



Government of the Republic of Trinidad and Tobago

BUDGET STATEMENT | 2013

Stimulating Growth, Generating Prosperity

PRESENTED BY

MINISTER OF FINANCE AND THE ECONOMY, LARRY HOWAI

OCTOBER 1, 2012



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Cover design: Ross Advertising
Inside pages: Paria Publishing Co. Ltd.
Printing: Caribbean Print Technologies Limited

INTRODUCTION

Mr Speaker, it is my privilege to deliver the third Budget of the Peoples' Partnership Government Administration led by the Prime Minister, Honourable Kamla Persad-Bissessar; but very importantly Mr Speaker, it is also my distinct privilege to deliver my first Budget to this Honourable House; and in particular, on the occasion of our Fiftieth Anniversary of Independence. I would also like to take this opportunity to thank the Prime Minister for the confidence she has placed in me as a Member of Cabinet as well as to spearhead the extremely important role of managing the dynamic economy of Trinidad and Tobago, as we lay the foundation for the next 50 years of growth and development of our nation.

This budget will focus on our public policy agenda for transforming this country with solid platforms for good quality job-creation and for ensuring that the wealth so created is distributed to our national citizenry in a fair and equitable manner. The theme of the 2013 budget statement: Stimulating Growth, Generating Prosperity therefore reflects the policy agenda which we have established.

Mr Speaker, I have had just three (3) months to prepare this budget statement. That notwithstanding, the exercise has been as enjoyable as it was challenging. Although I readily admit that there is much more to be done before we can craft all the changes required for transforming our economy, the work done by my predecessor, the Honourable Winston Dookeran, has been a foundation on which I was able to build; and for this I thank him.

I wish also to pay tribute to the members of staff at the Ministry of Finance and the Economy for the long hours of arduous work dedicated to the preparation of this Budget. Their analytical insights and their exchanges on what constitute best practices in many public policy

arenas provided a forum within which policy could be debated and developed; but what stands out is their expertise, dedication and limitless energy which truly make the Ministry of Finance and Economy the quality institution that it is.

I would also like to express my appreciation to the Minister of Trade, Industry and Investment and Minister in the Ministry of Finance and the Economy, Senator. the Honourable Vasant Bharath and the Minister of State in the Ministry of Finance and the Economy, the Honourable Rudranath Indarsingh, for sharing the responsibilities of a very demanding Ministry. To those in the private sector, in particular, the business and labour associations and the non-governmental institutions which provided written submissions, many of which were comprehensive and extensive, I wish to convey my sincere thanks. It is my intention to continue, even after this budget is read, this process of engagement with the various stakeholders and organisations which preceded the budget preparation exercise.

I have laid in Parliament eleven (11) documents prepared by various Ministries and those documents also informed the preparation of this 2013 budget statement.

Mr Speaker, I ask the indulgence of this Honourable House as I would want to take some time in these opening remarks and in this Budget Statement, to share my thoughts with the national community on the way forward. There has been considerable debate on how to address the problems of economies in both developed and developing countries, including Trinidad and Tobago. The approach involves a policy choice between stimulus or austerity measures. It is my view that the policy choice depends importantly on the particular situation facing each country. Clearly,

countries which have healthy foreign exchange reserves or whose currencies are regarded as reserve currencies have more flexibility to pursue expansionary and growth-enhancing policies at the macro-economic level. On the other hand, countries with high debt-to-gross domestic product levels (GDP), inadequate foreign exchange reserves and financial sector weakness, lack the fiscal space to pursue anything other than austerity measures.

The policy choice for this country is clear. We have a strong foreign exchange position; a low debt-to-GDP level and a robust, well-capitalised banking system. We have room to pursue a policy of stimulating the economy; but this does not mean that we can tolerate extravagant spending. The current condition of the global economy requires us to be measured and watchful even as we seek to make the required investments in social and physical infrastructure aimed at boosting further the growth of the national economy. The situation requires a judicious mix of measures. My focus in this budget will be to provide a strong stimulus boost to the economy aimed at accelerating the growth momentum.

Mr Speaker, while we shall pursue a policy designed to generate economic growth, the return to a balanced budget over the medium term is central to our economic and financial programme. We have taken the deliberate decision to operate this year with a deficit. This is required to provide the needed stimulus at a point when the economy is emerging from a difficult period. We recognise also that to seek to achieve a balanced budget in a shorter time-frame would risk destabilising the incipient recovery; yet we have begun a rigorous review of all expenditure including subsidies and transfers which absorbs approximately 20.0 per cent of the national budget. We propose to achieve our target of a balanced budget by establishing a reduction in the equivalent of a minimum of 1.0 per cent of GDP per year over the next four years.

Our approach to addressing the task at hand focuses on three (3) broad areas:

- stimulating growth, which will result in increased revenues for the private and public sector;
- refocusing government expenditure to create more value for money; and
- building a competitive economy through focused investment and a targeted reform agenda.

Notwithstanding this, it is clear that deep reforms are necessary to make our economy truly competitive; but these reforms need to be carefully thought through and what is clear from the experience with the Revenue Authority and the Property Tax is that there must be widespread consultation. The reform measures will be phased in over the next three years in order to facilitate this consultation process and to ensure that the most disadvantaged do not suffer disproportionately. Our strategy is to allow the multiplier effect of the growth initiatives in this budget to feed through to income levels. Over the next few years, we will develop our reforms in a thorough manner so that, with implementation, the impact on the most vulnerable within the society would be mitigated.

We intend to refocus our social welfare programmes. Participants and beneficiaries will be encouraged over the next three (3) years to acquire such skills which would make them more meaningful contributors to the productive base of the economy. This represents a hand-up and not a hand-out approach. We shall also commence a gradual reduction in transfers to state enterprises starting from this year. Our approach will be even-handed, both for individuals as well as for businesses, whether they are in the private or in the public sector; but let me emphasize, it will be undertaken in consultation with the affected stakeholders; and it will be done on a gradual basis.

Mr Speaker, further industrialisation beyond the oil and gas sectors has become an imperative in light of the secular decline in production levels and volatility in prices. In the short-term, we shall focus on expanding investment in national infrastructure, in particular, physical infrastructure. This is necessary not only for enhancing efficiency and productivity, but also for laying a solid foundation for increased competitiveness in our economy. To this end, the Ministry of Planning and Sustainable Development will continue to rollout the five (5) physical growth poles in a collaborative effort with the construction sector. These are located in:

- North-East Tobago;
- Central Trinidad, covering Couva, Charlieville, Carapichaima and Chaguanas;
- South-West Trinidad;
- East Port of Spain; and
- the North Coast

We remain committed to partnering with the Inter-American Development Bank to establish a sustainable heritage city in East Port-of-Spain. This will include the communities of Belmont and Gonzales. The project with the IDB is being developed under the Emerging Sustainable Cities Initiative (ESCI) with East Port of Spain being one of the five (5) cities in Latin America and the Caribbean being targeted by the IDB for transformation.

Mr Speaker, our construction sector has been damaged by exposure to the turbulence of economic cycles. We are in the process of developing a twelve (12) year programme of capital works together with a separate programme of financing which will focus on roads, bridges, waterways, electricity generation and telecommunication networks. We envisage the generation of business on an on-going basis as well as employment opportunities for both skilled and unskilled labour in the construction sector.

Within our programme for diversification we shall focus on those other sectors which we have evaluated as having the greatest potential for growth. While the non-energy industrial drive will be high on our agenda we recognise that energy will remain a dominant sector for the foreseeable future. Commencing in this fiscal year, and bearing in mind that such energy investments have a 5 – 7 year gestation period, we shall implement a number of initiatives for stimulating direct local and international investments. They will focus on upstream exploration and production activities in the oil and gas sector.

These stimulus measures will require significant additional funding. However, to minimise the burden on the Treasury, we shall seek to deepen the involvement and partnership with the private sector, including through public-private partnerships. These arrangements are aimed at reducing the financing requirements from the tax-payer and deepening the role of the private sector in the development process. After consultations with the relevant and affected stakeholders I intend to obtain additional financing from wider public participation in the ownership of selected Government assets.

CONSOLIDATING THE GAINS

Mr Speaker, there are three (3) issues which must be resolved if we are to put some of the difficulties of the past two years behind us. The first two relate to CLICO and the Hindu Credit Union and the third issue relates to our industrial relations climate.

RESOLUTION OF THE CLICO SITUATION

The CLICO and Hindu Credit Union Matters have dragged on for far too long. I intend to bring these matters to a close this year.

As an initial step, I would like to share with this Honourable House the substantial progress this Government has made in resolving the financial debacle, consequent on the collapse of the Hindu Credit Union and in early 2009 that of the CL Financial Group. The cost to the national community has been substantial—an amount of \$19.7 billion or 13.0 per cent of our current GDP; yet this expenditure was necessary and decisive for containing an economic and financial crisis.

However, we took steps to ensure that the CLICO impact on growth and employment was not as severe as has occurred in other countries affected by their own financial crises.

As part of the overall solution we shall incorporate a new insurance company into which those traditional policies and other assets will be transferred from CLICO. That new company will continue to manage the traditional policies.

