been transferred to NIPDEC.

As part of the initiative to transform the Police Service, we commissioned Professor Stephen Mastrofski whose recommendations to strengthen the Police Complaints Division are being implemented.

Mr. Speaker, prison reform and the rehabilitation of prisoners need to be part of the fight against crime since it is critical that the revolving door syndrome of criminality be arrested. To this end, a Prison Reform and Transformation Unit has been established. Candidates to staff the unit have been selected. Cabinet has also approved the acquisition of a property at Tumpuna Road, Arima, to accommodate the Prisons Training College. The TT Prison Service has taken occupancy and training has commenced.

Mr. Speaker, we feel strongly that our fight against crime must also be integrated with a strategy to provide alternative opportunities for socialization and training for our youth to woo them away from deviant behavior. For this reason, Government is accelerating the implementation of three Military-Led Specialized Youth Programmes which will provide training for 1,100 young persons.

(1) Three hundred and sixty (360) young persons will commence a residential programme of attitudinal and academic training under the **Military-Led Academic Training Programme** (MILAT);

(2) Two hundred and forty (240) persons between the ages of fourteen to twenty-five will commence a residential programme of skills training in the **Military-Led Programme of Apprenticeship and Reorientation Training** (MYPART); and

(3) A total of five hundred (500) persons between the ages of eighteen to thirty years will participate in a programme designed to render community service throughout Trinidad and Tobago.

Contracts have been awarded for the refurbishment of the Mt. St. George Youth Camp, the Mausica College and Vessigny High School for start-up of the Programmes.

### **International Co-operation**

All indicators point to the fact that to manage crime successfully in Trinidad and Tobago, our law enforcement agencies require the material support and co-operation of countries with the experience and technical competence.

With the objective of securing this support and co-operation, a series of high-level meetings has taken place between the authorities in the United Kingdom and a team from Trinidad and Tobago. We are also in touch with the American Authorities to provide expert assistance to SAUTT. At a practical level, the Trinidad and Tobago team was able to observe measures currently utilized by the British in their fight against crime.

An essential component of the reform is the introduction of state-of-the-art technology and the necessary training of members of the armed forces and police service.

We are targeting Scotland Yard to establish a Unit in Trinidad and Tobago that will provide equipment and expertise to the Trinidad and Tobago Police Service. The FBI will be targeted to establish a Unit to assist with the re-organization of the Police Service.

### **Disaster Preparedness**

Mr. Speaker, natural disasters are now a fact of life. The tragedy on the US Gulf Coast one year after events in Grenada reminds us of our increasing vulnerability to the forces of nature and the importance of preparation and co-ordination for effective relief efforts. We have established an Office of Disaster Preparedness and

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Management, which is responsible for the development of a Disaster Management Policy to deal effectively with natural and man-made disasters.

Mr. Speaker, we are working on a new regime which will involve:

1. a National Building Code and a Nationwide Early Warning System; and
2. a permanent approach to dealing with the aftermath of a disaster by putting mechanisms in place before hand.

T&TEC has designed a system to increase stand-by power generation capacity, upgrade Emergency Operation Centres; and establish back-up communications systems. The emergency power arrangements would also guarantee a temporary water supply.

The CEPEP manpower resources of approximately 5,600 persons constitute a potential resource which could be put to meeting emergencies in the event of a disaster. This is buttressed by the school feeding programme which now has the capability to prepare 100,000 meals in six hours.

## 2. Achievements in Fiscal Year 2005

I will now turn to our performance in other areas over the past year.

Mr. Speaker, it is my privilege to lead a Government that continues to record tremendous economic success. But, success has not come easy, nor has it been by chance or sheer good luck. Success has come because of our good economic policies, because of the talent of our people and the vibrancy of their entrepreneurial spirit.

Indeed, two international credit rating agencies: Standards and Poors and Moodys recognised the quality of our macro-economic management and increased Trinidad and Tobago's credit rating. Standard and Poors, in upgrading our local and foreign currency rating from BBB+ to A-, noted our growing net public sector creditor position which, I must emphasise, was considerably stronger than the 20 percent median for A-rated sovereigns. Our prudent fiscal and monetary policies were also contributing factors. In raising our foreign currency rating from Baa3 to Baa2, Moodys cited essentially the same strengths.

Mr. Speaker, real GDP increased by 6.5 percent. This was the twelfth consecutive year of positive growth in Trinidad and Tobago and could be somewhat of a record among developing countries worldwide.

Our non-energy sector has also registered positive growth rates as a result of the buoyancy of the construction sector, increased activity in manufacturing, tourism and the expansion of small business activity in distribution and services.

Economic expansion has led to the creation of more than 28,000 jobs in 2004 and a reduction in the unemployment rate to an average of 8.3 percent with the rate in the last quarter of 2004 being 7.8 percent; as a result of which skill shortages have arisen in some areas. I wish to indicate, Mr. Speaker, that this Government is accelerating the expansion of training programmes to deal with these shortages.

Inflation, which has been subdued for several years, has risen slightly in 2005. For the most part, this has reflected high food prices due to the impact of inclement weather on domestic agricultural production and to the increase in import prices related to the rise in the international price of oil.

Our external sector has been particularly strong with the country's external reserves now at a comfortable level of US\$3.8 billion, or the equivalent of 7 months of imports.

Mr. Speaker, the year 2004/05 was also another year of disciplined, efficient and responsible fiscal management.

In terms of the broad picture, the Central Government registered a surplus of \$299.7 million, which is significantly larger than originally expected.

Honourable Members may recall that for revenue purposes the 2005 Budget was predicated on an oil price of US\$32.80 per barrel. As it turned out, the average oil price received for our mix of crude oil exports was US\$41.16 per barrel which resulted in oil revenue collections of \$11.1 billion, some \$3.2 billion higher than envisaged in the Budget. With non-oil revenue also slightly higher than budgeted, total revenue collections exceeded the Budget estimate by \$4,185.4 million.

Total expenditure for the year is estimated at \$27,901.3 million. It is important to note, Mr. Speaker, that this expenditure is \$3,893.4 million more than the original Budget figure.

Permit me, Mr. Speaker, to explain to this House and to the population at large, how the Government spent the revenue collections.

(i) While in the Budget we had undertaken to transfer \$1.4 billion to the Interim Revenue Stabilisation Fund, we in fact transferred \$2,593 million. That is responsible fiscal management and underscores this Government's

## 2. Achievements in Fiscal Year 2005

commitment to putting aside savings for the welfare of our children and grandchildren.

(ii) We spent some \$1.4 billion on subsidies to maintain the price of gasoline and other petroleum products. This was partly funded by the Production Levy on oil producing companies. I am sure that Honourable Members of this House would know that fuel prices have reached astronomical levels both in the region, as well as in the developed countries. And as fuel prices go, so do the prices of bus and taxi fares, of electricity and indeed the prices of a whole range of items that are significant in the Budgets of the middle and lower income groups. Without subsidies, a gallon of 92 RON unleaded gasoline which now sells at \$2.70 per litre would have to be sold at \$5.20 per litre, \$1.48Bn is a very significant outlay on petroleum product subsidies, and Trinidad and Tobago will in due course have to decide what would be a reasonable size for this "Oil Dividend" and at what prices it would be reasonable to sell this increasingly precious commodity on the domestic market.

(iii) Education, National Security and Health, clearly our three priority areas, accounted for \$7.5 billion or 20 percent of total expenditure: interest payments amounted to \$2.6 billion and pensions, another category of statutory payments, amounted to \$2.0 billion.

(iv) Transfers to the THA and to local authorities amounted to \$1.6 billion while other similar transfers (to deal with CARONI and BWIA, to maintain water and electricity rates and to subsidize inter-island transport) amounted to another \$1 billion.

(v) Mr. Speaker, an amount of \$426 million was spent on the Unemployment Relief Programme in the past fiscal year. While this Programme has had its challenges, it has been an important instrument of poverty alleviation providing approximately 50,000 temporary job opportunities for individuals.

(vi) Expenditure under the Public Sector Investment Programme (PSIP) amounted to \$2,847 million.

We have reduced the ratio of public debt to GDP from 48 percent to 40.5 percent due to prudent fiscal management.

In the process of building such strong economic fundamentals, Mr. Speaker, the lives of many people across the country have been improving. This Government is justly proud about the successes achieved during the current fiscal year. We honoured our commitment to distribute the benefits of development to all citizens through enhanced healthcare, education reform, improvements in infrastructure, provision of housing, job creation, training opportunities and quality social services.

Mr. Speaker, while the respective Ministers will outline the achievements in greater detail, I would like to highlight the following:-

### Our Successes

- The establishment and rapid development of the University of Trinidad and Tobago is nothing but a spectacular success. With the advent of UTT and the introduction of our GATE financing programme, enrolment in tertiary education has increased by forty percent.
- We have had several other successes in our thrust to develop a high-quality seamless education system - the launch of our pre-school education programme, the initiation of a programme of home-work centres and the introduction of a system of local school boards cementing the links between the schools and the community.
- The Textbook Rental Programme, the School Transportation Programme and the School Feeding Programme were all expanded. The number of books provided increased from four hundred and fifty thousand in fiscal year 2004 to 1.2 million in fiscal year 2005 and included primary and secondary schools. The provision

## 2. Achievements in Fiscal Year 2005

of breakfast meals increased from 25,000 to 37,208 and lunches from 92,000 to 94,736.

- Under the GATE programme, we processed 24,117 applications at a total value of \$138 Mn. This represented more than twice the number of applications processed by the Dollar for Dollar Programme in fiscal 2004.

- In health, despite all the setbacks, and all the industrial issues that always seem to arise at the most inopportune times, we have been making significant strides in providing quality health services to the country. We have drastically reduced the waiting lists and the waiting time for a whole range of surgical operations, including cataract, hernia, prostate, orthopaedic, and certain gynaecological conditions.

- The Chronic Disease Assistance Programme (CDAP) has been a phenomenal success providing thirty-six (36) drug items free of charge for persons suffering from cardiac disease, hypertension, diabetes and a host of other ailments. To September 2005, over 500,000 prescriptions were filled on behalf of approximately 150,000 citizens.

- From January 1, 2005, we increased access to the Eric Williams Medical Sciences Complex, making services not provided at other public health institutions available to the public free of charge on referral from other public health institutions. The result has been overwhelming.

- Our housing programme has been an unparalleled success. Over 6,000 houses were constructed in fiscal 2005.

- We also established the Family Court Project to facilitate settlement of family disputes in an environment which is different from the confrontational atmosphere of traditional courts

- Mr. Speaker, we distributed Caroni lands as promised. A total of 7,247 former workers received two-acre plots of agricultural land for intensive cultivation while 6,755

persons will receive residential lots shortly. This distribution should set the basis for a resurgence in domestic agricultural production. We also fulfilled our commitment to provide training for former CARONI workers. As much as 2,854 former daily paid and 751 monthly paid workers have already benefited from training through agricultural programmes, and technical and computer literacy courses. Mr. Speaker, this is yet another demonstration of keeping our faith in the country and to Caroni workers.

- Despite operational deficits, WASA improved the levels of service to more than 50,000 persons in over 32 communities including Arima, California, New Grant, Carenage, Square Deal, Maraval, South Oropouche, Carlsen Field, Siparia, Sangre Grande, Paradise Heights, Vion Hill, Buccoo and Signal Hill.

- The Municipal Wastewater Treatment Facility at the new Beetham Plant was completed and will serve Port of Spain and environs from Diego Martin in the West and Mt. Hope in the East thereby providing a better service to over 300,000 individuals.

- In 2004, our hotels recorded the highest ever occupancy levels. Trinidad averaged 80 percent while Tobago averaged 85 per cent.

Mr. Speaker, of the many successes in the energy sector, I must single out the manufacture of the second-locally fabricated platform – the Cannon-ball constructed for bpTT in our fabrication yard at La Brea, by Trinidadians and Tobagonians. This feat spells the dawn of a new industry in Trinidad and Tobago, (the platform-manufacture industry), and constitutes a significant boost for our local content strategy.

Mr. Speaker, by any standard, these are remarkable achievements that give the Government and the public sector the confidence to carry on with the transformation of Trinidad and Tobago.

### 3. Strategy for 2006-2008

Mr. Speaker, Trinidad and Tobago is at a most critical juncture in its history. We are on a steady advance towards a transformed, diversified economy – one that will produce self-sustaining growth and increasing welfare for all the population. On the other hand, we are currently facing some acute social challenges, which if not successfully addressed could undermine the gains and the potential that are ours to exploit.

This Government recognizes and accepts its responsibility to the people of Trinidad and Tobago. We will continue to build a strong economy by adhering to a responsible macroeconomic agenda. We will maintain prudent fiscal and monetary policies and a strong balance of payments position and increase real GDP growth with the aim of full employment with quality, sustainable jobs.

Our social strategy will continue to build a cohesive and caring society in which all citizens can participate in the generation and distribution of the country's wealth. It will strike a balance between providing immediate and direct relief from the hardships that people face on a day-to-day basis with measures to eliminate the social and economic conditions that produce inequities in the first place.

We will accelerate our efforts at social intervention, particularly in the areas of crime prevention, social services delivery and elimination of poverty. Our approach will emphasise the family and family values; greater community involvement in designing and delivering solutions; and the forging of meaningful alliances with the private sector, religious groups, NGO's and with local Government. Mr. Speaker, we will work and support all those who are genuinely interested in building this great country of ours.

## 4. Economic Prospects 2006-2008

Mr. Speaker, following an unusually rapid pace in 2004, the rate of growth of global output slowed to about 4 percent in 2005 although remaining above long-term potential. As a result of rising oil and commodity prices and less expansionary macroeconomic policies, global economic growth is expected to slow further to around 3 to 3.5 percent in 2006.

Mr. Speaker, Trinidad and Tobago's economic prospects for the next few years are particularly encouraging. We do not expect oil prices to fall below US\$45-\$50 per barrel over the medium term and also expect natural gas and petrochemical prices to remain buoyant. With BHP Billiton's operations moving towards capacity, oil production is expected to reach 165,000 barrels per day by 2006/2007, reversing the trend of the past several years. In terms of natural gas, the start-up of Train IV will increase total gas utilization for LNG production and almost double output from the LNG facility to 15.1 metric tones per annum (mtpa). This increase

will position Trinidad and Tobago as one of the leaders in LNG production in the world. Output in the petrochemical sector is also expected to expand sharply with the expected commissioning of at least five (5) new plants in the petrochemical sector.

In the non-energy sector, construction activity will remain at a very high level as a result of our housing thrust, our infrastructure works programme, and ongoing work on several large public sector construction projects, while our tourism sector will continue to post significant gains. With the aid of measures included in this Budget, we envisage increased activity in manufacturing and the start of a turnaround in agriculture.

Real GDP growth is projected to increase from 6.5 percent in 2005 to around 8 percent in 2006 with the unemployment rate declining to below 7 percent and inflation contained to around 5 percent.

## 5. Priorities for Fiscal 2005-2006

Mr. Speaker, in support of our objectives to promote sustainable growth and employment and improved welfare for all our population, the Budget for 2005/2006 underscores a number of interconnected priorities, including:-

- (i) Increased emphasis on personal security, about which I have already spoken;
- (ii) Building strong families;
- (iii) Strengthening the education, training and innovation systems;
- (iv) investing in quality healthcare by expanding the availability and strengthening the delivery of health and wellness services;
- (v) providing affordable housing; and
- (vi) offering effective social support to the poor and vulnerable.

We will also undertake strategic investments to ensure that:

- the economy continues to grow through higher productivity levels and greater local participation in the global value chain;
- our infrastructure base and public services function effectively;
- our environment is clean and healthy; and
- Government is made increasingly more efficient and effective.

### Focus on the Family

Mr. Speaker, the family is the basic unit of society: the main building block. If you can fix the family, you can fix society.

Mr. Speaker, the ordinary family in Trinidad and Tobago faces several daily challenges having to do with:

- securing sustainable well-paying jobs;
- access to quality education at all levels, to efficient transportation, decent affordable housing as well as

- to proper health care and wellness services;
- assurance of adequate water and electricity services;
- guaranteed safety and security;
- access to social services to deal with the impact of drugs, domestic violence, parenting; and
- breakdown in family life.

This Budget, Mr. Speaker, is a reaffirmation of the Government's commitment to implement a policy framework that:

- (i) guarantees access to an adequate level of housing including related basic facilities and services for all families;
- (ii) creates an integrated security infrastructure which ensures that issues of crime, public safety and security are addressed on a sustained basis;
- (iii) ensures a modern and relevant education system whilst promoting a culture conducive to lifelong learning and training;
- (iv) establishes a regime conducive to delivery of high quality health and wellness services along with mechanisms for the prevention and control of communicable and lifestyle diseases; and
- (v) assures sustainable high quality jobs and equal opportunities for all groups in society.

In addition, Mr. Speaker, the Budget seeks to make available support mechanisms for the unemployed and other vulnerable groups to enable them to meet their basic needs. We also have a responsibility to instill, in all citizens, national pride, individual and community responsibility and environmental sensitivity.

The Government is of the strong view that many of our social ills stem from a loss of traditional values and from the widespread breakdown of traditional families.

## 5. Priorities for Fiscal 2005-2006

Accordingly, we intend to ensure that a more targeted, comprehensive and co-ordinated approach is utilized to treat with issues confronting the family as a unit.

Mr. Speaker, there are some who, in good conscience, think that all our resources should be directed to policing, and building more jails and increasing punishment. We think that we should also direct resources and attention to the root cause – the breakdown in the family and to what we can do to rebuild the family and by extension, the community.

We recognize, Mr. Speaker, that the Government alone cannot provide all the remedies for the problems of dysfunctional families. We absolutely need the concerted collaboration of other social partners, especially the NGO's, community-based organizations, faith-based organizations and the private sector.

In addition to the Ministries concerned with security, public utilities, education, health and housing, the Ministry of Social Development and the Ministry of Community Development, Culture and Gender Affairs will be mandated to give particular focus to family based programmes.

Mr. Speaker, the Ministry of Social Development is a key player in the process of strengthening the institution of the family, having as its mandate social sector planning, development and monitoring, social research, social impact and review and social services delivery. In the upcoming fiscal year, the priority initiatives of the Ministry will include:

- (i) the formulation of a national family policy through a collaborative process;
- (ii) the design of infrastructure to identify and case manage individual families, including counseling and the decentralization of services;

(iii) the development of community outreach programmes that would sensitize citizens about services available to families; and

(iv) a media outreach on rebuilding positive societal values with particular attention to healthy family life.

The Ministry of Community Development, Culture and Gender Affairs also has a critical role to play in the overall strategy geared to restoring the family. Based on the tried and tested philosophy that it takes a community to raise a child, the Ministry focuses on building and sustaining a stable and secure community context for family life.

### **EFFECTIVE EDUCATION, TRAINING AND INNOVATION SYSTEMS**

Mr. Speaker, priority number two is education. The success of our economic and human development strategy will hinge on the quality of our human resources and our ability to build an integrated knowledge network that promotes innovation and entrepreneurship.

Our strategy for human resource development is being guided by three essential principles:

- Increased Access;
- Improved Equity and Equality of Opportunity; and
- Enhanced Quality.

#### **Pre-Primary to Secondary Education**

Mr. Speaker, our education programme is being built on a platform of:

- a modern and comprehensive curriculum at all levels that is supported by relevant school plant and state of the art furniture and equipment;
- enhanced and innovative teaching and learning strategies; and
- improved teacher education and training to assist teachers in curriculum delivery.

## 5. Priorities for Fiscal 2005-2006

### Early Childhood Care and Education (ECCE)

Our goal is to achieve universal Early Childhood Care Education (ECCE) by 2010. This calls for the construction of 600 Early Childhood Care Education Centres to cater for some 30,000 three (3) to four (4) year olds. Fifty (50) of these centres will be completed and established during this fiscal year.

In support of this thrust, a high-intensity training programme is currently being implemented to train some 1,500 Early Childhood Care Education teachers. At least 100 teachers will be trained during this fiscal year.

### Primary Education

At the primary level, the Government will rebuild some 150 primary schools to replace schools which are up to 50 years old. In fiscal 2006, twenty of these schools, which cater for approximately 10,000 pupils, will be reconstructed.

### Secondary Education

At the secondary level, the major initiative is the de-shifting and conversion of junior secondary schools to 5 and 7 year schools as well as the conversion of Senior Secondary Comprehensive Schools to 7 year schools. At present, two-thirds of our secondary school population attend 5 and 7 year schools.

We have already started with the de-shifting and conversion of 10 junior secondary schools to 5-year schools. This has benefited approximately 8,000 students. In fiscal 2006, an additional 10 schools - five junior secondary and five senior secondary - will be de-shifted allowing an additional 3,200 students to benefit from full day schooling during this academic year.

When the de-shifting exercise is completed approximately 15,000 students will benefit from full-day schooling.

In terms of our infrastructure development programme, four new secondary schools will be constructed in Malabar, Mt. Hope, Barataria and Curepe.

To support the demand for A' Level places, the Government intends to upgrade and expand facilities at a number of existing government and assisted secondary schools including Polytechnic Sixth Form and Corinth Sixth Form Schools; construct four new 'A' level Colleges and where necessary purchase 'A' level places at private institutions. Approximately 21,130 students are expected to benefit from sixth form education through the implementation of these initiatives.

In fiscal 2006, we will also:

- introduce foundation technologies in the curriculum to cater for secondary school graduates who may wish to enter the labour market immediately upon leaving school; and
- commence Technology Programmes at the sixth form (post-fifth form level) to cater for students with an aptitude and interest in this area.

Mr. Speaker, to support our Education Construction Programme, we have established the Educational Facilities Company Limited which has already been given 103 projects to be addressed in the short-term.

### Tertiary Education

Mr. Speaker, at this period in our economic development, there is great demand for well trained tertiary level graduates. Hence, the establishment and expedition of a National Accreditation System is critical for ensuring that all tertiary level institutions and programmes meet internationally accepted standards.

Mr. Speaker, we are well on the way to achieving our goal of a 60 percent participation rate at the tertiary level by 2015.

### UTT

The University of Trinidad and Tobago (UTT) has been accelerating its development thrust and has made significant progress this fiscal year.

## 5. Priorities for Fiscal 2005-2006

Over the past year, UTT has:

- established strategic alliances with several international universities;
- developed a broad range of engineering and IT diploma and degree programmes;
- commenced a transitional studies programme with COSTAATT;
- built strong linkages with industry, especially with the major corporations within the petroleum and petro-chemical sectors; and
- integrated and enhanced the programmes of the John Donaldson and San Fernando Technical Institutes, to offer a range of National Engineering Technician Diploma under the umbrella of UTT.

UTT's initial enrolment of 1,600 in diploma and degree programmes is expected to increase to 3,100 in the 2005/2006 academic year. Significant increases are also expected in the short courses and transition programmes.

Work has begun on the construction of new UTT Campuses at:

- O'Meara, which will be completed by January 2006;
- Chaguaramas;
- the Main Campus at Wallerfield (to be completed by September 2008);
- and in Tobago at Battery Point, which is scheduled for completion by September 2007.

### **COSTAATT and THTI**

Increasing access to tertiary education is also being achieved through COSTAATT and the Trinidad and Tobago Hospitality and Tourism Institute (THTI). COSTAATT has been active in the development of new programmes such as Court Transcription and Medical Records Science, to address the needs of the workplace and the job market. The enrolment of COSTAATT for 2004/05 was 4,763 students.

THTI has been commissioned as the training institution for the Royal Caribbean Cruise Lines in the Southern Region. The Institute has developed articulation agreements with a number of international tertiary institutions and now has an enrolment of just over 500.

### **Government Assistance for Tuition Expenses (GATE)**

Mr. Speaker, the GATE Programme replaced the Dollar for Dollar Education Plan in September 2004. In my 2005 Budget Statement I indicated that we intended to provide free tertiary education in public institutions by the first of January, 2008. Since then, our revenue situation has improved considerably. I am therefore pleased to announce, Mr. Speaker, that with effect from January 1, 2006, all nationals of Trinidad and Tobago enrolled at public tertiary institutions, namely UWI, UTT, COSTAATT and other institutions where the Government sponsors students, will be eligible for free tuition, that is free public tertiary education.