As this Honourable House would recall, we are discharging the liabilities held by individual and corporate investors in Short-Term Investment Products (STIPs) in two components: cash payments for amounts less than \$75,000 and combination of cash and zero-coupon 1-20 year bonds for amounts over \$75,000.

I am pleased to report that as at September 18, 2012 25,115 STIP holders, including credit unions and trade unions, accounting for \$10.268 billion have accepted the Government's settlement offer. We shall launch the CLICO Investment Fund on November 1, 2012, and on January 2, 2013, trading will begin on the Trinidad

and Tobago Stock Exchange for the units of those persons who exchanged their 11–20 year bonds for units in the CLICO Investment Fund. This action will bring the CLICO matter to an end, having settled all the obligations committed by this Government.

In keeping with arrangements in place for similar Funds, we have arranged in the Budget for the income generated by the Fund to be tax-exempt in the hands of investors.

HINDU CREDIT UNION

We have in place a similarly-structured settlement plan for depositors and shareholders of the Hindu Credit Union Co-operative Society Limited which is currently in liquidation. The settlement arrangement for those beneficiaries with balances under \$75,000 has commenced. It amounts to \$184.9 million and approximately \$60 million in payments have been effected. The arrangement for those beneficiaries over \$75,000 will commence from November 1, 2012. The cost of this is \$521.1 million.

INDUSTRIAL RELATIONS

The third area relates to our Industrial Relations climate. Mr Speaker, the Government is deeply conscious of the role of the representative unions and their respective umbrella organisations in the economic transformation and the growth of the country. The representative unions are our social partners and I wish to thank the National Trade Union Centre, the Federation of Independent Trade Unions and the Non-Governmental Organisations for meeting with me and for providing a wide range of proposals for addressing our current economic and financial challenges. I wish to assure that this Government and, more particularly, the Minister of Labour and Small and Micro Enterprise Development, will continue these consultations and seek to establish a basis for meaningful dialogue and the development of a broad set of initiatives which could inform public policy over the medium-term.

I extend an invitation to our colleagues in the Trade Union movement to participate in this dialogue and establish a basis on which a framework for the development of our nation can be established. In this regard, as a signal of our intention, over the last few weeks I have taken proactive measures to bring to an end a number of trade disputes.

1. REVIEW OF FY 2011-2012

Mr Speaker, I wish now to turn to a review of the financial year 2011–2012.

WORLD ECONOMIC CONDITIONS

Mr Speaker, in October 2011, my predecessor, the Honourable Winston Dookeran, presented the second Budget of this Administration. At that time the country was still in a difficult environment following the 2008–2009 global economic crisis. The country had incurred three (3) successive budgets with fiscal deficits from 2009 to 2011; and the global economy which was expanding at an annualised rate of 4.3 per cent in the first quarter of 2011 was expected to re-accelerate in the second half of the year. An environment of hope was being generated.

It is now clear that the 2011 global recovery was not as strong as was originally envisaged. The International Monetary Fund (IMF) is now forecasting global growth to be 3.5 per cent in 2012 and 3.9 per cent in 2013; yet, significant downside risks will continue to impact upon these growth projections, in particular, the renewed deterioration of sovereign debt markets in the European Union, the slow-down in the Chinese and Indian economies and the ‘fiscal cliff’ becoming a reality in the United States in early 2013.

While the threats are real, I am reasonably assured that policy measures agreed within the Euro area would be adopted as would be the implementation of a credible medium-term fiscal plan in the United States. These policy actions would constitute a significant step towards putting the European Union on firmer ground and restoring sound growth rates in the United States. They will accordingly reduce the prevailing down-side risks to the world economy in 2013, creating in the process conditions for a sustainable resumption of world economic activity.

Although the Caribbean region expanded by 2.2 per cent in 2011, the region’s growth is being undermined by high debt levels, elevated international oil prices, weak growth in tourism, and the constant threat of natural disasters. As such, the International Monetary Fund is playing a significant role in providing support and finance to a number of regional countries. Indeed, the economies of the Organisation of Eastern Caribbean States (OECS) are expected to experience a sharp period of austerity over the next three years.

On a positive note, the natural resource-exporting countries: Guyana and Suriname fared much better than the region’s tourism-based economies. They registered growth rates in excess of 4.0 per cent in 2010 and 2011. As such, the regional recovery is expected to be moderate, at best, in the medium-term.

Mr Speaker, these are my expectations. I shall now turn to conditions in the domestic economy.

DOMESTIC ECONOMIC CONDITIONS

Mr Speaker, the evolving and changing global economic environment will continue to influence the economic conditions in Trinidad and Tobago. Although the global outlook is still very worrisome and will continue to pose a challenge for regional recovery, we are encouraged by the prospects for Trinidad and Tobago.

After three (3) years of negative or negligible growth during the period 2009-2011, the economy reached a turning point in 2012. Growth is expected to be in the vicinity of 1.2 per cent. The return to economic growth in 2012 is anchored on the improved performance of the non-energy sector:

- the current account balance of payments have been consistent and stable recording surpluses of US\$2.258 billion in 2011 and a projected US\$2.443

billion in 2012, providing ample evidence that the country remains in a strong balance of payments position. Moreover, consistent with its international responsibilities, Trinidad and Tobago continues to be a creditor member of the International Monetary Fund; that is to say, rather than being a borrower of funds from the IMF, Trinidad and Tobago is a lender to that institution

- the principal economic and financial buffers: i.e. official reserves and the Heritage and Stabilisation Fund have been growing; the foreign exchange reserves reached a level of US\$9.823 billion in 2011 and are expected to close 2012 at US\$10.28 billion covering 14.3 months of imports. As at August 31 2012, the Heritage and Stabilisation Fund stood at US\$4.547 billion. In 2011 the Fund was the best performing Sovereign Wealth Fund in the world. It generated a rate of return of 9.2 per cent;
- the inflation rate has declined and has averaged approximately 7.1 per cent per annum in the period 2011 – 2012, from a high of 10.6 per cent in 2010. Our policy-driven agenda has been aimed at expanding domestic food production which had been the main contributor to the higher rates of inflation since 2006;
- the unemployment rate in 2011 of 4.9 per cent reflected a level of full employment;
- the public sector debt relative to GDP has been relatively stable over the period 2009 – 2011 averaging 38.0 per cent. However, in 2012 the ratio rose to 46.6 per cent, as I have included the debt issued in respect of the CLICO Settlement Offer; but at the level of 46.6 per cent it remains well within acceptable international benchmark levels;
- foreign direct investment continues to be buoyant, averaging US\$879.0 million in the period 2010 – 2012;
- external debt servicing relative to the export of goods and services remains sustainable at a relatively low ratio of just 1.2 per cent of GDP in 2011;
- the banking system remains sound as the banks, subject to best practice and bank supervision, are well-capitalised with a capital to risk-adjusted asset ratio of 23.3 per cent, well above accepted international standards; and

- private sector credit is increasing steadily, reflecting a gradual return of private sector confidence.

By any standards, these indicators represent strong economic fundamentals. The international rating agencies have confirmed these assessments with Standard and Poor's maintaining its investment grade status rating of A and Moody's Investor Services its rating of Baa1.

Mr Speaker, there can be no doubt that these indicators are a testimony to a well-managed economy. In 2010 with a host of financial burdens such as CLICO and the Hindu Credit Union and while the world was reeling from the effects of a recession, our government ensured that Trinidad and Tobago's economy remained stable and strong. This is a feat to which few countries in the world can claim. And we did this while reducing inflation, reducing poverty, reducing unemployment, increasing foreign exchange reserves and increasing the Heritage and Stabilisation Fund.

MEDIUM-TERM ECONOMIC FRAMEWORK

Mr Speaker, the 2013 Budget is anchored within a structure of solid financial and economic buffers. The domestic economy has been extremely resilient to the volatility in the global recovery process and remains strong and stable. With projected annual growth rates of 2.5 per cent and inflation rates of 5.6 per cent, our medium-term fiscal framework 2013-2015 achieves the following: -

- (1) it strikes an appropriate balance between consuming, saving and investing energy revenue with a view to ensuring the continuation of net savings of energy wealth in official reserves and for future generations in the Heritage and Stabilisation Fund;
- (2) it seeks to put us firmly on track for achieving a balanced budget by 2016 as well as for maintaining debt stability. These objectives would be achieved by a return to growth, a gradual reduction in the fuel subsidy and by strengthening tax-collection efforts through institutional strengthening and technological enhancements;
- (3) it manages the commitment to transfers and subsidies; through appropriate screening and targeting; and

(4) it elicits sizeable public and private investment from the energy sector. For the period 2013-2015 average annual private energy investment is projected at US\$2.435 billion and average annual public sector energy investment at US\$581.0 million. In total, this amounts to new investments of US\$3.016 billion per year for each of the next three years. This is based on the data provided by companies in the energy sector. In TT dollar terms, this amounts to an annual investment of approximately \$20.0 billion.