### **Training**

Mr. Speaker, this Government's is committed to expanding training opportunities to meet the demands of our burgeoning economy and to prepare our citizens for meaningful participation in our society. We are currently administering no fewer than 17 training programmes directed to meeting our diverse and rapidly-changing needs. Most of these programmes include a component of life-skills training which exposes participants to attitudinal and personal development aimed at transforming behaviour, engendering a positive work ethic and equipping participants with the tools to become productive and responsible members of society.

### **Technology and Continuing Education Centres**

Mr. Speaker, in November 2004, the Government opened the Laventille Technology and Continuing Education Centre. The Centre is occupied by two (2) major training providers, the National Energy Skills Centre and Metal Industries Company Limited. Similar technology centres are being constructed in Chaguanas and Point Fortin

## 5. Priorities for Fiscal 2005-2006

and the upgrade of the St. Bede's Technology Centre, St. Augustine is underway. We plan to open new MIC Centres in Mayaro, Pleasantville and Diego Martin and to expand existing facilities at Ste. Madeline and Macoya.

### QUALITY HEALTHCARE AND WELLNESS

Mr. Speaker, the promotion of healthy lifestyles and easy access to quality health care are critical components of the thrust towards developed nation status. Almost half of our population depends on the public health sector for affordable, equitable and accessible health care.

An integral part of our health sector policy is the construction and refurbishment of our health care facilities. Outreach Centres are currently being built in Las Lomas, Williamsville, Gran Couva, Talparo and Guayaguayare. Work is ongoing at the Eric Williams Medical Sciences Complex and the General Hospitals in Port of Spain and San Fernando.

By 2007, we expect that construction of the Point Fortin and Scarborough Hospitals, the National Oncology Centre and a new wing of the San Fernando General Hospital will all be completed. This will be followed by new fully equipped primary health care facilities for the residents of San Juan, Barataria, Diego Martin, Carenage, Petit Valley, Debe, La Romain and Ste. Madeline.

Mr. Speaker, the development work at our health care facilities has been complemented by a drive to enhance the quality of service delivery through the purchase of modern, state of the art diagnostic and treatment equipment and measures to expand the availability of qualified health care personnel.

This year the University of the West Indies started a Bachelor of Science Nursing Degree in Advance Nursing Practice with an initial intake of thirty students. Ongoing post-basic specialist training of registered nurses in areas

such as Oncology, Intensive Care and Neonatal Nursing will provide support for the expansion of services provision in these areas.

The annual scholarship programme for doctors at the St. George's University will also continue to provide additional trained medical doctors.

In support of the efforts to modernize and upgrade the medical records system, a certificate and diploma in medical records is to be offered through COSTAATT.

#### HIV/AIDS

Mr. Speaker, implementation of the five-year national strategic plan for the prevention and control of HIV/AIDS, which was launched in September 2004, continues to be a priority for this Government. Laboratory testing, as well as a programme for voluntary counselling and testing for HIV are being expanded. The latest data from the National Surveillance Unit and PAHO indicate a progressive decline in reports of new infections over the period 2002 to present time.

#### Cardiovascular Services - EWMSC

Mr. Speaker, the recent acquisition of two new Angiographic Catheterization Laboratories will revolutionize cardiac health care in this country and make EWMSC the premier tertiary cardiac care centre – not only in the CARICOM Region but across the wider Caribbean. These two Catheterization labs will allow for the resumption of enhanced heart testing, as well as angiogram, angioplasty, stenting of the heart, interventional radiology, pacemaker implantation, and, in time, become the centre for electro-physiologic studies and procedures.

#### Community Outreach

Mr. Speaker, recognising that ill-health is both a consequence and a cause of a family's inability to function productively, Government proposes to launch early in the new year, a community outreach family medicine

## 5. Priorities for Fiscal 2005-2006

programme that will bring primary health care to the doorsteps of families living in remote areas.

This service will be conducted through the use of mobile clinics that will provide a broad range of health services inclusive of:-

- Glucose sugar testing;
- Screening for hypertension, obesity, cholesterol and other dietary disorders;
- Screening for vision;
- Promotion of wellness and healthy living;
- General Health Advisory service;
- Screening for mental health;
- Pap smears;
- Immunization; and
- Family education and counselling.

### AFFORDABLE HOUSING

Mr. Speaker, a prime function of any responsible Government is to ensure that affordable, quality housing units are available to those who otherwise would not be able to acquire this basic necessity.

My Government fully understands, Mr. Speaker, that a proper home means a more settled family, whereby members can devote themselves to other worthwhile pursuits, including education, the pursuit of suitable careers, the maintenance of a stable and cohesive family unit and the making of a greater contribution to community and national life.

But, there are many in this country who face real challenges to home ownership. The inability to access mortgages because of income constraints; the high cost of land combined with the high cost of construction just takes this dream beyond the reach of many, particularly females earning less than \$3,000 per month.

This Government's strategy is to make acceptable housing available through major construction and upgrading programmes while simultaneously addressing the issue of affordability.

Government has agreed on a strategy designed to give effect to the affordability of housing. The strategy essentially involves:

- A subsidised interest rate of two percent for mortgages for Government low income housing;
- Longer repayment terms;
- Standardisation of the mortgage instrument;
- Rent to own policy.

This will result in reduced costs associated with the purchase of property, further impacting on reduced interest cost.

Mr. Speaker, our housing policy is designed to increase the availability of affordable, quality homes mainly to citizens in the low to middle income brackets. This year, we propose to construct 8,000 units under the Accelerated Housing Programme. It is instructive to note that over the period 1996 to 2001 the previous Administration constructed 4,201 houses. In two years this Administration constructed 9,670 houses - more than double what it took them five years to do.

Mr. Speaker, our housing policy also provides subsidy programmes aimed at reducing the cost of acquiring a home; and home improvement grants designed to assist existing homeowners who face difficulty in terms of improving their living conditions.

Subsidies of up to \$36,000 are available for beneficiaries earning between \$12,700 - \$27,000 annually, while a subsidy of \$24,000 is applicable for eligible beneficiaries earning between \$27,000 and \$44,000 annually. Home improvement grants are available to assist persons who earn less than \$30,000 annually, to effect repairs to their homes.

## 5. Priorities for Fiscal 2005-2006

This year, Mr. Speaker, our housing programme will give special emphasis to two specific modalities: squatting communities and the redevelopment of our inner cities. Central to addressing the squatting issue is the Land Settlement Agency, which has been given the mandate to deal with the regularisation of squatting communities. The Agency has been directed to put in place the necessary arrangements to begin operations by November 2005. Mr. Speaker, the Government is convinced that squatting has gone beyond necessity. This trend has to be stopped.

### **East Port of Spain Development Company Ltd**

Mr. Speaker, Laventille and surrounding environs are considered one of the most depressed areas in the country with high crime and unemployment rates and with many of the residents living in sub-standard conditions.

East Port-of-Spain, the area bounded broadly by Charlotte Street, the Lady Young Road, and the Eastern Main Road, and includes Never Dirty Morvant and Caledonia, has been declared a special development zone. This means that special attention will be paid to both the economic and social challenges faced by residents of the area. The Government is committed to making a much greater intervention effort and in order to give effect to this the Cabinet has agreed to the establishment of the East Port-of-Spain Development Company which will access funding under the Infrastructure Development Fund (IDF) to carry out its mandate.

### **Construction of Commercial Complexes**

Mr. Speaker, strengthening the family unit also involves building facilities to ensure integration and sustainability of communities. In order to facilitate the development of small businesses in existing and new housing schemes, as well as encourage the development of entrepreneurial skills, three commercial complexes are under construction. The Maloney Multi Purpose Complex Project is now 100 percent complete and work is ongoing on facilities at La Horquetta and Pleasantville. Three additional complexes

will be constructed at Bon Air, Couva and Edinburgh 500 during the new fiscal year.

## **EFFECTIVE SOCIAL SUPPORT**

Mr. Speaker, poverty is much more than about low income or the inability to meet one's needs. It is rooted in poor education and knowledge, a lack of choices and opportunities, environmental impoverishment and often an absence of hope and self esteem.

The Government's social support mechanism brings all these dimensions together in a mix of developmental and preventative programmes to empower the poor and the vulnerable to escape poverty along with remedial programmes to provide the much needed support for indigent persons and those who fall into crisis situations.

### **Unemployment Relief Programme**

A key support mechanism for the unemployed is the Unemployment Relief Programme. Between September 2004 and June 2005, 50,000 job opportunities were provided in the various components of the Programme. As the level of unemployment falls, we will reduce the number of special projects undertaken and reduce the size of the Programme

In addition, we will restructure the Programme and reintroduce a comprehensive training element targeted at the development of construction skills and basic education.

### **Marginalised Groups**

Mr. Speaker, we must ensure that we uplift the status of those who are most vulnerable and marginalised among us; including substance abusers, elderly persons, mentally ill individuals and those who are homeless.

## 5. Priorities for Fiscal 2005-2006

Our programme in the new fiscal year will include:

- Provision of short term accommodation at the St. Anns and Tumpuna Road facilities for the mentally ill;
- Substance abusers who require special attention relocating to rehabilitation centres;
- Establishment of three new facilities - a Social Displacement Centre and a Halfway House in Port of Spain and a Centre for the Aged, in Arima. In addition, a long-term care facility will be established at Aripo.
- Development of the capacity of NGOs to provide appropriate care and rehabilitation through training programmes and the provision of technical advice and financial resources.
- Establishment of Senior Centres for Older Persons. These Centres will be multi-service facilities, and will be the focal points for older persons to access services, and participate in educational and recreational activities;
- Implementation of a Meals on Wheels Programme for senior citizens affected by a disability and/or chronic illness;
- Provision of a Continuum of Health and Support Services for Older Persons;
- Provision of Business and Entrepreneurial Training for Persons with disabilities;
- Training of Personal Assistants for Persons with Disabilities; and
- Establishment of five new centres for the Adolescent Mothers Programme.

### Youth Support

Mr. Speaker, the Government will strengthen its efforts at addressing the current problems affecting young people, including unemployment, crime and HIV/AIDS through the establishment of a restructured delivery system for youth via community-based and non-governmental organizations.

Several new and existing community-based youth programmes will be offered in fiscal 2006, including Youth Health, Save the Youth in Marginalised Communities and the Youth-Based Support Fund for Community Projects, which will provide funding to youths who propose and execute creative solutions to community needs. Approximately 200-300 community projects are expected to be undertaken in fiscal 2006.

Two important milestones for youth development will be the establishment of the National Youth Council which will promote youth participation in governance and decision-making; and the implementation of the National Youth Policy which will facilitate the establishment of a Youth Leadership Development Institute, a Youth Development Fund and a Youth Employment and Employability Policy.

### Community Development

Mr. Speaker, at the heart of the Community Development thrust is the Community Centres programme that focuses on the provision of appropriate accommodations for the conduct of community affairs. We intend to initiate construction of 100 community centres throughout the country commencing in the 2006 fiscal year.

In addition, we propose to spend over \$142 million on the upgrading and establishment of community sporting facilities, including swimming pools, playfields and jogging tracks to facilitate the participation of families in recreational activities.

### Culture

Mr. Speaker, we must anchor our ambitions of achieving developed nation status in our diverse heritage and the cultural achievements that have shaped our society.

The steel pan, the national instrument of Trinidad and Tobago is an intrinsic element of our national identity and a symbol of pride in our country.

## 5. Priorities for Fiscal 2005-2006

Government has decided to transform the National Steel Orchestra into a full symphony orchestra of 60 to 70 persons which must be ready for presentation to the national and international community, complete with a full repertoire of music by January 1, 2007.

We will also purposefully use the steel pan to grace our international image and enhance our marketing strategy. It will be a flagship product of Brand T&T.

In order for the national instrument to serve as the symbol of pride for all of us, we will begin to showcase its image in our physical landscape, especially in the design of our public buildings and infrastructure.

Mr. Speaker, we will also establish two Academies for the Performing Arts, one at the Princess Building Grounds in Port of Spain and the other at Todd Street in San Fernando. Work will commence in early 2006. These facilities will allow our national instrument to play side by side with and match the virtuoso of international orchestras.

The centrepiece of cultural infrastructure will be a new state of the art National Carnival Centre at the Queen's Park Savannah. Phase I of the project will commence in March 2006, immediately after carnival and will be completed in time for our celebration in 2007.

### **Sport and Recreation**

With the formation of the Sports Company of Trinidad and Tobago Limited, the implementation of the sport policy has been diversified and strengthened. The Company will have a key role in the management and maintenance of sporting facilities and the execution of programmes for total participation in sport including high performance sport. In addition, the Company will work with relevant stakeholders to establish an Institute of Sports at the University of the West Indies.

Community sporting facilities including swimming pools, cricket and football fields and multi-purpose courts will be developed in Diego Martin, Pleasantville, Toco, Point Fortin and Santa Cruz. In addition, we will develop several regional recreational grounds: Yolande Pompey, Irwin Park, Eddie Hart and the grounds in Morvant, Sogren Trace in Laventille, Charlieville, Lange Park and Patna Village. Additionally, in fiscal 2006, we intend to spend over \$100 million upgrading and improving community recreation grounds all over Trinidad and Tobago.

## 6. Strategic Investments

### SUSTAINING ECONOMIC GROWTH AND BUILDING COMPETITIVE BUSINESSES

Mr. Speaker, I will now outline our policies for the main production sectors. Let me reiterate that the top of our agenda is the restructuring and strengthening of the drivers of growth, so that we can develop a diversified, competitive economy that occupies a more profitable position in the global value chain. This means that we must shift successfully from our primary production mode towards activities that take advantage of our resource endowments, strategic location and the quality of our workforce. In the process, we must build competitive businesses on the basis of efficiency, productivity and innovation.

### ENERGY AND ENERGY INDUSTRIES

Mr. Speaker, on a policy level, we have taken the decision that all new project proposals in the downstream natural gas sector, including ammonia and methanol production, must include a value-added element for processing into a higher value product. As a result, plans are in train to establish plants to produce melamine, urea-ammonia nitrate and acetic acid.

In addition, discussions are underway with respect to the feasibility of establishing a world scale polypropylene plant for this country. This US\$1.4 billion polypropylene complex will be the first plant in Trinidad and Tobago of its type in plastics. Plant start up is estimated for the year 2010. It will be yet another of the basic building blocks towards making Trinidad and Tobago a modern industrial state.

It will provide opportunities for downstream businesses in consumer products, film for packaging food, toys, automotive parts and appliances to name a few. It is estimated that short-term employment during the construction phase should peak at 4,000 jobs while long-term employment should result in 400 jobs.

### LNG

The Atlantic LNG Train 4 plant is expected to be commissioned in November 2005 - two months ahead of schedule. In addition to expanding LNG production further, a strategic decision has now been taken to explore investment opportunities along the entire LNG value chain. In this regard, NGC LNG (Train 4) has been renamed the Trinidad and Tobago LNG Company which will be the vehicle by which the Government will make and manage future investments in LNG and promote and develop new business opportunities in the industry.

A Committee has been established to select strategic partners for possible joint venture arrangements with the Government in areas of new LNG investments including a new LNG Train, LNG shipping, re-gasification facilities, distribution and marketing to the final consumer. The evaluation process which employs a bidding procedure is expected to be completed shortly.

Several other potential partners have submitted proposals for investments along the entire LNG value chain and these proposals are currently being reviewed.

The National Gas Company is nearing completion of two major pipeline projects that will significantly increase the Company's capability to deliver increased volumes of natural gas to new projects as and when needed. One of these, a 76.5 kilometre 56-inch Cross Island Pipeline (CIP) will have a transmission capacity of 2.4 billion cubic feet per day (Bcf/d), and will initially service the Atlantic LNG Train 4 expansion. This pipeline will possess significant spare capacity to serve the needs of future LNG expansions and new gas based industries to be developed at the Union Industrial Estate at La Brea.

The second, the Beachfield Upstream Development (BUD) project entails the construction of a 63 kilometre, 36-inch offshore gas pipeline from bptt's Cassia B platform off the south-east coast of Trinidad. The BUD project will increase NGC's transmission capacity to Point Lisas Industrial Estate from 1.4Bcf/d to 2.0 Bcf/d to meet the

## 6. Strategic Investments

increased gas demand for the M5000 methanol plant, the largest methanol plant in the work and which is now coming on stream, and the future growth in natural gas utilization.

The Government is at present in receipt of proposals for the development of two aluminium smelter plants, one at Cap-de-Ville, Point Fortin, and the other at Union Industrial Estate, La Brea. In keeping with our policy to increase the value added accruing to this country, one of these proposals has clearly outlined plans that would utilize 100 percent of the produced aluminium in downstream facilities located throughout Trinidad.

The Government is also currently giving consideration to two proposals from NUCOR and the International Steel Company aimed at the revitalization of the iron and steel industry. Both proposals offer commitments that could lead to opportunities for the establishment of plants producing downstream products based either on cast-steel or cast-iron.

Essar, an Indian Company, has agreed to construct an integrated Iron and Steel Complex representing an investment of US\$1.2 Billion which will include several downstream steel plants. This investment will involve, among other things, the manufacture of steel plates that can be used to make tubes and represents a significant new development in the domestic Steel Industry.

Mr. Speaker, all these initiatives spell jobs - sustainable jobs.

### **Optimising Refinery Operations**

Mr. Speaker, PETROTRIN is pursuing a strategy to establish the Pointe-a-Pierre refinery as the premier refining centre in the Caribbean, supplying high-quality, clean fuels to the local, regional and international market.

A threefold upgrade of the refinery is being pursued, including: a Gasoline Optimization Programme, an Ultra

Low Sulphur Diesel Programme, and a Bottom of the Barrel Optimization.

The three year gasoline optimisation programme is underway and involves the construction or revamping of eight major plants, along with the associated utilities and supporting units at an estimated cost of US\$500M. The construction phase of the project is expected to lead to a considerable number of jobs.

We are also considering the establishment of a new refinery at Pointe-a-Pierre.

### **Community Partnership Initiative**

Mr. Speaker, our drive to capture more of the value in the energy sector via operational and strategic participation is being impeded by an inadequate number of industry-ready professionals and skilled workers. Currently, not enough graduates are produced on an annual basis to meet the demand. It is estimated that we need 620 professionals, 1,310 engineering technicians and 1,030 craftsmen and machine operators annually. This shortfall in human capital can be attributed to, among other things, a lack of information concerning the sector. To stimulate interest in the petroleum sector, the Ministry of Energy and Energy Industries will implement a Community Partnership Initiative. The objective is to provide future candidates for the range of tertiary level training initiatives now being implemented by the Government at UTT, UWI and COSTAATT. The Initiative will have a mentorship component and will encourage energy sector companies and professionals to have closer interface with schools in their fence line communities through the Adopt a School Programme and the Energy Alive School Quiz.

## **CONSTRUCTION**

Mr. Speaker, the construction sector will continue to be a major source of growth in 2006. In addition to the Government's housing programme, work is proceeding on a number of major building projects including:

## 6. Strategic Investments

- the Port of Spain International Waterfront Project;
- the Brian Lara Stadium in Tarouba;
- restoration of the Red House
- the Chancery Lane Complex in San Fernando;
- the Government Campus Complex;
- new facilities for the Ministries of Legal Affairs, Education, Social Development, Ministry of Public Administration and Information;
- the THA Financial Complex and Scarborough Library; and
- the construction and upgrade of administrative Buildings for the Municipal Corporations.

### NEW GROWTH SECTORS

Mr. Speaker, I indicated last year that seven priority industries have been identified with potential for business development and job creation. To date we have completed strategic plans for all of these areas and implementation of three such plans has begun.

### MANUFACTURING

Assisted by investments and the provision of generous fiscal incentives, our manufacturing sector has grown to be the leader in the Caribbean. The Government is committed to helping the sector maintain this dominant position and to become competitive in new markets further afield. Accordingly, in line with the recommendations of the Standing Committee on Business Development, we are taking steps to:

- i) complete the Technology Park at Wallerfield;
- ii) modernize existing Industrial Parks and develop new Industrial Parks;
- iii) increase market intelligence and product development capabilities among manufacturers;
- iv) introduce a Degree Program in Entrepreneurship

and Innovation at the University of Trinidad and Tobago (UTT);

- v) improve the customs services, port facilities and the various institutions facilitating business;
- vi) intensify efforts (along with our CARICOM partners) to heighten negotiations on free trade agreements with MERCOSUR, Canada, and Central America;
- vii) establish a Research and Development Fund for technology and innovation to support the local research environment;
- viii) develop a comprehensive legislative framework that would facilitate the expansion of trade and investment; and
- ix) create an environment for fair competition in the domestic market.

### THE SMALL AND MICRO-ENTERPRISE SECTOR

The Business Development Company and its subsidiary company, Caribbean Leasing Company, will continue to provide comprehensive technical support and loan guarantees to enable small and medium-sized enterprises to maximize their potential.

At least 80 companies will benefit from its Loan Guarantee Programme in support of loans from financial institutions exceeding \$13 million, in sectors including printing and packaging, electronics, agriculture, food and beverage, light manufacturing and distribution. In addition, over \$16 million in leases will be disbursed through the Leasing Company for the acquisition of machinery and equipment for plant modernisation and upgrading.

#### Fair Share Programme

Mr. Speaker, in order to develop the Small Business Sector further and facilitate the development of the entrepreneurial experience and skills set, we will introduce a "Fair Share Programme" as part of the reform of the procurement regime in the Public Sector.

## 6. Strategic Investments

Under the programme, public sector contracts of a value of \$1,000,000 or lower will be reserved exclusively for registered small businesses of various sizes.

### AGRICULTURE

In my turn, Mr. Speaker, to our plans for the development of the agricultural sector. Global imperatives require the agricultural sector to build and sustain competitiveness by being resilient, adaptive and technology and market driven. The sector must also be managed intelligently using an efficient information technology support and information system.

Over the medium-term our strategy will be to:

- Improve food security and food sovereignty by the development of strategic agricultural sub-sectors;
- Pursue a sustainable rural development agenda;
- Encourage youth involvement in agricultural activity;
- Increase competitiveness in export and domestic markets.

The main drivers of success will be the quality of our access roads, drainage, irrigation and water management systems; land use rationalization; the availability of finance and credit; effective marketing and the policy and regulatory framework; fisheries management and infrastructure; and the quality of our human capital.

#### CARONI

The centrepiece of our intensified agricultural thrust is the restructuring of Caroni (1975) Limited. With the allocation of two-acre plots of agricultural land in fifteen (15) locations throughout Trinidad to former employees, we have created 7,247 new land owners and brought into productive use an additional eighteen thousand, three hundred and thirty eight (18,388) acres of land.

Mr. Speaker, the Ministry of Agriculture Land and Marine Resources will register these new land owners as farmers which will entitle them to benefit from Government's Agricultural Incentive Programme. Some of these incentives will subsidise the cost to farmers as follows:

- 50% of the purchase price of machinery and equipment;
- 50% of the cost of irrigation equipment including water pumps;
- 25% of the cost of tillage of land; and
- 15% of the purchase price of agricultural vehicles.

Training support will also be provided through the extension services division of the Ministry and thirty (30) buildings owned by Caroni (1975) Limited are to be used for this purpose. The Ministry will also provide support in research and development, agro-processing and marketing.

Mr. Speaker, these farmers will be encouraged to extend from primary farming into value added products, particularly agro-processing and marketing through the creation of Co-operatives and agri-businesses.

These initiatives will transform the traditional semi-commercial and primary-production-based agriculture into a set of profitable viable agri-businesses, and have a positive impact on employment, incomes, trade and production in agriculture and allow them to take advantage of the export opportunities that are available.

#### New Initiatives by ADB

The Agricultural Development Bank is now positioned as the driving force in promoting business development, growth and competitiveness in the agricultural sector.

The Bank has developed three new products in support of its business development thrust:

- The 'Cocoa Revitaliser' to support the revitalisation of the cocoa industry;

## 6. Strategic Investments

- The 'Grow Safe Loan' to promote the use of good agricultural practice; and
- The "Youth Window", which offers the lowest interest rates to attract our young people to the sector.

### Demonstration Farm

To provide the feedstock for the agribusiness sector, Government intends to establish 2 or 3 large farms in the country through joint venture arrangements with private investors.

### Agri-business Development

Mr. Speaker, the Government is also moving towards the development of new agri-business activity including the establishment of an agro-industrial park. We are in the process of finalizing plans to develop competitive industries from seven primary products: Cassava, Paw Paw, Hot Peppers, Sweet Potatoes, Pumpkins, Tilapia and Rabbits. The objective is to develop new value added processed products for the domestic, regional and extra regional markets.