MEDIUM-TERM REVENUE INITIATIVES

Mr Speaker, the transformation of Trinidad and Tobago into a modern high-performing engine of growth would require a fiscal regime which would enhance the competitiveness and productivity of the national economy in particular the non-oil economy while at the same time generating appropriate public revenues to meet our acknowledged commitments. While we have revised regularly our oil and non-oil tax regimes, evolving and changing domestic and international considerations have compelled us to conduct a comprehensive review of the current tax structure. I shall do so in fiscal 2013. I envisage an outturn over the medium-term which would ensure that the country generates the revenue to meet our required public expenditure

In the interim we have examined several scenarios for arriving at a balanced budget within our proposed time-frame. Three (3) important initiatives have been identified:

LAND AND BUILDING TAX

First is the Land and Building Tax. During the course of the next fiscal year I propose to put in place a regime which will cover residential, commercial, agricultural and industrial land and this regime will be fairer and more equitable than that which was previously proposed. We shall continue the waiver of tax liabilities which commenced in 2010 until the complete framework for implementing this tax is put in place.

FUEL SUBSIDIES

Second, is the fuel subsidy. I propose to address the inefficient allocation of resources and the associated budgetary implications of the fuel subsidies as we move towards a balanced budget over the medium term.

TAX COLLECTION

Third, is a comprehensive review of our tax system. This review will cover the entire tax system, including tax policy, administration, and enforcement. It will encompass all sources of government revenue and focus on tax revenue, including personal and corporate income tax, Value Added Tax and excise duties as well as capital and property taxes. It will also examine the net benefits to the government for charging fees for the goods and services it provides.

2. CREATING THE ENVIRONMENT FOR GROWTH

STRENGTHENING THE COMPETITIVENESS OF THE ECONOMY

Mr Speaker, the ability of the economy to generate sustainable wealth rests on its productivity and international competitiveness. Trinidad and Tobago currently stands at 68th position out of 183 countries globally in the World Bank's 2012 Ease of Doing Business Rankings—an improvement of 13 places from when this Government took office in 2010. However, this is nowhere near where we should be, if we are to attract further investments and accelerate the transformation of the economy.

A World Bank Report covers some nine (9) areas where Trinidad and Tobago has under-performed in the area of business facilitation. These include such areas as starting a business, through registering property, getting credit, dealing with construction permits, trading across borders, protecting investors, paying taxes, enforcing contracts to resolving insolvency. The Ministry of Trade, Industry and Investment, is collaborating with various agencies to address these areas as we position ourselves to compete in the global economy and restore investor confidence.

In this regard, the Single Electronic Window for Trade and Business Facilitation under the Ministry of Trade, Industry and Investment was commissioned earlier this year and currently provides a range of key business services electronically to the private sector according to predictable service standards. The Asycuda World System, managed by the Customs and Excise Division of the Ministry of Finance and the Economy has also been implemented. Within the next quarter, these two systems will be integrated to provide a seamless, efficient service to the private sector.

Further, in an attempt to streamline the investment approval process locally, the Government has designated investTT as the National Investment Facilitation Agency of Trinidad and Tobago. investTT will therefore now be responsible for the client management for all major investments locally which will reduce the burden of investors in dealing with the GORTT. The Business Development Company Limited will also be restructured and rebranded as ExporTT to focus exclusively on building the competitiveness of firms to be export-ready.

Mr Speaker, the Minister of Trade, Industry and Investment will elaborate on all of these areas during his contribution.

CRIME AND NATIONAL SECURITY

Mr Speaker, the crime situation remains troubling and deeply worrisome. We recognise that the early reduction of the statistics in this area is an important pre-condition for economic growth. We have therefore established the goal of reducing violent crimes by 50.0 per cent within the next three years. Our approach to achieving this objective will rely on three distinct strategies: -

- strong law enforcement;
- sustained social interventions, especially for at-risk youth; and
- strengthening of the criminal justice system.

The joint army/police patrols deployed in hot-spots have demonstrated the efficacy of strong, well-targeted law enforcement measures. We will continue this initiative. We have accordingly commenced the process of implementing a sophisticated communication and logistical coordination system to facilitate more

coordinated and effective responses by the police service. Police vehicles are now being equipped with GPS technology. 75 police charge rooms are currently being computerised. Video conferencing is now being made available and evidence-based policing using scientific methods for solving crime is being strengthened. We will be re-introducing dedicated police highway patrols and establishing 32 Community Police Units in key areas to increase police presence in high risk areas. We shall establish fixed joint service units in hot spot areas, a strategy that is already producing results as we have recently seen. There has not been a single murder in Laventille for 22 days.

In order to improve the competency level of the protective services, we are commencing the construction and outfitting of a National Security Training Academy. This institution would provide all aspects of training required to bring our law enforcement officials up to the required standard for 21st century policing.

Mr Speaker, we have conceptualised and commenced implementation of a new naval operations plan to combat the drug trade and we have developed a number of social interventions aimed at our most vulnerable and underprivileged communities. These

initiatives range from employment, education, motivational programmes, counselling, activities of the popular Life-Support programme and the innovative Hoop-for-Life Basketball intervention. The Minister of National Security would have much more to say in his presentation.

We have initiated programmes to enhance the criminal justice system. These programmes include: support for victims of crime, rehabilitation of prisoners, strengthening of non-governmental organisations and training for prisons officers.

To further bolster these initiatives the Ministry of National Security is ensuring that morale in the protective services is fostered and enhanced. I propose to extend the non-taxable special allowance which is being paid to all members of the protective services to all Special Reserve Police Officers. This measure will be effective October 1 2012. Let us never forget how important a role the protective service play in defence of the nation.

In addition, as a measure to assist with community security, I propose to exempt from customs duties and Value Added Tax the purchase of CCTV cameras.

3. STIMULATING GROWTH

Mr Speaker, although the finance and distribution sectors in the economy have shown growth over the past year, the construction and energy sectors continued to decline. Our intent in the short term is to provide a boost to these latter sectors. We expect the multiplier effect of a return to growth in these sectors to provide a further boost to those sectors that are currently growing. Simultaneously, we shall initiate measures to encourage investment in our non-energy sectors through a business environment which is predictable, transparent and consultative as well as to embark on a significant infrastructure development programme funded both by the PSIP and, to mitigate the effect on our fiscal position, through Public Private Partnerships (PPPs).

INFRASTRUCTURE: PUBLIC SECTOR INVESTMENT PROGRAMME

The first initiative to stimulate growth and create new jobs is the expediting of public infrastructure. The government's role will be significant. In fiscal 2013 we are devoting \$7.5 billion or 4.5 per cent of GDP to the Public Sector Investment Programme (PSIP) and this would be part of a twelve (12) year trajectory as we look ahead to 2025 as the land use policy, physical development plan and growth poles strategy are rolled out. This programme comprises a number of new and on-going projects including those identified by the THA for Tobago, the road and drainage programmes, construction of and improvement works for the Fire Services, the development of lands at Caroni and Orange Grove, the construction of our health facilities, the continuing development of our port facilities including a new port at La Brea, the Debe Campus of the University of the West Indies and the construction of 18 police stations. These represent some of the key

projects among a number of much needed projects for the further development of our nation.

INFRASTRUCTURE PUBLIC-PRIVATE PARTNERSHIPS

Mr Speaker, additional to the well-conceptualised and growth-impacting public sector investment programme we are expanding infrastructure. The establishment of public-private-partnerships for rolling-out infrastructure and the associated delivery of services represents the second pillar for stimulating growth. We would now seek to enhance the role of the private sector in economic activities. These partnerships would establish agreements between the Government and private sector entities which would include contractors, operators and financiers. The private partners would undertake a number of activities associated with public procurement to design-build-finance-operate-and maintain the capital asset to the specifications established by the Government.

This Government will put processes in train in fiscal 2013 for several projects utilising the PPP modality. These projects have already been reviewed by an internationally-based consultant and I outline them here for the benefit of our private sector and the nation as a whole:

1. In the Ministry of Local Government: -

- four (4) Administrative Buildings for the Regional Corporations of Diego Martin, Arima, Princes Town and Penal/ Debe in line with our aim for delivering efficiently services at the local level which represents the foundation for sustainable economic, social and environmental development;

2. for the Ministry of Transport:

- (1) Airport Concessionaires for the Piarco International Airport in Trinidad and the A.N.R. Robinson International Airport in Tobago would seek to improve passenger and cargo handling, in particular for the re-invigorated tourism thrust in Tobago;
- (2) an Open-Ship Registry which will enhance the country's location as a premier port hub and international shipping centre; and
- (3) the La Brea Port which would enable access and docking for newer generation cargo and cruise ships;

3. for the Ministry of Works and Infrastructure:
a number of projects aimed at opening the economic space of Trinidad and Tobago with among others:

- (1) extension of the Churchill Roosevelt Highway from Cumuto to Sangre Grande which will be phase 1 of the opening up of the north-east coast of Trinidad;
- (2) an additional access from Cocorite to Chaguaramas to improve access to and to develop the north-west peninsula; and
- (3) the dualling of the Rivulet Road to improve access to Point Lisas;

4. for the Ministry of Public Utilities:

Transmission Infrastructure to move power from the recently constructed Trinidad Generation Unlimited 720 megawatt power generation plant into the national grid to ensure optimal utilisation;

5. for the Ministry of Justice:

four (4) building complexes for accommodating High Courts in Trincity, Carlsen Field, Sangre Grande and Penal with a view to increasing the decentralisation of the court system; and

6. for the Ministry of Tertiary Education and Skills Training:

the construction of:

- (1) a COSTAATT Campus in Chaguanas;
- (2) an Integrated Campus in Tobago to house the various public training institutions of COSTAATT; and
- (3) the multi-storey upgrade to the existing structure at the UWI St. Augustine Campus.