We are also considering a proposal from the private sector to use Caroni Lands as a basis for the development of an agro-processing industry. This is a promising new initiative which has many possibilities for the agro-processing industry.

### Development of Strategic Agriculture Sub-Sectors

Mr. Speaker, a major objective of our agricultural strategy is food security. We have commenced programmes to increase the level of sufficiency in five (5) strategic foods, namely Rice; Root crops and tubers; Small ruminants; Aquaculture and Dairy.

### Family Farms

Mr. Speaker, over the past twenty years, the number of family farms has declined from approximately 30,000 units to 20,000. Yet they remain central to food production, the economic livelihoods of rural communities and good

natural resource management. In implementing our rural development policy we will focus on:

- Providing infrastructure to facilitate increased production and productivity by family farms;
- Increasing the production of local foods through the Growbox and Community Aquaculture projects;
- Expanding youth-oriented programmes such as YAPA and the 4H and Young Farmers' Programmes;
- Establishing agricultural settlements in rural areas; and
- Providing training and facilitating the transfer of appropriate technology, to farmers, fisher folk and agri-businesses.

## TOURISM

Mr. Speaker, in testimony to the success of our marketing strategy, which positions Trinidad and Tobago as a destination of choice for leisure, events and conference tourism, visitor arrivals are projected to increase to 481,000 in 2005 some 8 percent higher than last year.

Nonetheless, a significant amount of work is required to bring our tourism product on both islands to internationally competitive levels.

The Government, Mr. Speaker, intends to exploit fully our enormous tourism potential in Trinidad. Our strategic thrust is to:

- upgrade the existing room stock to international standards, and establish a critical mass of new rooms led by the 5-star end of the market;
  - position Port-of-Spain as the Meetings and Conventions Capital of the Southern Caribbean and the Business Centre of the Sub-region;
- Upgrade selected sites and attractions and develop various facets of the product;

## 6. Strategic Investments

- Increase airlift service to both islands;
- Enhance industry standards and quality service through human resource development and on-going industry training; and
- Generate a higher level of tourism awareness among the population.

In keeping with our focus on product development, the Chaguaramas Development Authority is in the process of establishing a National Heritage Park and Cultural Village in the Chaguaramas Peninsula. In addition, we propose to develop a National Heritage Park in each Municipal Corporation, which will encourage exploration and conservation of the cultural resources of each municipality.

### SOUND INFRASTRUCTURE AND EFFECTIVE TRANSPORTATION

Mr. Speaker, we recognize the adverse impact the quality of public infrastructure has on the productive sectors as well as the quality of life of our citizens. We must, therefore, respond in creative and innovative ways to bring relief in the short, medium and long-term.

In 2006, the Government will provide the necessary resources to treat properly with these issues. We have allocated the sum of \$489 million specifically for road rehabilitation and repair work, and for the first time the sum of \$292 million has been allocated specifically for the clearing, de-silting and improvement of rivers, drains and watercourses.

Allow me now to inform this Honourable House of specific plans and programmes to upgrade our main infrastructure systems.

#### Roads

Mr. Speaker, the major road infrastructure projects scheduled for fiscal 2006 include, inter alia:

- Extension of the Solomon Hochoy Highway from Golconda in San Fernando to Debe;
- Commencement of a new highway from San Fernando to Princes Town;
- Extension of the Churchill Roosevelt Highway from O'Meara Industrial Estate to Wallerfield – this project is already underway, and will provide proper highway access to the new University of Trinidad and Tobago and the Technology Park under construction at Wallerfield;
- Commencement of the Interchange at the intersection of the Churchill/Roosevelt and Uriah Butler Highways;
- Commencement of the Western Freeway to Chaguaramas;
- Commencement of the Mamoral Dam – which will reduce significantly flooding in the Caparo River Basin;
- Extension of the Diego Martin Highway to Diamond Vale to be completed within the next two months; and
- Commencement of an Overpass and Highway improvements in Cocorite – which will facilitate the construction of new secondary schools planned for the Westmoorings area.

The newly formed National Infrastructure Development Company, NIDCO, will be responsible for the execution of most of these projects on behalf of the Ministry of Works & Transport.

The IDB-funded National Highways Programme will continue in fiscal 2006 with the rehabilitation of 70 kilometres of roads and the commencement of construction of 19 new bridges. Our Programme for Upgrading Road Efficiency (PURE) will target the repair of landslips, and road rehabilitation generally, as well as the development of alternative vehicular access routes linking key population centres throughout the country, and the construction of additional lanes on our major highways and main arterial roads. Two major areas of focus will be the development and improvement of roads

in Chaguanas and Maraval to relieve traffic congestion.

### Drainage

Mr. Speaker, the Government will embark in 2006 on the development of a Comprehensive National Drainage Plan that takes into account existing studies.

In the interim, the Drainage Division will continue work on the projects already started, which are geared to address specific situations. These include the commencement of construction of the Mamoral Dam and Reservoir in 2006 to alleviate flooding in the Caparo River Basin. Because of the magnitude and complexity of this project it will be undertaken over a two and half year period, costing in excess of \$100 million.

Mr. Speaker, the issue of flooding in the City of Port of Spain is an urgent one. In this regard, as a short-term measure, the Ministry of Works and Transport, in conjunction with the Port of Spain City Corporation, will undertake the responsibility to flush out all of the underground drains within the City. New pumps will also be installed for the Sea Lots area, and the identification of a permanent solution to the problem of flooding in Port-of-Spain will be one of the key deliverables of the Comprehensive National Drainage Study.

Mr. Speaker, it will be remiss of me not to refer to the situation where previously flood-free areas are now being transformed into flood prone areas, as a result of poorly-engineered and poorly-constructed land and building developments. I can assure you that the Government intends to deal very firmly with unscrupulous land developers who contribute in no small way to our flooding problems.

### Transportation

Mr. Speaker, in our 2004 Budget presentation, we advised this House of the award of a contract for the Comprehensive National Transportation Study. This

study has commenced and is expected to be completed by July 2006.

One of the major issues which the consultants have encountered in the initial review of the land transportation sector is the general gridlock that occurs on the nation's roadways and, in particular, along the main East-West and North-South arterial roads in Trinidad. It is our intention to reintroduce a rail system in Trinidad to provide a viable solution to our public transportation problems. In this context, we have already embarked on a Mass Transit Study, and in 2006, we shall invite proposals for the first trial phase of our new light rail system. The new Mass Transit Rail System is expected to cost at least \$15 billion, when it is fully implemented, but we believe that this expenditure is justified and required.

### Air

Mr. Speaker, allow me to address the important issue of BWIA. As the national community is well aware, the Task Force appointed by the Government to evaluate options for the future of our national airline has submitted its recommendations. After careful deliberations, we have chosen to pursue the option of creating a new National entity using as a basis, a restructured BWIA. I acknowledge, Mr. Speaker that there have been numerous efforts at 'restructuring' over the past 45 years but we must put these efforts in the context of the dynamics of the airline industry and especially state-owned airlines across the world. We believe strongly that we are now in a position to complete a seamless transition from the existing BWIA to this new entity. But, this will involve a substantial investment of taxpayers' dollars by the Government and some major departures from the status quo. We will therefore proceed with a plan that will involve:

- recapitalisation of approximately US\$250 million to ensure this new entity could manage its operations. The new entity would continue to be majority owned by the Government with a plan for further divestment to the private sector;

## 6. Strategic Investments

- a significant change in the management of the company and improvement of corporate governance;
- to ensure that the new entity is not put to a disadvantage to charter flights;
- a restoration of maintenance capability in the Company; and
- fundamental changes in the work rules and culture of the airline.

In this regard the Government will appoint a new board of BWIA under the Chairmanship of Mr. Arthur Lok Jack to undertake this exercise of the transition from existing BWIA to the new entity.

With this approach, Mr. Speaker, we believe we can arrive at a new airline designed abinitio as a Regional Carrier and open in due course to participation from Regional Governments and the Regional Private Sector.

### Sea

Mr. Speaker, feedback from the travelling population in respect of the Government Shipping Service (G.S.S.) has been overwhelmingly positive. Citizens experienced increased comfort and decreased travel time.

Mr. Speaker, the data reveal that between January to July 2005, total passenger usage on the Government Shipping Service (G.S.S) increased by approximately one hundred percent (100%) and total vehicle transportation increased by approximately eighty-two percent (82%) on the Port of Spain – Scarborough route, over last year.

You will be aware by now that in November 2005 there will be two leased fast ferries on the inter-island route, and I also wish to advise that in 2006, the Government proposes to purchase a fast ferry (if an appropriate one is available) to service the sea bridge between Trinidad and Tobago, when the CAT is taken out of service in April 2006.

Refurbishment and construction works will be undertaken on the Passenger Terminal Building at Port of Spain at an estimated cost of \$11Mn, with physical works commencing in early 2006. The expansion of the Terminal Building at Scarborough is estimated to cost \$1.5Mn with designs to be undertaken in fiscal 2006 and actual construction works will commence in fiscal 2007.

### The Public Utilities

Mr. Speaker, our economic development plan focuses on the provision of adequate utilities, especially electricity and water.

Accordingly, several capital-intensive projects will be implemented that will provide additional power to facilitate the planned housing, industrial and commercial activities across the country. These include: establishment of a power station at Tobago; the bringing of 132 kv supplies to Wallerfield, Union Estate, Tarouba and Point Fortin; the upgrade of the electricity supply to north and east Trinidad; and the upgrade of several substations across the country.

Additionally, electricity supply will be provided to those rural communities where previously it has been uneconomic to do so. All major roads and highways across the country will be illuminated to aid in reducing night time road accidents, providing a greater sense of security to residents and facilitating greater commercial activity through longer business hours.

T&TEC will continue its programme of activities designed to enhance living conditions throughout the country directly. Currently there are 70,000 street lights in the country. The aim is to install 50,000 additional street lights in the next three year period and upgrade the wattage of 36,000 street lights at a cost of \$626M.

T&TEC will also undertake approximately 300 electrification projects between the NSDP and the Rural

Electrification Programme, a joint intervention funded by the Government and the European Commission.

### **Water**

Further, Mr. Speaker, in an effort to improve the quality and supply of water and wastewater services, the Water and Sewerage Authority (WASA) will commence implementation of the three-year Water Sector Modernization Programme estimated to cost \$1.2Bn. The Programme will result in an increase in the number of persons receiving a 24/7 water supply from 26 percent to 36 per cent and an improvement in supply to much of the country.

## **SUSTAINABLE MANAGEMENT OF ENVIRONMENTAL ASSETS**

Mr. Speaker, maintaining a clean healthy environment is a key priority for this Government as we move decisively to enhance overall socio-economic growth and the well being of our citizens. The environment has great economic and cultural importance and is under threat by a number of factors including deforestation, indiscriminate land development, and the improper disposal of solid waste. These factors lead to massive flooding during the rainy season, a situation which is particularly acute in our inner cities and business districts.

### **National Environmental Policy**

In this context, Mr. Speaker, we have revised the National Environmental Policy to include the application of economic instruments and market incentives to encourage sustainable use of resources and the reuse and recycling of waste.

This leads me, Mr. Speaker, to the issue of the improper disposal of beverage containers. In order to address this problem, the EMA has finalized a Draft Beverage Containers Bill, which is intended to encourage the reuse

and/or recycling of container waste and to discourage the wasteful, unsanitary and environmentally degrading practice of disposing of empty beverage containers. We propose to establish a recycling industry, with incentives to be offered to manufacturers, vendors and consumers to reuse or recycle these containers.

Mr. Speaker, the CEPEP programme has made an important contribution towards the enhancement of the environment while affording its 5,600 workers gainful employment and the opportunity to make a meaningful contribution to their families and their communities. The programme has also given its workers exposure to on-the-job training and educational opportunities that are geared towards skills enhancement, career advancement, and more importantly, improved self esteem.

Mr. Speaker, the time has come to re-organise the CEPEP Programme. Firstly, we will review the existing contracts to ensure that they are consistent with original objectives of giving workers shares in the company. The hours of work in the programme will now be from 6am to noon, and workers will be required to accept training from 4pm – 6pm as a pre-condition of employment with CEPEP.

The training will include adult literacy, life skills, conflict resolution, family life, personal management and for contractors, financial management. The intention is to partner with existing training programmes to give workers the requisite skills so that they can graduate out of the programme.