Mr Speaker, as we develop and roll out these projects, we invite the private sector to partner with us.

STIMULATING THE CONSTRUCTION SECTOR

Mr Speaker, we intend to create a construction boom across this nation. We already have in place a programme for lending at 2.0 per cent for home ownership. I now propose

- (1) to expand the housing stock by tax incentives to housing developers. The tax exemptions will be operative for three years beginning with the date of passage of the required legislation;
- (2) to stimulate land development by exempting from taxation profits derived from the development of land for residential purposes provided that the site infrastructure conforms to development planning standards for roads, drainage and all utilities. This incentive will apply where the residential development project commences after October 1, 2012, and the sales are completed within a two year period;
- (3) to utilise the National Self Help Commission to assist communities with disadvantaged and vulnerable citizens in the construction of their own homes. We have established a target of up to 100 houses per year over the next three years; and
- (4) to stimulate the construction of commercial buildings, gains or profit derived from the sale or letting of newly constructed commercial buildings (including multi-storey car parks) constructed within five years from October 1, 2012, will be exempt from corporation tax for a period of five (5) years.

PROGRAMME OF PUBLIC OFFERINGS

Mr Speaker, we are creating opportunities for the private sector to be the engine of growth. We are promoting public private partnerships involving the private sector in activities traditionally provided by the public sector, in particular infrastructure services delivery. Early in the new financial year we propose to revisit the public offerings programme. Consistent with our socially-inclusive policy we have begun to engage the various stakeholders.

We shall put in place appropriate safeguards all in the public interest, including the preferred participation of employees, National Insurance Board, the Unit Trust Corporation, Credit Unions and representative unions in the shareholding of those enterprises which establish listing agreements with the Trinidad and Tobago Stock Exchange. These will include the long awaited Initial Public Offer (IPO) for First Citizens Bank Limited in an amount of 20.0 per cent of its shareholding to be followed by another Initial Public Offer for the Trinidad and Tobago Mortgage Bank - a proposed merger between Trinidad and Tobago Mortgage Finance Company and the Home Mortgage Bank. We have consulted with the representative unions and we have given the undertaking that these share issues will be limited and will not be offered to international investors.

INITIATIVES FOR DIVERSIFYING THE ECONOMY

Mr Speaker, the third area of growth focus will be on laying the foundation for diversifying our economy. We must reduce the time and the cost of doing business in Trinidad and Tobago. My colleague, the Minister of Trade, Industry and Investment, has already established his goal to make Trinidad and Tobago one of the top destinations for ease of doing business. He has already taken steps to re-structure the Business Development Company and other investment promoting agencies into a new company Export TT. He has also initiated steps towards reducing the length of time required to establish a new company from 43 days to 3 days, and will accelerate other initiatives to achieve our goal.

We have also identified a number of areas for growth and investment with substantial external trade opportunities to achieve our goal of diversifying the

economy. Mr Speaker, the diversification of the economy is a principal goal of this Government. Our objective is to increase the non-energy share of GDP to 66.0 per cent over the next five years. To this end, we have identified a number of areas for growth and investment with substantial trade opportunities. Our priority sectors are: financial services, tourism, information and communication technology, downstream energy industries, agriculture, creative arts and the maritime sectors. I shall provide an overview of our plans in each of these areas in turn.

FINANCIAL SERVICES

Mr Speaker, first, we are launching the International Financial Centre by building a Financial Institution Support Services Industry—a sub-sector of the financial services sector. The Trinidad and Tobago IFC Management Company Limited is already engaging financial institutions to consider consolidating their national and regional back-office operations in Trinidad and Tobago. Shared Service Centres would now become the core of a new financial institutions support services industry. In the light of international competition for such businesses, we need to act quickly and we need to act decisively.

On August 29, 2012, Scotiabank Trinidad and Tobago executed a Memorandum of Understanding with the IFC Management Company. This initiative will result in new investment of \$100.0 million and employment of 200 persons. Negotiations are currently on-going with two (2) other financial institutions to locate similar facilities here.

I expect the building of this financial services sub-sector to generate substantial benefits. It will absorb the continual flow of skilled workers from the tertiary educational institutions. It could provide over the next five (5) years 3,000 good quality jobs for knowledge workers; and on a multiplier effect basis, 6,000–12,000 total jobs could be created from the development of the industry. The impact on the gross domestic product would be immediate and positive.

Mr Speaker, I propose to introduce legislation with associated tax incentives early in the new fiscal year to support the building of the Financial Institutions Support Services Industry. Moreover, to be a Financial Centre it is imperative that our initiatives in this area be encapsulated in a strong legislative framework. I

intend to bring forward legislation to Parliament during the coming year, including a new Securities Act, a new Insurance Act, the Credit Union Act as well as legislation to effect electronic payments in the Government Services.

TOURISM

Secondly, Mr Speaker, the Government is committed to building a dynamic and diverse tourism sector. There is no reason why Trinidad and Tobago cannot develop a diverse and competitive tourism industry. It has the most diverse flora and fauna in the region, from sea turtles to the pitch lake; it has some of the most unspoilt beaches as well as the most sophisticated sporting and medical facilities in the region. It has also the most dynamic business and creative arts environment. The fact that such a tourism sector has not been achieved to date results from a lack of investment in time and energy. With the appointment of our new Minister of Tourism, this has changed. He has already commenced the development and implementation of a multifaceted programme to achieve the goal of making Trinidad and Tobago the number one location in the region for tourist arrivals.

As an initial step we are committed, as is the Tobago House of Assembly, to ensuring that Tobago becomes—first and foremost—a tourism destination of choice for both domestic and international tourists. Accordingly, the Ministry of Tourism, in collaboration with the Tobago House of Assembly, is increasing its marketing and promotion programmes.

Over the last three months, we have established the Trinidad and Tobago Tourism Business Development Limited as a corporate body to administer the Tobago Tourism Development Fund. This Fund would provide guarantees for two major business categories of the tourism sector in Tobago:

- debt restructuring for tourism and tourism-related businesses; and
- the upgrade and maintenance of hotels of below 50 rooms and ancillary businesses.

The Export-Import Bank of Trinidad and Tobago has been assigned the responsibility for managing, through an agency agreement, the Trinidad and Tobago Tourism Business Development Limited and the associated Tobago Tourism Development Fund. The Fund would

have an initial capital of \$100.0 million with further annual allocations of \$50.0 million over the next two (2) years.

The Ex-Im Bank of Trinidad and Tobago, in collaboration with the Bankers' Association of Trinidad and Tobago, has developed procedures under which businesses in Tobago can access the guarantees.

The Ministry of Tourism is taking steps to expand the quality of room-stock both in Trinidad and in Tobago utilising public-private partnerships. Critical to the achievement of this plan is the development of the airport facilities in Tobago. A major expansion of the Tobago Airport will be undertaken also utilising the PPP model. The Minister of Tourism will address these initiatives in his contribution to the debate.

INFORMATION AND COMMUNICATION TECHNOLOGY

Third, Mr Speaker, Trinidad and Tobago will build a competitive ICT industry, utilising our strong tertiary education network, our sophisticated and competitive telecommunications infrastructure, our cheap and reliable electricity supply and our well educated and capable work force.

As an initial step, the Ministry of Science and Technology is far advanced in the development of a national information, communication and technology policy. Its implementation would foster a competitive knowledge-based economy driven by the Government's primary objective in reaching a level of broadband supply and usage which would be a driver for economic growth. The Government has undertaken a comprehensive analysis of the current ICT infrastructure in Trinidad and Tobago and has decided, as an initial step, to close the current broadband backbone gap by using a public-private partnership for creating an open-access broadband backbone wholesale provider. The Universal Service Fund as established under the Telecommunications Act 2001 would be used for satisfying broadband expansion in under-served areas.

Mr Speaker, the World Bank has estimated a 6.7 per cent increase in GDP and the mobilisation of up to US\$541.0 million in private sector investment over the next five years consequent on the proposed implementation of this initiative.

The generation of quality jobs from a nationwide digital communication network and the ICT industry has been the experience of other similarly-situated countries and we are pursuing vigorously this agenda. The Minister of Science and Technology will expand on our plans in this area when he speaks in the debate.

GASOLINE VEHICLES CONVERSION TO CNG

Mr Speaker, fourth, we are now putting in place the framework for the greater use of compressed natural gas (CNG) as an alternative transportation fuel. We have been seeking to do so for some time. However, the transition to the usage of CNG by the national community has been less than satisfactory.

Mr Speaker, the transition by motorists and fleet owners to CNG usage has been constrained by a number of factors including:

- an inadequate refuelling experience;
- the requirement for frequent refuelling; and
- very importantly, from an economic perspective, the substantial disincentive from the fuel subsidies.

Mr Speaker, we have developed a comprehensive business plan which will invest \$1.5 billion in converting gasoline vehicles to compressed natural gas as an alternative transportation fuel. Initially, we envisage a five-year conversion period during which multi-fuel stations would be constructed and pipeline infrastructure to stations would be installed. This business and operational model is based on a target group of approximately 90,000 vehicles, covering diesel, maxi-taxis, gasoline taxi vehicles and private high-mileage gasoline vehicles.

Mr Speaker, the full transition to CNG would only take place in the context of the removal of the fuel subsidies which would contribute significantly to the necessary and efficient allocation of resources – so important for growth and transformation. However, I am appropriately concerned with the need to avoid a rapid increase in the rate of inflation and to minimise the effect on the most disadvantaged in the society. For that reason, in order to support the CNG conversion programme I propose to initiate a gradual reduction in the fuel subsidies beginning with the price for premium gasoline. Effective October 2 2012, the price of premium gasoline would be \$5.75 per litre.

An inter-Ministerial team comprising, inter alia, the Ministry of Finance and the Economy, the Ministry of Energy and Energy Affairs and such other Ministries as will be affected will review additional measures aimed at further addressing and reducing the current levels of subsidy. These measures will be progressively introduced during the fiscal year 2013.

CREATIVE INDUSTRIES

Mr Speaker, fifth, is the creative industries which cover film, music and entertainment, fashion and arts and the associated establishment of Trinidad and Tobago as a premier film and television production centre. This represents one of our key public policy initiatives for the creation of employment and national wealth. To boost the film sub-sector I propose to expand the current incentives which are currently available to the film sub-sector.

We have now put in place the infrastructure for expanding and developing the Arts and Creative Industries. The performing and visual arts, the literary and fashion industries, architectural design and software industries are all being encouraged to become world-class. The culture shift to arts and creativity would mean, not only having world-class artistes but also mean that such artistes would have sustainable livelihoods. Additionally Mr Speaker, the soon-to-be established Ramleela Centre with its street theatre will contribute to the continuing development of the arts and culture of our cosmopolitan society. The Ministry of Trade, Industry and Investment is now playing a key role in the development of this sub-sector.

MARITIME

Mr Speaker, a ship-repair industry represents the sixth area of our focus. We are leveraging our facilities and assets in the north-west peninsula to create a hub for major ship-repair and ship-building within the Caribbean region and to catalyse a maritime economy. We intend to achieve this objective through a public-private partnership. We also recognise that the industry would require requisite skills; and to that end, the Minister of Trade, Industry and Investment and the Minister of Tertiary Education and Skills Training would collaborate on developing a plan of immediate action, including a skills-gap analysis to provide the necessary skilled personnel for the ship-repair industry.

AGRICULTURE

Mr Speaker, the seventh area of focus is agriculture. We propose to reduce our food import bill by 50.0 per cent or just over \$2.0 billion per year by 2015. Achieving food security is our top priority. We all recall the global food price shocks in the period 2006–2010 when domestic inflation reached an annual average level of 9.1 per cent compared with an annual average of 4.8 per cent in the period 2001–2005. The increased levels of inflation stemming from our increasingly imported food requirements have had a harmful impact on our citizens, particularly our most vulnerable, as they sought to manage the business of their everyday lives. Consequently it is proposed on a temporary basis that Value Added Tax would be removed from all food items except luxury items and alcoholic beverages.

Mr Speaker, another global price shock is on the horizon as drought conditions are devastating commodity crops, in particular corn and maize, in the United States. These higher global prices are already generating price increases in Trinidad and Tobago in particular in the poultry industry. We shall be proactive. The Ministry of Food Production will take the following steps to address the situation:

1. the National Agriculture and Marketing Development Corporation (NAMDEVCO) is establishing a Commodity Stabilisation Fund which will initiate measures to stabilise both the supply and the price of identified produce on the market while at the same time strengthening the agro-processing sector;
2. the Ministry of Food Production through a competitive process, is now actively distributing to the national farming community, standard leases for small and large farms. These farms will occupy 4,111 acres on Caroni lands and 100 acres each on state lands at Tucker Valley. A condition of the leases will be agreed cultivation as quickly as possible;
3. the Ministry of Food Production is continuing to distribute standard agricultural leases for two acre-sized plots to the former employees of Caroni. We have decided to expedite the lease issuance exercise by utilising private attorneys to assist in the preparation of the leases. We expect that within the next two years more than 5,000 such leases will be distributed; and

4. the Ministry of Food Production, with agricultural land becoming less and less available in Trinidad and Tobago, is moving to establish a Food Security Facility with the Government of Guyana. The Facility would commit both Governments to expanding agricultural production in Guyana through the establishment of commercial relationships for funding the establishment of several large agricultural estates in Guyana.

Mr Speaker, I wish to emphasise that the agricultural sector enjoys a range of incentives under the existing legislation. I would urge all farmers and other stakeholders to take advantage of these incentives.

MANUFACTURING

Mr Speaker, in this globalised environment external trade, in particular, our non-energy exports must be internationally competitive. While our oil and gas exports have been performing reasonably well, our non-oil exports need to be expanded. We have to access non-regional markets, particularly since our regional markets do not offer much opportunity for growth and expansion. Our private sector has been leading the effort and has become increasingly responsible for assuming a greater role in driving economic growth; but in this phase of global uncertainty and weak economic recovery, the sector needs to be much more innovative and dynamic.

Mr Speaker, there is broad agreement that our tax environment is broadly competitive for creating additional platforms to enhance value-added activities across the manufacturing sector. Notwithstanding this, and to further enhance our competitiveness as we seek to expand into extra-regional markets, I propose to make all equipment for our light manufacturing sector imported over the next two years duty free and the Minister of Trade, Industry and Investment will make the appropriate amendments to the Third Schedule of the Fiscal Incentives Act to effect this change.

ENERGY

Mr Speaker, the energy sector is our ninth major area of focus and remains the anchor for our growth and development. It has driven modernisation and it has underpinned our prosperity and decent standards of living. It will continue to do so for the foreseeable future since it remains our dominant sector in terms of both revenue and activity.

However, our international competitiveness is being challenged as oil and gas exploration in shale is growing and discoveries of oil and gas are being made in East Africa and Brazil while many of our fields are reaching maturity. Notwithstanding this, the July 2012 Ryder Scott Gas Audit Report on our gas reserves has been particularly encouraging. The heightened appraisal and development drilling work has been proving-up reserves with a replacement ratio of 98.5 per cent. Investors have responded with confidence to the conclusions of the report which assures supplies for downstream projects. We are undertaking a similar evaluation of our oil reserves.

Competitive bid rounds would maintain exploratory activity in oil and gas in the open acreages both on-shore and off-shore. In the fiscal year 2013, 19 exploration wells are being drilled. As to the future, the outlook is more than promising. With improved fiscal terms, much more in-depth seismic data and an aggressive marketing programme, we have just concluded our most successful deep-water bid-round. Twelve (12) bids, for five of the blocks on offer, were received from eight companies, either singly or as consortia. This bid round attracted a mixture of well-established international companies including three new entrants. The successful bidders will be announced in November.

In the short term, and, to spur further investment in marine areas we intend to offer fiscal incentives which could result in enhancing oil and gas exploration and production. The incentives will be specific to the development of new fields which are currently inactive. Increased production and generation of additional revenues are anticipated in the short-term. Moreover, the increased activities would spur the development of local energy service companies, several spin-off businesses and an increasing number of job opportunities. Total investment in 2013 by companies operating in the sector is expected to be US\$3.016 billion.

SMALL AND MICRO-ENTERPRISE

Mr Speaker, the SME sector is our tenth area of focus. The well-structured development of this sector is a continuing challenge. We have focused on financing and have made considerable investments in the Business Development Company, the Venture Capital

Fund and the National Entrepreneurship Development Company Limited (NEDCO).

This notwithstanding, there are many other constraints. We are addressing the other components necessary for successful business development: capacity, capability and culture. For this reason, a comprehensive programme will be developed over the next year in consultation with stakeholders in the industry to address these deficits as we seek to develop successful small and micro-enterprises.

DEVELOPING NATIONAL SPORTS

Mr Speaker, sports is our eleventh area of focus. It is big business and we intend to leverage our recent successes to make better use of existing facilities, host a number of international events and generate on-going revenue and business opportunities.

Our recent performance at the 2012 Twenty-Seventh Olympiad held in London, England, resulted in an outpouring of national pride and patriotism. This is the power of sports. I would therefore like to take this opportunity to congratulate the medal winners who have made the nation proud in this most prestigious arena. They won four (4) medals including one (1) gold. They participated in many finals. They marginally missed some.