Mr. Speaker, permit me to reiterate the commitment of Government to the protection and the “greening” of the environment. Accordingly, the National Reforestation and Watershed Rehabilitation Programme will continue to undertake reforestation of State lands through the contracting of community groups.

Moreover, Mr. Speaker, community groups and organizations will be encouraged to access the resources of the Green Fund in fiscal 2006. We are now in the

## 6. Strategic Investments

process of finalising the Regulations for submission to the Parliament and will launch a promotional campaign on the procedures for applying for grants from the Fund.

### Public Sector Reform

Mr. Speaker, permit me to update this Honourable House about a number of public sector reforms that have been underway or are to be introduced in the context of the 2005/06 Budget. Specifically, I would like to treat with:

- (i) The status of our financial sector reforms;
- (ii) The introduction of additional special purpose state enterprises to manage certain capital projects on behalf of the central government; and
- (iii) Procurement reform, which was foreshadowed in our last Budget.

### Financial Sector Reform

Mr. Speaker, our comprehensive financial sector reform programme, based on the White Paper on the Reform of the Financial System which was laid in Parliament in June 2004, is proceeding well and is broadly on schedule. You would recall that in July 2004, the Insurance Act was amended to allow for the transfer of responsibility for the Insurance sector.

In March 2005, Electronic Trading commenced on the Stock Exchange, while two months later the office of the Financial Services Ombudsman – an upgrade from the Banking Service Ombudsman – was launched. Our Payments System has been upgraded in line with international standards: we now have a Credit Rating Agency and we have established a Financial Sector Regulatory Council to ensure co-ordination between the various regulatory bodies.

Several pieces of legislation governing the Financial Services Sector are in an advanced state of preparation. Amendments to the Financial Institutions Act and the

Securities Industry Act are expected to be brought to Parliament by the end of 2006. Currently, work is advanced on a new Insurance Act and on legislation which would bring Credit Unions under the regulation of the Central Bank. These pieces of legislation are expected to be presented to Parliament before the end of 2006. Legislation governing the Private Pensions Industry which is currently being supervised by the Central Bank, is also on the agenda for late 2006 or early 2007.

Mr. Speaker the objective behind all these initiatives is to consolidate Trinidad and Tobago's position as the Pan Caribbean Financial Centre.

### Special Purpose State Enterprises

Mr. Speaker, traditionally implementation of the Public Sector Investment Programme (PSIP) has faced serious challenges because of skill shortages and cumbersome bureaucratic procedures. Over the last three years, these problems have been exacerbated by this Government's commitment to accelerate infrastructural development in line with our long-term vision. In order to increase the rate of implementation of our expanded investment programme, we will out-source to fifteen (15) special purposes State Enterprises to deliver an accelerated implementation of certain approved Government projects in selected ministries. These fifteen special purposes vehicles will undertake developmental projects in the areas of education, community development national infrastructure, rural development, the development of sporting infrastructure, tourism and urban development. The enterprises would report to the respective line ministers and would be subject to the highest standards of good governance, transparency and financial accountability.

These enterprises are limited liability companies to assist Ministries which do not possess the institutional capacity to manage the various infrastructural development projects. They will have 'project management' responsibilities for

## 6. Strategic Investments

the identified projects and the actual work will in turn be outsourced to the private sector. This is consistent with the Public Private Partnership Model of Project Delivery.

Strict procedures have been established to govern the relationships between the Enterprises and the Government in the delivery of their respective mandate. The procedures relate to:

- Funding of the operations of the Enterprises;
- Remuneration packages for the executive management; and
- Procurement and accounting standards and reporting arrangements.

We believe that these enterprises can effect significant increases in the delivery of Government projects thereby improving the well-being of the citizenry at large.

Mr. Speaker, the Board of Directors of the new companies will have full control over the implementation of the projects assigned to their respective company. However, the Boards will be held fully accountable for completing the projects on time and within Budget as well as upholding good corporate governance practices within the state enterprises.

### Procurement Reform

Mr. Speaker, another reason for the slow project implementation of the PSIP is the inflexible nature of the existing legal framework – that is the Central Tenders Board Ordinance and its various amendments. The platform has too little flexibility to accommodate modern modes of project delivery.

In the 2005 Budget Statement, we indicated that a Green Paper on the Reform of the Government's Procurement Regime was in the public domain for comment. I am pleased to report that the comments received from the stakeholders have been considered and incorporated

into a White Paper which was laid on the table of this Honourable House last Monday, paving the way for a new comprehensive approach to Government's acquisition of goods and services.

Mr. Speaker, the establishment of the new Procurement system will require the repeal of the Central Tenders Board Ordinance with its subsidiary legislation, and its replacement by a new Act. The new Procurement Regime will ensure greater flexibility, open competition and ethical and fair dealing. In addition, it will increase the promotion of national industry.

Mr. Speaker, the proposed Procurement infrastructure will entail the following:

- (1) A fully decentralised procurement regime;
- (2) Establishment of a single Legal and Regulatory Framework based on the underlying principles of:
  - Value for Money;
  - Transparency; and
  - Accountability
- (3) Establishment of a Regulatory Agency and an Independent Regulator with a monitoring and auditing function;
- (4) Application of the new Public Sector Procurement Regime to all Government Ministries, Statutory Boards, Regional Health Authorities, Regional Corporations, State Enterprises, NGO's and CBO's.

Mr. Speaker, we anticipate that this new Procurement Regime will come into effect by the fourth quarter of fiscal 2006.

## 7. Tobago

Mr. Speaker, this House is well aware of the significant progress made by the Tobago House of Assembly in recent years which can be best summarized by the achievements of the tourism sector. Indeed, what the energy sector has so successfully achieved in Trinidad, the tourism sector has done in Tobago, and magnificently so!

For instance, when the Standing Committee on Tourism was set up in 2002, the number of persons employed in the tourism industry in Tobago was estimated at 7,000. Three years later, that number more than doubled. Thus, Tobago accomplished, in three years, the target of 15,000.

Similarly, the island's hotel occupancy rate, currently at about 70 percent, is now close to achieving the set target of 75 percent, compared to the 17 percent realised in 2002.

But, Mr. Speaker, Tobago's achievements are not confined to the tourism sector. Tourism has surpassed the public sector as the largest employer. Other significant recent achievements include:

- Steady advances by health promotion clinic and the encouraging progress in dealing with the HIV/AIDS situation;
- The swift, steady and effective response to the human suffering and physical destruction associated with Hurricane Ivan and the landslides in Windward Tobago;
- The peaceful acquisition of Pigeon Point that placed one of our nation's treasures forever in the hands of the Assembly and the people of Tobago; and
- The achievement of virtual full employment

I take this opportunity to congratulate the THA-led Task Force which developed the Comprehensive Economic

Development Plan for Tobago, a plan which accords with the Vision 2020 National Strategic Plan and carefully maps for Tobago the necessary development strategies using natural gas as an engine of growth.

Recognising the paramount need at all times to ensure that the people of Tobago know that their support has not been misplaced, the air bridge must be made more reliable. At the same time, discussions are ongoing regarding the purchase of two fast ferries to adequately serve the sea-bridge. In keeping with the THA's commitment to facilitating the Tobago Heritage Land Trust, Pigeon Point has been purchased. Cove Industrial Estate is being established as T&TEC is in the design stage of the electricity generation station there, human resource development is high on the agenda as it is an imperative for the quantum leap that Tobago must make, thus TTHTI has established a campus and the UTT is also doing the same.

Mr. Speaker, this Budget includes an overall allocation to the Tobago House of Assembly of \$1.3 billion, of which \$1.1 billion is for recurrent expenditures; and \$240.9 million for the regular development programme, of which \$80.7 million is allocated to the Infrastructure Development Fund. A further \$470.9 million would be expended under various heads of expenditure for the direct benefit of the people of Tobago.

Indeed, as in recent years, the \$500 million Capital Expenditure Borrowing Facility for Tobago is retained in this Budget; and will be activated by the Assembly in the next fiscal year, in accordance with existing administrative arrangements.

The people of Tobago will therefore have access to resources in excess of \$2.3 billion for this fiscal year.

## 8. CSME and the Petroleum Fund

Mr. Speaker, permit me to say a few words on Trinidad and Tobago's role in the CSME and more generally, about our support for and commitment to regional integration.

As Honourable Members are aware, Trinidad and Tobago is the largest market in CARICOM, and we are responsible one way or the other for about 80 percent of the trade that takes place in the CARICOM arena. CARICOM represents Trinidad and Tobago's second largest export market behind the USA. In 2004, Trinidad and Tobago's exports to CARICOM amounted to US\$1 billion while imports were valued at US\$94 million, resulting in a trade surplus of US\$916 million. The trade surplus vis-à-vis CARICOM has averaged over US\$700 million in the period 1999-2004.

What this means, Mr. Speaker, is that thousands of jobs of our citizens – in manufacturing, in financial services, in shipping and trading and in various other services – depend on the maintenance of satisfactory levels of economic activity in CARICOM.

It is for this reason that it is critical that we provide whatever assistance we can to our CARICOM neighbours.

Last year in the face of rising oil prices, the Government established a petroleum fund to provide assistance of TT\$300 million (US\$48 million) to CARICOM countries. This assistance was to be directed to poverty alleviation and disaster recovery efforts.

For the coming fiscal year, the Government will maintain the Petroleum Fund at the same level – TT\$300 million (or the equivalent of US\$48 million). This Fund, will be administered by the CARICOM Secretariat and a Committee of CARICOM Prime Ministers. Disbursements and accounting arrangements will be handled by the Central Bank of Trinidad and Tobago.

### Major Initiatives bearing on the 2005-2006 Budget

#### Energy and Tax Reform

Mr. Speaker, I now turn to the fiscal measures which are included in the 2005-2006 Budget.

#### Gas

In the Budget presentation of October 2004, we indicated the Government's intention to review and revise the energy sector fiscal regime. The review was seen as appropriate given that the last significant modification to the petroleum fiscal legislation was in 1992. The 1992 legislation was instrumental in fuelling the tremendous growth in the energy sector over the last 15 years. While I will do nothing to interrupt this successful track record, the structural changes in the global energy market and the growth of the local gas industry dictate that a review is timely and appropriate.

Recognising that these changes could not be undertaken lightly, we took the prudent step to engage in a deep enquiry which involved extensive research using world-class energy taxation consultants and wide ranging consultation with all the stakeholders. As I said in my last Budget, the issues involved in energy taxation are very complex and out of an abundance of caution, my government sought to take the time necessary to arrive at a solution that provides government with a fair share of returns accruing to the energy sector while maintaining incentives for continued investment in the industry.

I am pleased to report that over the course of the last year, the government has had fruitful discussions with the industry and arrived at a position that I believe is equitable and fair under the current circumstances. The comprehensive review has led the government to make amendments to the fiscal regime with the following objectives:

## 8. CSME and the Petroleum Fund

- Continue to provide incentives for further exploration and development activity through accelerated capital allowances provisions;
- Create an appropriate balance in allocation of future gas sales between LNG and gas sold to the local downstream energy sector;
- Assurance that all contracts along the LNG value chain should be based on Fair Market Value principles;
- Review the relevance of the continuation of any concessions provided to facilitate the development of the LNG industry;
- Provide incentives to stimulate oil production.

### Oil

Mr. Speaker, in July 2005, an amendment to the Finance Bill 2005 was enacted that included measures to reform the system of taxation of income from oil production. This, and the reform of taxation regime for income from gas production are major initiatives which will increase significantly the revenue that the people of Trinidad and Tobago will receive from their energy wealth.

I would like to acknowledge publicly the tremendous work done by the Energy Tax Committee, chaired by Prof. Kenneth Julien, which laboured long and hard to bring this very important exercise to a successful conclusion. The new tax regime has a number of highly technical aspects that I would not seek to outline at this time. I would, however, review some of the salient features as follows.

Mr. Speaker, income from oil production is taxed through a Petroleum Profits Tax (PPT), a Supplementary Profits Tax (SPT) and the Unemployment Levy. The PPT yields about 60 percent of the tax and the SPT about 30 percent.

Under the old regime, the tax base for the SPT was determined after deducting capital allowances which invariably included expenses in respect of both oil and gas exploration and development. Under the new regime,

SPT would be computed on gross crude oil income with no allowances except for the royalty allowance, but at slightly lower rates.