This is an opportunity for us to put in place modern, safe and well-equipped facilities:

- (1) the Dwight Yorke Stadium in Tobago is being upgraded with external lighting, drainage, electrical installation and athletic track upgrade;
- (2) the National Aquatic Centre, the National Tennis Centre and the National Velodrome will be constructed in readiness for international competition and built according to international specifications to attract world class athletes to Trinidad and Tobago to provide the required exposure to our athletes and provide the opportunity for Sport Tourism;
- (3) three (3) multi-purpose sport facilities are also being constructed. During the course of this fiscal year design work and financing would be finalised;
- (4) sixty-four (64) recreation grounds are being upgraded which would bring total upgraded

grounds to ninety-six (96), thirty-two (32) having been upgraded in 2011;

- (5) 41 additional play parks are being upgraded; and
- (6) the indoor facilities are also being upgraded, in particular to provide accommodation for both the abled and differently-abled to engage in physical recreation and sporting activities.

Mr Speaker, we shall ensure that these facilities are fully and effectively utilised. In parallel with the construction

activity, the Ministry of Sport and the Ministry of Planning and Sustainable Development are preparing a marketing programme for hosting international events and aimed at encouraging international sports-men and women to come to Trinidad and Tobago, particularly during the winter months to utilise the facilities for which we are seeking appropriate franchisees. During their stay, they would compete with our local athletes which will assist our development to world-class standards.

4. DEVELOPING HUMAN CAPITAL

BROADENING THE KNOWLEDGE BASE

ACCESS TO QUALITY EDUCATION

Mr Speaker, we cannot transform our economy and achieve our goals without building human capacity in a comprehensive manner. To this end, this Administration will continue to focus on curricula reform, teacher training, new teaching methodologies and technology in particular, the provision of laptops for each student commencing secondary school. We shall continue to make higher education easily accessible; but there has to be the recognition that we will do so with finite resources. That we succeed in this challenge is vital to economic prosperity and social stability.

HIGHER EDUCATION

We rely heavily for our economic and social development on the output of our institutions of higher learning. We shall continue our Government Assistance for Tuition Expenses (GATE) programme. This programme has, however, been subjected to some abuse by users and has produced some undesirable results. During the course of the coming year we shall implement a number of measures with the objective of eliminating waste and abuse, as follows: -

- (1) The programme will refocus on the areas of priority study necessary to support our strategy for economic and industrial development;
- (2) Tuition fees for under graduate programmes at both private and public institutions will be funded at varying rates based on their socio-economic priority;
- (3) The GATE Clearance Policy programme will apply to all public and private tertiary education programmes; and

- (4) More comprehensive methods on the determination of tuition fees at public and private tertiary education institutions will be instituted.

On a general level, we are taking steps to ensure that private tertiary education institutions strengthen their accountability requirements. We will ensure that students who receive GATE funding meet normal academic standards and serve their contractual obligations.

SKILLS TRAINING

Mr Speaker, our human resource pool must respond to the wide needs of our economy. We are establishing a wide range of programmes: -

- (1) the National Energy Skills Centre is now providing the first-ever drilling school in the Caribbean, meeting in the process the demand for up-stream service personnel both locally and internationally;
- (2) the Automotive Dealers' Association in collaboration with the National Energy Skills Centre has established the NESC Automotive Technology Institute for producing automotive technicians and the NESC TRACMAC CAT training centre to provide training in Heavy Equipment Operations and Maintenance;
- (3) the College of Science, Technology and Applied Arts of Trinidad and Tobago, will soon begin construction of its main campus in Chaguanas, it will open a campus in Sangre Grande and in conjunction with the University of the West Indies will soon launch the El Dorado Academy of Nursing and Allied Health to address the endemic shortage of nurses in the health sector; and

(4) In consultation with the THA, we shall also be establishing in Tobago an integrated campus to house various public training institutions.

EXPANDING HEALTH SERVICES

Mr Speaker, we are addressing the well-being of the citizens of this country through the expansion in healthcare delivery as well as improving healthy lifestyles among our citizens. In fiscal 2013 we shall embark on a number of projects: -

- new hospitals in Point Fortin, Arima, Sangre Grande and Chaguanas;
- the National Public Health Laboratory and the Caribbean Public Health Agency at Caura; and
- the upgrade of the San Fernando General Hospital.

Mr Speaker, the Ministry of Health, will fund these projects through public-private-partnerships and joint ventures. The Ministry of Health is also at an advanced stage of pursuing such arrangements for oncology, cardiac surgery and organ transplants. Moreover, negotiations are at an advanced stage for establishing financing agreements for: -

- a Hospital in Couva which will cater for children and adults and which would have a burns unit;
- a teaching hospital at Chancery Lane San Fernando; and
- a National Centre for Non-Communicable Disease in Penal.

RESTRUCTURING OF CEPEP AND URP

Mr Speaker, we are initiating the restructuring of the Community Enhancement and Protection of the Environment Programme (CEPEP) and the Unemployment Relief Programme (URP) with a focus on skills development as employees are transferred from those programmes to private sector activities. I propose to provide companies with a training allowance to assist in skill development. I shall now encourage companies to engage employees of the CEPEP and URP programmes. The National Productivity Council which was established in January 2012 would be assigned the responsibility for managing the transition of the CEPEP and URP employees to the private sector. Already a pilot has been initiated where a number of employees from these programmes have been used in cocoa harvesting.

5. DEVELOPING QUALITY OF LIFE

MAINTAINING SOCIAL PROTECTION

Mr Speaker, alleviating the incidence of poverty is at the heart of our socio-economic agenda. Despite job growth and decreasing levels of poverty, 16.7 per cent of the population is now deemed to be poor and living under the poverty line. A further 9.0 per cent is deemed to be vulnerable.

This Government is committed to improving Trinidad and Tobago's Human Development Index ranking by 15 points, also by 2015. We are ensuring value for money in our social programmes. We are screening and making more efficient our social expenditure. However, much more needs to be done. In 2013, we shall undertake a rigorous review of our social welfare programmes with a view to assisting, comprehensively and cost effectively the differently-abled, senior citizens, single mothers, children and all those in need of assistance.

The programmes would be better targeted with clear exit strategies as people rise up from poverty and become less dependent. We shall now move to make cash transfers conditional, in particular they would be tied to changed behaviours and proper parenting with children being required to be in school, be exposed to basic healthcare and the absence of abuse—all performance indicators with proper verification. Moreover, we are ensuring that all persons with disabilities become integrated into all aspects of our society. To ease that process, I propose to increase the Disability Assistance Grant.

NATIONAL INSURANCE BOARD: INCREASED BENEFITS

Mr Speaker, the National Insurance Board is a key part of our social infrastructure. In October 2011, the

Government agreed to introduce changes in the NIS which would broaden the country's social security net, particularly for the elderly and at the same time to contain the rate of growth in expenditure for retirement income in our fiscal accounts. At that time, we envisaged a number of benefit improvements.

Initially, and effective February 1, 2012, the monthly pension for NIS retirement pensioners was increased to \$3,000.00 per month. Another key initiative was the waiver of interest and penalties on outstanding contributions, which netted \$36.82 million from 2,310 employers during the period October 10, 2011, – June 30, 2012. The eighth Actuarial Review as at June 30, 2010, has been finalised following meetings with representatives of Business and Labour. We shall implement several improvements to the National Insurance System.

HOUSING AND HOME OWNERSHIP

Mr Speaker, we would continue to promote home ownership within the national community. Moreover, homeownership empowers the poor through the acquisition of an asset which over time facilitates the creation of wealth through expanding levels of home equity. We are focusing primarily on poor and low- and middle-income households through the 2.0 per cent mortgage programme administered by the Trinidad and Tobago Mortgage Finance Company for those beneficiaries who wish to construct their own homes and through the housing solutions implemented by the Housing Development Corporation.

Mr Speaker:

- (1) the squatter regularisation programme is providing 26,117 residential service lots;

- (2) the Land Settlement Agency is regularising squatter sites with basic infrastructure; including: water, sewage, drainage and roads;
- (3) the Housing Development Corporation would continue its programme of building and distributing homes aimed at reducing the backlog of household applications;
- (4) the Trinidad and Tobago Mortgage Finance Company has included the 2.0 per cent mortgage programme for the former employees of Caroni as they seek to purchase and to construct homes on the residential estates built to accommodate the commitments made to them by Caroni and the Government of Trinidad and Tobago;

ENVIRONMENT AND WATER RESOURCES

Mr Speaker, the protection of our environment represents an overarching public policy objective. We have recently witnessed the devastation which comes with the unsustainable utilisation of our hills and valleys as well as the degradation of our rivers and streams. This adverse trend is being immediately reversed. In 2013:

- (1) Waste management rules to prohibit the indiscriminate dumping of waste will be finalised;
- (2) the Forestry Division will continue initiatives at enhanced levels to encourage the sustainable use of forest resources and 13,000 hectares of forests on state lands will be identified for protection under the National Re-forestation and Watershed Rehabilitation Programme;
- (3) the newly created CEPEP Marine is already cleaning and maintaining the marine areas, wetlands and inland waterways. The project is now limited to north-west Trinidad; but would be extended in 2013 to the east and south coasts; and
- (4) \$300.0 million is being allocated for improving drainage within Trinidad and Tobago; Port-of-Spain is high on the priority list of projects.

We shall declare a moratorium on Construction along the Northern Range in the light of the recent flooding in Diego Martin and the surrounding areas. We intend to undertake urgent work in drainage, irrigation, de-silting and clearing of water courses. We shall also stimulate activity in this regard through a programme of small and micro drainage in rural communities.

TRANSPORT

Mr Speaker, the transportation system in Trinidad and Tobago requires consistent review and upgrade as we seek to improve the movement of our citizens within Trinidad and Tobago. We have made great strides:

- (1) passengers will soon have real-time information on their arrivals, departures and scheduling of services through the installation of GPS devices in the entire fleet of buses;
- (2) 100 new CNG-powered buses will be added to the existing fleet ensuring that the cost of the service remains cost-effective; a further 300 buses will be converted from diesel to CNG fuel;
- (3) a bus complex is being established in San Fernando to service the southern regions with bus hubs in Siparia and Point Fortin; and
- (4) a bus facility would be established in Charlotteville, Tobago to allow for early morning transportation.

GAMING INDUSTRY

Mr Speaker we intend to bring the gaming industry under more effective control and capture more fully the revenue that can accrue to the Treasury. The Gaming Industry offers a legitimate form of entertainment if it is properly regulated. We propose to construct a comprehensive framework for doing so. In the short term, and until the management and control structure for the industry can be put into place, we will introduce regulations to manage the industry. These regulations will come into effect on May 1, 2013. We also propose to increase the taxes levied on private members clubs from October 1, 2012.

6. TOBAGO

Mr Speaker, the economic recovery of Tobago is high on our agenda. As we are required to do under the provisions of the Tobago Assembly Act No. 40 of 1996, we are collaborating with the Tobago House of Assembly to ensure that the special needs of Tobago are met. The budgetary allocation for the Tobago House of Assembly for fiscal 2013 is \$2.356 billion of which \$2.006 billion would be for recurrent expenditure and \$350.0 million for capital expenditure.

Mr Speaker, further Tobago will receive an additional \$874.9 million under the various other Heads of Expenditure. Moreover:

- the Government has capitalised the loan guarantee fund for the tourism-related sector, including hotels with a room stock of under 50 rooms, with an additional \$100.0 million with two (2) further annual injections of \$50.0 million;
- the Government is addressing the financial needs of those hotels in excess of 50 rooms; and
- the Government through public-private-partnerships would seek to establish 1,000 new rooms through branded hotels.

Mr Speaker, the Tobago House of Assembly (THA) would continue its developmental work, in particular in relation to the tourism sector. The Government will support the efforts of the THA to develop the human and social capital, the physical infrastructure and enterprise in Tobago. The programmes and policies are aimed at building a competitive Tobago economy for creating sustainable jobs, in particular, for the youth of Tobago. Community centres, including those at Lowlands, Bloody Bay, Pembroke and Scarborough are being constructed or upgraded; and the new Scarborough Market, new fishing depots at Castara, Charlotteville and Parlatuvier are being constructed. The Scarborough Library will be completed. Supporting these projects is a focus on entrepreneurship and innovation with the establishment of financial education and business innovation centres.

During the current session of this Parliament, this Government will table legislation for internal self-government for Tobago for the consideration of Honourable Members.

7. FISCAL MEASURES

Mr Speaker, I will now turn my attention to fiscal measures which will support the public policy initiatives outlines in this budget.

1. IN RESPECT OF GROWTH, TRADE AND INVESTMENT:

- **Incentives for building the financial institutions service industry**

I propose to support the building of the financial institution service industry by introducing legislation with associated tax incentives early in FY13.

- **Incentives for the CLICO Investment Fund**

I propose that Government:

- o would waive any applicable stamp duty on the transfer of the 51,858,299 shares of Republic Bank Limited (RBL) from Colonial Life Insurance Company Limited (CLICO) to the Government of the Republic of Trinidad and Tobago (GORTT) as well as on the transfer by GORTT of the 51,858,299 RBL shares to CLICO Investment Fund (CIF);
- o would waive any applicable stamp duty on the transfer of units in CIF by GORTT to bond holders after the expiration of the initial offer period.
- o would amend the Income Tax Act, Chap. 75:01 and the Corporation Tax Act Chapter 75:02 to expressly exempt from tax the dividends or other distributions paid to resident individuals and companies by the CLICO Investment Fund as well as the profits accruing to the Trust under the CLICO Investment Fund.

- **Incentives for enhancing the Creative Industries**

Effective January 1, 2013, I propose to implement for persons in the creative industry, the following tax incentives currently available to sponsors and producers:

- o 150.0 per cent tax deduction up to a maximum of \$3.0 million for the corporate sponsorship of nationals in the local fashion industry;
- o 150.0 per cent tax deduction up to a maximum of \$3.0 million for the corporate sponsorship of audio, visual or video productions for the purpose of local education or local entertainment; and
- o 150.0 per cent tax deduction up to a maximum of \$3.0 million may be claimed by local production companies in respect of their own productions.

During the fiscal year 2013, the Minister of Trade, Industry and Investment will collaborate with the Chamber of Commerce to establish the necessary Guarantee with the Comptroller of Customs and Excise in order to facilitate relief from customs duty under the carnet system, for persons in the creative industries.

During the fiscal year 2013, I propose to implement for persons in the creative industries, in particular the film industry, a regime to allow them to import into Trinidad and Tobago equipment and film-specific goods duty free.

During the fiscal year 2013, I propose to implement for persons in the creative industries, the zero-rating of Value Added Tax on machinery and equipment. The Ministry of Trade, Industry and Investment will collaborate with persons in the creative industry to determine the goods that should be zero-rated.

- **Improving the Business Climate**

I propose the following:

- o to amend the relevant sections of the Exchequer and Audit Act in order for the Comptroller of Customs, as a Receiver of Revenue, to accept forms of payment other than cash and certified manager's cheques;
- o to have proclaimed the Electronic Transactions Act 2011 in order to give legal effect to the use of electronic signatures and electronic transactions in Trinidad and Tobago, including electronic signatures to be used in the submissions of goods declarations to the Comptroller of Customs and Excise; and
- o to amend through the Customs (Amendment Bill) 2012 the Custom's Act, Ch. 78:01 to allow advanced passenger and cargo information to be provided electronically to the Comptroller of Customs and Excise.

2. IN RESPECT OF CRIME AND NATIONAL SECURITY

I propose that:

- o the non-taxable special allowance now being paid to the members of the protective service will be extended to include the Special Reserve Police Officers. This would be effected by an amendment to the Special Reserve Police Act Chapter 15:03 and would take effect from October 2, 2012; and
- o the purchase of CCTV cameras and digital video recording equipment for homeowners, community and business security will be exempt from custom duties and Value Added Tax.

3. IN RESPECT OF CORPORATE SOCIAL RESPONSIBILITY

I propose to:

- encourage companies to provide direct financial contributions to sporting activities by increasing the maximum allowable deduction from two million dollars to three million dollars commencing from the year of income 2013.

4. GAMING INDUSTRY

Effective October 1, 2012, the taxes paid on gaming tables and other devices by private members clubs would be increased as follows:

1. for every Baccarat Table/Device \$50,000.00 per annum
2. for every Black Jack Table/Device \$60,000.00 per annum
3. for every Caribbean Stud Poker Table/Device \$75,000.00 per annum
4. for every Dice Table/Device \$35,000.00 per annum
5. for every regular Poker Table/Device \$30,000.00 per annum
6. for every Pool Table/Device \$2,000.00 per annum
7. for every Roulette Table/Device \$60,000.00 per annum
8. for every Rum 32 Table/Device \$75,000.00 per annum
9. for every Sip San Table/Device \$75,000.00 per annum
10. for every Slot Machine/Online Gaming Device \$12,000.00 per annum
11. for every other table or device not mentioned above \$30,000.00 per annum

5. IN RESPECT OF THE NATIONAL INSURANCE SYSTEM

I propose that:

- in respect of Maternity Benefits, the Maternity Protection Act (MPA) Chapter 45:57 was amended to increase the period for maternity leave from thirteen weeks to a period of fourteen weeks on May 22, 2012. It is proposed that the relevant Regulations of the NIS Act Chapter 32:01 be amended to provide the NIBTT with the statutory authority to pay the fourteen-week maternity allowance with effect from May 22, 2012.
- In respect of Other Benefits payments all NIS benefits will be increased by an overall 50.0 per

cent with the exception of the minimum retirement pension, which was already increased effective February 2012. The following grants: maternity, special maternity, retirement grant and funeral grants, will all be increased by 50.0 per cent in 2013. The other benefits, such as sickness, maternity allowance, invalidity, survivor's and employment injury, will be increased by 25 per cent in 2013 and 20 per cent in 2014. The two-phased increase to these other Benefits also results in a cumulative increase of 50 percent.