To compensate for the increase in the taxable base, the rate of tax has been lowered. The rate reduction is somewhat larger at oil prices below US\$21 per barrel than at higher oil prices. The trigger price at which SPT becomes payable has also been increased slightly.

Moreover, under the new regime, SPT payments are now based on a weighted average price of crude calculated quarterly instead of annually. Previously, SPT was assessed annually but paid on a quarterly basis. This often reduced the Government's cash-flow pending end-of-year adjustments.

The major advantages of the new regime are (i) it is simple to administer and would provide a more predictable, stable and transparent revenue flow (ii) as oil prices increase, the Government will realize a greater share of the additional revenues than previously and (iii) a company's increase/decrease in exploration and development expenditure will not affect the SPT take.

As regards the Petroleum Profits Tax (PPT), the amendments to the existing regime involve:

- (i) the removal of the first year allowance for both tangible and intangible expenditure and the postponement of annual allowances to year two or until commencement of commercial production or whichever is earlier.
- (ii) the shift to quarterly tax payments calculated on a current year basis;
- (iii) non-deferral of capital allowances and allowing decommissioning and abandonment costs only when they are incurred; and
- (iv) limiting deductible management charges to 2 percent of expenditure.

## 8. CSME and the Petroleum Fund

As part of the discussions with the industry, the government sought to ensure that the levels of taxation were equitable across all the industry players. In that regard, as part of our fiscal reform process, we asked the largest energy company, BP Trinidad and Tobago to consider accelerating the onset of a 10 percent gas royalty – currently due to commence from 2017. I am happy to announce that my government has secured agreement with the company to a volume equivalent to 10 percent of gas sold for LNG. This royalty will be implemented in a phased manner beginning in 2005 and be fully effective by 2008, a full nine years ahead of schedule. The company currently sells some gas through NGC at preferential prices for use for power generation. This value is recognized by the government as equivalent to a similar royalty on gas sold to local industry through NGC.

## 9. Reform of the Non-Energy Tax Regime

Mr. Speaker, in the 2005 Budget Statement we indicated that a Tax Reform Steering Committee had been established in the Ministry of Finance to address the reform and simplification of the non-energy tax regime. The Committee, with technical assistance from the International Monetary Fund (IMF), has submitted a number of recommendations. The Government plans to implement some of these with effect from the coming year, others are being considered for implementation on a phased basis over the next several years.

The Committee noted that at the personal level the current direct tax regime was overly complex with too steep a tax rate structure at the lower income end, and contained too many special purpose allowances. The Committee also observed that at \$25,000, or about 40 percent of per capita GDP, the personal allowance was low by international standards.

As for the corporate tax regime, the current structure was seen to be competitive both regionally and internationally. However, the Committee felt that a regime based on more generous depreciation and investment tax credits would be more attractive to current and potential investors and would bring greater benefits to the economy.

Mr. Speaker, the Committee found that while the indirect tax regime was in line with international best practice in most instances, the performance of indirect taxes lags behind that of other countries of similar economic position. This was due to a number of weaknesses in the design of the tax regime, particularly as these relate to the level of excise tax rates, the extent of the current zero-rated list of goods and services under the VAT system, and the level of VAT refunds.

The Committee also recommended that the Government look at ways to expand the tax base through:

- (i) a comprehensive capital gains tax;
- (ii) a complete overhaul of the present property

tax system, following a comprehensive island-wide cadastral survey.

Mr. Speaker, tax reform is a continuous exercise and we have started the process. Given the importance of a modern, effective and efficient tax regime in achieving our economic and social objectives, the Government proposes to establish in the Ministry of Finance, a Tax Policy Unit, with a mandate that includes the continuous reform of the tax regime in Trinidad and Tobago.

The Cabinet has, however, decided to introduce a number of tax measures in the coming fiscal year. Several of the measures are geared to simplifying the current system. We have prepared an appendix with the whole list of measures for circulation to Members of Parliament. I would, however, like to announce the major ones in the package.

### Personal Income Tax

Mr. Speaker, given the deficiencies in the Personal Income Tax System identified by the Steering Committee, we propose to increase the personal allowance from \$25,000 per annum to \$60,000 per annum with effect from income year 2006. Accordingly, the following allowances and deductions will be eliminated:

- The personal allowance of \$40,000 per annum for individuals age 60 and over;
- The child allowance of \$1,200 per child;
- The Mortgage Interest Deduction;
- The tax-free withdrawal from pension funds and deferred annuity plans for the purchase of a first house;
- The \$10,000 deduction for credit unions and co-operatives; and
- The 25 percent investment deduction in respect of equity investments in hotels.

## 9. Reform of the Non-Energy Tax Regime

In addition, I propose to replace the current rates of Personal Income Tax of 25% and 30% with a single rate of 25 percent.

Mr. Speaker, these are significant measures indeed as they will put an estimated 300,000 taxpayers out of the income tax net altogether. In addition, everybody will pay a flat rate of 25 percent.

The change will result in an important simplification of the tax regime in that instead of the series of deductions which only benefit specific individuals, all wage earners will now get expanded relief. This means, Mr. Speaker, leaving much more of the workers' wages in their hands, so that they could improve their welfare and the welfare of their family.

Mr. Speaker, this Government has considered the matter in depth and we believe that it is one of the best ways of having the broad mass of the population share in the benefits derived from the high oil prices. This is the concept of the energy dividend. The revision has another important effect. By simplifying the tax, not only have we made it easier for the taxpayer but we have also made it easier for the staff of Inland Revenue Department, who can now devote more of their energies to ensure compliance.

At the same time, Mr. Speaker, the Government has sought to tidy up a number of issues relating to in-kind benefits and the taxation of annuities, pension contributions and benefits.

### Corporation Tax

Mr. Speaker, in order to modernize and strengthen the effectiveness of the Corporation Tax structure, we propose to amend the Tax Regime as follows:

- i. Reduce the corporate tax rate from 30 percent to 25 percent to keep it in line with the personal income tax rate.

- ii. In the case of businesses registered under Section 16A of the Income Tax Act; i.e., an approved small business, an approved company carrying on business in a regional development area, and an approved activity company, we propose to reduce the existing rate to zero percent for a period of five years commencing the First of January 2006. Furthermore, these businesses will be exempt from the Business Levy for a period of five years also commencing from the First of January 2006. In effect Mr. Speaker, there will be four rates of Corporation Tax:

- a. Zero percent for businesses registered under Section 16A of the Income Tax Act;
- b. 25 percent for non-energy and non-petrochemicals companies;
- c. 35 percent for petrochemicals companies; and
- d. 50 percent for energy (oil and gas) companies.

Mr. Speaker, the package of measures also includes initial steps to transform the incentive regime. In essence, we plan to terminate several tax holidays for new investors (except for tourism projects under the Tourism Development Act) and to consolidate the remaining provisions relating to investment incentives and depreciation regimes.

One final word on taxation, Mr. Speaker, and it has to do with gambling. As you know, gambling is against the laws of Trinidad and Tobago and this Government is determined to uphold the law. There has unfortunately been a proliferation of gambling activity under the guise of private members clubs. Over the years we have sought to use financial mechanisms to contain the number of such clubs without much success.

The new approach we intend to take is to bring all private members clubs under a strict licensing regime to be administered by the Ministry of Finance. Under the proposed licensing regime, only genuine private

## 9. Reform of the Non-Energy Tax Regime

Members Clubs will be permitted to operate and there will be restrictions on the types of activity in which they can legitimately engage.

### Food Subsidy

Mr. Speaker, food prices have doubled over the past ten years. Even while overall inflation has been contained over the last five years or so, rising by an average of 4 percent per year, food prices over this same period increased by 12 percent a year. The main factors behind this rapid rate of increase include increasing non-oil commodity prices such as corn, wheat, soyabean; declining domestic agricultural production; annual floods combined with poor drainage; and huge shipping costs due in part to rising energy costs.

In July of this year, the Government established a sub-Committee to examine initiatives to deal, once and for all, with the problem of rising food prices. Having studied the Committee's report, the Cabinet has agreed to implement the recommended strategy which includes (i) the provision of short term targeted and conditional cash transfers; (ii) the reduction or removal of duty on selected food imports; (iii) the use of a restructured NAMDEVCO strategic market intervention as needed, through the bulk buying of basic and agricultural foods.

The medium to longer term plan of action will be geared towards boosting domestic agricultural production. As discussed earlier, this longer term plan involves measures and infrastructural improvements for the agricultural sector; increasing the supply of micro-credit and grants to entrepreneurs involved in agriculture; expanding the role for NAMDEVCO to include the administration of guaranteed floor prices for target crops and the promotion of agricultural processing and the establishment of a mechanism for agricultural insurance.

Mr. Speaker, the proposed cash transfer through a Smart Card will target about 60,000 families. The Smart Card will allow for the purchase of food on a defined list of

items of \$300 for families of 3 or fewer persons; \$400 for families of 4 to 5 persons; and \$500 for families with 6 and more persons.

An integral requirement of the programme will involve participation in training. We are targeting implementation by March 31, 2006.

The Ministry of Consumer Affairs will engage a Consultant to detail both the criteria and systems in accordance with best practices for the administration of the programme. There will be proper interface through the Ministry of Community Development and the Ministry of Social Development. The SMART Card programme will replace the Food Hamper programme S.H.A.R.E.

### The Budget Estimates for Fiscal Year 2006

Mr. Speaker, as in the past few years, the 2006 Budget estimates provide for a small surplus of \$9.8 million, after an allocation to the Revenue Stabilisation Fund.

Mr. Speaker, total revenue for fiscal year 2006 is forecast at \$34,129 million while total expenditure for the year is Budgeted at \$34,119 million, of which \$2,625.3 million is appropriated for interest payments. The expenditure level also includes an amount of \$1,862.8 million to be allocated to the Revenue Stabilisation Fund.

In line with international best practice, the revenue projections are predicated on the long term projected oil price, which for our mix of crude oil is about US\$45 per barrel. With oil prices currently at about US\$65 per barrel, the reason behind these obviously conservative oil price assumptions is to maintain a disciplined expenditure profile and to avoid the need for expenditure cuts in the (admittedly unlikely) event that oil prices fall below our forecast over the next year.

On the other hand, our expenditure programme is based on an oil price of US\$35 per barrel. The difference

## 9. Reform of the Non-Energy Tax Regime

between the revenue price and the expenditure price is estimated at \$ 1,862.8 million is allocated to the Revenue Stabilisation Fund.

Oil revenue is projected at \$18.1 billion, compared with \$11.1 billion in the previous year while non-oil revenue is \$16.1 billion compared with collections of \$17.1 billion in fiscal year 2005.

Mr. Speaker, our forecast for oil revenue includes an amount of \$1 billion arising out of the introduction of the new oil tax regime. Of course, given the progressive structure for the new tax regime, if oil prices turn out to be higher, our tax collections will increase correspondingly.

The new gas tax regime will have an even larger impact on our tax collections. As I indicated earlier, previously our gas taxation was based on transfer prices which were considerably lower than the actual prices at which the gas was sold. With the new tax regime based on the concept of fair market value, the increase in revenue attributable to the new gas regime, is about \$2 billion.

Mr. Speaker, the projected decline in non-energy tax collections is attributable to the significant tax relief that this Government has decided to give to the broad mass of taxpayers, but particularly to the middle-income taxpayer. The cost of the tax relief has been estimated at \$1.7 billion, on a net basis.

Mr. Speaker, the expenditure profile for fiscal year 06 is fully in line with the strategy and priorities as outlined in this Budget. As I said earlier, Education and Training, National Security, Housing, Agriculture and Social Services are the areas of main focus. The specific allocations in these areas are:

- \$5007.7 million to Education and Training (i.e. combining the Ministry of Education and the Ministry of Science and Technology)
- \$2992.7 million on National Security
- \$502.2 million on Housing

- \$602.2 million on Agriculture
- \$1718.5 million on Social Services

In terms of the Economic Classification, total expenditure is made up of:

Personnel Expenditure	6,176.7
Goods and Services	4,019.4
Minor Equipment Purchases	307.2
Current Transfers and Subsidies	14,761.8
Acquisition of Existing Buildings	21.2
Current Transfers to Stat. Brd	4,078.5
Debt Servicing	5,052.1
<b>Total Recurrent Expenditure (incl. Capital Repayments)</b>	<b>34,416.9</b>
Less Capital Repayments and Sinking Fund	(2,291.8)
<b>Recurrent Expenditure Fiscal Operations</b>	<b>32,125.1</b>
PSIP	1,500.0
Dollar for Dollar	-
Green Fund	150.0
Unemployment Fund	344.0
<b>Total Expenditure</b>	<b>34,119.1</b>

Mr. Speaker, included in the current transfers and subsidies is the sum of \$2.3 billion for transfer to the Infrastructure Development Fund to meet capital expenditure in fiscal 2006.

### CONCLUSION

Mr. Speaker, let me end this presentation in the same way I began, perhaps using different words but reinforcing the unwavering determination of this Government to achieve certain objectives.

## 9. Reform of the Non-Energy Tax Regime

Mr. Speaker, we are giving top priority to the security of the State which is Government's first responsibility to our people. We must be able to walk the street in safety and enjoy our homes in comfort. Despite the obstacles, with the cooperation of all it will be an objective we shall achieve. We cannot fail.

We will work to strengthen families as this is the surest way of strengthening our communities.

We will pursue with a passion our efforts to assuage the concerns and fears of the citizens. We must regain the respect and trust of each other and, as the challenges arise – which they will, we must put on our tall boots, go into the communities and work with our people. We will make Trinidad and Tobago the paradise that it can be. This is not only a task for the Government, it should be a determined resolve for all our citizens.

But to achieve this requires a change in attitude, a commitment and determination by each one of us to be our brother's keeper. I cannot overemphasise the importance of this. It requires that each day we must be better than the last day.

It requires:

- a return to the basics of wholesome family life;
- driving carefully on the roads;
- going to worship;
- respecting and caring for our elders;
- Teachers comporting themselves in an exemplary manner to earn respect
- Students obeying laws;
- Helpful police officers;
- Respect for authority;
- Offering of prayers and supplication;
- And going the extra mile.

No Budget and sums of money can replace these challenges. Let us remember Louisiana.

There must be a return to soul ..... to conscience.

This requires unity and not division and I close, Mr. Speaker, by reminding this Honourable House that this is our country – this is our Trinidad and Tobago.

To make it better should be our resolve and our commitment. And, we can achieve this through a return to basics. Mr. Speaker, there is no other way.

I beg to move.

# 10. Fiscal Measures in the 2005-2006 Budget

## Personal Income Tax

- Increase the personal allowance from the current level of \$25,000 to \$60,000 per annum;
- Remove the existing personal allowance of \$40,000 for individuals 60 years and over;
- Remove the child allowance of \$1,200 per child made to a spouse or former spouse regarding the maintenance of a child;
- Eliminate the deduction of up to \$18,000 for mortgage interest payments;
- Eliminate the \$10,000 deduction for first-time home owners who acquire a home on or after January 1, 2006;
- Remove the deduction of up to \$10,000 in respect of shares purchased in a registered credit union;
- Replace the current personal income tax rates of 25 percent and 30 percent with a flat tax rate of 25 percent for all income levels.

These measures will come into effect from January 1, 2006.

## Corporation Tax

- Reduce the corporate tax rate to 25 percent excluding the following corporations:
  - Petro-chemical companies will continue to be taxed at a rate of 35 percent;
  - Energy (oil and gas) companies will continue to be taxed at 55 percent (of which 5 percent represents the unemployment levy);

These measures will come into effect from January 1, 2006.

## Approved Small Companies

Approved Companies carrying on business in a regional development area and Approved Activity Companies:

- Remove the tax credit of 25 percent of the chargeable profits currently available to these approved companies;
- Remove the 7-year limit on the application of the 25 percent tax credit given to approved companies carrying on business in a regional development area and to approved activity companies;
- Reduce the tax on the profits of these approved companies from 5 percent to 0 percent for a period of 5 years;
- Exempt the Gross sales of these approved companies from the business levy for a period of 5 years.

These measures will take effect from January 1, 2006.

## Road Improvement Tax

- Incorporate the 5 percent Road Improvement Tax into the petroleum excise tax and abolish the Road Improvement Tax with immediate effect.

## Petroleum Product Prices

- Reduce with immediate effect, excise duties on petroleum products as follows:
  - Unleaded Gasoline (including 95, 92 and 83 RON) from 99.696 cents per litre to 10 cents per litre;
  - Kerosene from 7 cents per litre to 5 cents per litre;
  - Auto Diesel from 19.6 cents per litre to 5 cents per litre.
- Remove the refinery margin of 2 cents used in arriving at the postal price of petroleum products;
- Increase the retailer's margin by 2 cents as follows:
  - 95 RON Unleaded Gasolene from 15 cents to 17 cents per litre;
  - 92 RON Unleaded Gasolene from 15 cents to 17 cents per litre;

## 10. Fiscal Measures in the 2005-2006 Budget

- 83 RON Unleaded Gasolene from 12.5 cents to 14.5 cents per litre;
  - Kerosene from 8 cents to 10 cents per litre; and
  - Auto Diesel from 10 cents to 12 cents per litre.
- As a result of the change in the excise duty and ex-refinery margin, the Wholesale Price will be adjusted as follows:
- 95 RON Unleaded Gasolene from \$2.37 to \$2.43 per litre;
  - 92 RON Unleaded Gasolene from \$2.11 to \$2.17 per litre;
  - 83 RON Unleaded Gasolene from \$2.05 to \$2.11 per litre;
  - Kerosene from \$1.22 to \$1.20 per litre; and
  - Auto Diesel from \$1.16 to \$1.18 per litre.

These measures will:

- Improve the cash flow of wholesalers who bear the burden of subsidy payments in the first instance;
- Significantly reduce the level of subsidy payments by the government; and
- Enhance the viability of the operations of retailers.

### Investments in Hotels

- Eliminate the 25 percent equity investment deduction currently granted to hotel investors. This measure will take effect from January 1, 2006.

### Pensions and Annuities

- Tax the Refunds of pension plans contributions and surrender of annuities at 25 percent;
- Eliminate the tax on transfers of contributions or premiums to another approved plan;
- Extend tax exemptions in respect of the proceeds of an annuity or other periodic sums payable to all residents regardless of age;

- Increase the contribution an employer can make to an annuity on behalf of an employee, to 20 percent of the gross income of the employee;
- Eliminate the tax-free withdrawal from pension funds and deferred annuity plans for the purchase of a first home;
- Increase the maximum monthly value of a pension fund or deferred annuity plan commuted as a lump sum, from \$65 to \$500 per month.

### Employee Share Option Plans

- Remove the reduced rates of tax on the transfer of shares (under Employees Share Option Plans) from the Trust to the employee. Include the benefits under the ESOP in the assessable income of the employee and tax accordingly with effect from January 1, 2006.

### Benefits in Kind

- Tax loans to employees on the difference between the interest rate charged and the arm's length commercial rate of interest (as advised by the BIR and the Central Bank); Tax written-off loans as cash payments;
- Tax Motor Vehicles provided for the use of employees at their full market value. Increase the \$100,000 limit on the depreciation of motor vehicles to 100 percent of the value of the vehicles and charge 50 percent of the annual wear and tear on the asset as In-Kind Benefits to the employee; Charge 50 percent of the annual rental value of the motor vehicle as In-Kind Benefit to the employee;
- Tax Housing accommodation provided to directors and employees to the fair rental value of the property.

These measures will take effect from January 1, 2006.

## 10. Fiscal Measures in the 2005-2006 Budget

### Investment, Incentives and Depreciation

- Terminate tax holidays for new investors for regions and approved activities under the Corporation Tax Act and for approved enterprises under the Fiscal Incentives Act; Tax holidays for tourism projects under the Tourism Development Act will not be removed at this time;
- Terminate tax holidays for small enterprises;
- Terminate the corporation tax holiday for Free Zones, but retain the indirect tax privileges such as import duty exemptions and VAT exemptions.
- Terminate tax exemptions for new investments on interest on lending to tourism, agriculture, small business and housing;
- Remove the deduction for financial institutions of 10 percent of the increase in loans for approved small companies;
- Remove the 15 percent deduction for capital expenditure incurred by an approved property company in the construction of commercial buildings;
- Transfer of the written down value of all pre-1995 assets to their respective classes under the Seventh Schedule of the Income Tax Act; On disposal of an asset within the Seventh Schedule of the Income Tax Act, the full proceeds of the assets disposed of shall be credited to the pool;
- Include all industrial buildings that qualify under the Income Tax In Aid of Industry Act in the depreciation pool under the Seventh Schedule of the Income Tax Act. These buildings will be depreciated at a rate of 10 percent of the declining balance.

These measures will take effect from January 1, 2006.

### Other Reform Measures

- Remove the tax exemption for the trading income of local authorities;

- Remove the tax exemption for future issues of public debt;
- Expenditure incurred in the production of exempt income will not be treated as a deductible expense; clearly defined provisions for the apportionment of expenditure will be introduced in the taxation legislation;
- Remove the 50 percent uplift for other expenditures including sponsorship of the arts, sports and culture (up to a maximum of \$1mn);
- Remove the 100 percent uplift for marginal additions in employment including apprenticeship and employment allowances;
- Calculate relief for bad debts by reference to the Central bank's provisioning requirements for specific bad debts, consistent with the prudential criteria of the Central Bank. This policy will be applicable to all companies;
- Abolish close company legislation subject to a review of the control provisions in the legislation and their impact on other parts of the tax code;
- In the case of related party debt, apply thin capitalization rules to deny tax relief for debt interest where the debt : equity ratio exceeds 3:1;
- Include patents and scientific research to the Seventh Schedule of the Corporation Tax Act.

These measures will take effect from January 1, 2006.

### Value Added Tax & Import Duties

- Remove the customs duty and VAT on the following educational tools:
  - Geometry sets, under heading number 9017.20.00;
  - Notebooks, under heading number 4820.10.00;
  - Puzzles, under heading number 9503.60.00;
  - Magazines, not otherwise prohibited to be imported or exported or carried coastwise, under heading number 4902.90.00;

## 10. Fiscal Measures in the 2005-2006 Budget

- Uncoated paper and paperboard, of any kind used for writing, printing or other graphic exposed, in rectangular sheets, under heading numbers 4802.56.00 and 4802.62.00.

These measures will take effect immediately.

Subject to the approval of the CARICOM Secretariat, the import duties on the following food items will be reduced as follows:

- Frozen Meat of bovine: carcasses and half-carcasses -  
From 15 percent to 10 percent
- Frozen Meat of swine, : carcasses and half-carcasses - from 40 percent to 30 percent
- Frozen Lamb: Carcasses and half-carcasses - from 15 percent to 10 percent
- Goat Meat- from 15 percent to 10 percent
- Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hinnies, fresh, chilled or frozen - from 5 percent to 0 percent
- Pickled pig tails - from 20 percent to 10 percent
- Meat of bovine animals (salted or in brine) - from 5 percent to 0 percent
- Cod - from 30 percent to 0 percent;
- Milk and cream, not containing added sugar or other sweetening matter - from 25 percent to 15 percent
- Condensed milk - from 25 percent to 15 percent
- Prunes - from 15 percent to 0 percent
- All other dried fruit - from 40 percent to 20 percent
- Instant coffee powder - from 20 percent to 10 percent
- Roasted Coffee (not decaffeinated) - from 40 percent to 20 percent
- Wholly milled parboiled rice (in packages of not more than 10 kg) - from 25 percent to 15 percent
- Wheat or meslin flour - from 25 percent to 15 percent

- Shelled Peanuts - from 40 percent to 25 percent
- Cooking oil - from 40 percent to 30 percent
- Cocoa powder, not containing added sugar or other sweetening matter - from 20 percent to 10 percent
- Macaroni only - from 20 percent to 10 percent
- Cereal - from 20 percent to 10 percent
- Mixed vegetables - from 20 percent to 10 percent
- Peas - from 20 percent to 10 percent
- Beans - from 20 percent to 10 percent
- Orange juice - from 40 percent to 30 percent
- Grapefruit juice - from 40 percent to 30 percent
- Orange juice: for infant use - from 10 percent to 0 percent
- Grapefruit juice: for infant use - from 10 percent to 0 percent
- Grape juice - from 20 percent to 15 percent
- Preparations for infant use - from 10 percent to 0 percent.

These measures will take effect immediately.