- In respect of Minimum Survivor's Benefits: survivor's benefits in respect of spouses, children, dependent parents and orphan children of a deceased contributor or a NIS pensioner will be increased by amending the National Insurance Act Chapter 32:01. The increased benefits would be as follows:
 - o spouse: \$600;
 - o child: \$600;
 - o dependant parents: \$600 if only one parent is alive, or
\$300 each if both are alive; and
 - o orphan: \$1,200.
- In respect of Retirement Pension: the old earnings class system will be converted into a career average-indexed earning system.
- In respect of the modification of the present contribution System: It is proposed to change the contribution rate of 11.4 per cent to 11.7 per cent in 2013 and 12.0 per cent in 2014 resulting in a very small increase of 0.1 per cent for employees and 0.2 per cent for employers in 2013 and similar increases in 2014.
- In respect of the Maximum Insurable Earnings: they will be increased from \$8,300 in 2012 to:

Year	Maximum Insurable Earnings
2013	\$10,000
2014	\$12,000
2015	\$13,000
2016	\$14,000
2017	\$16,000
2018	\$18,000
2019	\$20,000
2020	\$22,000

It is proposed that the annual increases in the maximum insurable earnings and the new pension benefit formula take effect in 2013 through amendments to the National Insurance Act Chapter 32:01 and the annual increases would take effect in the respective years.

- In respect of the Inclusion of the Self Employed in the NIS System: the National Insurance Act will be amended to allow for the inclusion of self-employed persons in the National Insurance System with access to retirement benefits from as early as age 60 subject to the relevant provisions.
- In respect of Voluntary Retirement Pension: all working persons as well as those who are self-employed will be afforded the opportunity to provide additional retirement income to supplement their NIS benefits. This plan will be separate from the National Insurance System and will provide an investment instrument at competitive rates.

In respect of Greater coverage for employment injury: employers will be provided with a full range of employment injury benefits in order to reduce their burden in complying with both the Workmen's Compensation Act and the National Insurance Act.

6. IN RESPECT OF THE DISABILITY ASSISTANCE GRANTS

I propose to increase the disability assistance grant by \$200 per month to \$1,500 per month. With respect to a child with medically certified disabilities this will rise from \$800 to \$1,000 per month. This measure will take effect from February 1, 2013.

7. (A) IN RESPECT OF HOUSING DEVELOPMENT

I propose to stimulate the construction sector and alleviate the needs for housing stock by exempting from income tax the gains or profits derived from the initial sale of newly constructed houses of the class specified in section 43 by any person registered in the prescribed manner as a trader in such houses. The exemptions provided under section 42(2)(c) will apply in respect of a house the cost of construction of which, exclusive of the cost or value of the land, in the opinion of the Minister, having regard to normal building costs

prevailing at the time of its construction, would not exceed at the maximum upper limit of one million five hundred thousand dollars, where construction commenced after October 1, 2012. The exemptions provided under section 42(2)(c) will be operative for a period of three years beginning with the date of the passage of the required legislation.

7. (B) IN RESPECT OF LAND DEVELOPMENT

I propose to exempt income from the gains on profits derived from the initial sale of land developed for residential housing where the development of such lands commences after October 1, 2012, and the sale is consummated prior to December 31, 2015.

8. IN RESPECT OF IMPORT DUTY ON ALL TYRES

I propose to provide consistency of treatment in the duty regime for new and used tyres with an application of a 30.0 per cent import duty, bearing in mind that new tyres attract an import duty of 30.0 per cent and used tyres are imported duty free. In keeping with the rules under the CARICOM Treaty, the Ministry of Trade and Industry will submit this proposal to COTED for approval prior to its implementation.

9. IN RESPECT OF THE ENERGY SECTOR

I propose to:

- (1) harmonise the SPT rates issued Pre-1988 and Post 1988 for marine areas by removing the distinction between the Pre-1988 and Post-1988 SPT rate for marine areas.

One SPT rate will be allowed for marine areas as currently pertains for land and deep-water. The SPT rate for marine areas will be set at the Post-1988 rate of 33.0 per cent for prices ranging from US\$50/bbl–US\$90/bbl. The formula used in determining SPT rates above US\$90/bbl will continue as will the SPT provisions for land and the deepwater;

- (2) introduce a special SPT rate for new field development to enhance the economics of field development of small pools and increase the competitiveness of this country's fiscal regime. A special SPT rate of 25% is proposed for approved new field developments, at prices above US\$50 and up to US\$90/bbl. Thereafter for prices above US\$90/bbl and up to US\$200/bbl, the SPT formula as currently exists will be applicable. This new SPT rate is intended to spur development of inactive fields, not yet in production; and
- (3) introduce an uplift of 40.0 per cent, for a period of five years, on exploration cost (excluding exploration dry holes) incurred in undertaking approved projects in deeper horizons.

10. IN RESPECT OF THE REDUCTION OF THE FUEL SUBSIDY

I propose to reduce the subsidy on premium gasoline. The price for premium gasoline will be close to the market price and would be fixed at \$5.75 per litre. The new pricing structure will take effect from October 2, 2012.

11. IN RESPECT OF DRIVERS PERMITS

I propose that with effect from November 1, 2012, upon the first issue, the driver's permit will remain valid for five years, and thereafter upon renewal the validity would be for a duration of either five years or ten years at the option of the holder of the driver's permit. The fee for the first issue of the driver's permit will remain at \$500.00 and the fee for the five year and ten year renewal periods would be respectively \$500.00 and \$1,000.00.

12. IN RESPECT OF THE LICENSING DEPARTMENT

With effect from October 2, 2012, I propose to streamline the fee provisions under the Motor Vehicles and Road Traffic Act and to improve the administration of the Licensing Department. Motor cycles, school buses and omnibuses will be brought within the tax net.

13. IN RESPECT OF THE BUSINESS LEVY THRESHOLD

In light of the increased VAT threshold, it is also proposed that the threshold for the Business Levy should also increase from \$200,000 to \$360,000. This measure will take effect from January 1, 2013.

14. IN RESPECT OF THE TRANSFER OF CEPEP AND URP EMPLOYEES TO THE PRIVATE SECTOR

I propose to provide each company which elects to employ CEPEP and URP employees with an employment allowance uplift of salary of 150.0 per cent for tax deduction purposes.

15. IN RESPECT OF THE CONSTRUCTION OF COMMERCIAL BUILDINGS

I propose to provide an exemption from Corporation Tax for a period of five years in respect of the profits earned in the construction and rental of commercial buildings to be constructed within the next five years, such buildings to include multi-storeyed car parks.

8. BUDGET: ESTIMATES OF REVENUE AND EXPENDITURE

Mr Speaker, I wish now to turn to our estimates of revenue and expenditure for Fiscal Year 2013. We are now at a turning point in our growth dynamics. We shall consolidate our gains and ensure that our reforms lead to improved efficiency in our national economy. With a world economy consistently in change and at times in turmoil we have put in place mechanisms to cope with the inherent risks in the global economy. We have budgeted in a prudent manner.

Mr Speaker, Government expenditure is planned on the basis of revenue projections, which are predicated on oil and gas assumptions of US\$80 per barrel for the Trinidad and Tobago basket of crude and US\$2.75 per MCF, respectively. It should be noted that an average oil price of US\$80 per barrel for Trinidad and Tobago basket of crudes equates to a West Texas Intermediate (WTI) oil price of US\$75 per barrel.

Mr Speaker, we are projecting the following:

- Total Revenue - \$50.736 billion;
- Oil Revenue - \$20.038 billion;
- Non-Oil Revenue - \$30.698 billion;
- Total Expenditure net of Capital Repayments and Sinking Fund Contribution - \$58.405 billion.

Mr Speaker, I am therefore budgeting for a fiscal deficit of \$7.669 billion or 4.6 per cent of Gross Domestic Product. I propose to reduce this deficit by the equivalent of a minimum of 1.0 per cent of GDP per annum over succeeding years.

Mr Speaker, I have ensured that the expenditure profile would maintain a delivery of services to ensure the comfort, well-being and security of our citizens. The allocations to the various Ministries would achieve this objective.

- Education and Training - \$9,149.1 million;
- Health - \$5,108.7 million;
- National Security - \$5,503.7 million;
- Public Utilities - \$3,783.1 million;
- Housing - \$3,503.7 million;
- Works and Infrastructure - \$2,412.9 million;
- Transport - \$1,682.8 million;
- And Agriculture - \$1,338.3 million.

Mr Speaker, no appropriation has been made in this Budget for the Constituency Development Fund. It is expected that the appropriate provisions will be made when the legislation and associated controls are put in place by this Honourable House.

9. CONCLUSION

Mr Speaker, after three years of negative and negligible growth and against a worrisome global environment, we have stabilised the economy with a resumption of a 1.2 per cent growth rate in 2012. We have been able to cope with the stresses and strains ever present in the interconnected world economy. We have put the economy on a self-sustaining growth path over the medium-term. We project an annual average growth rate of 2.5 per cent. We have exited the crisis much more quickly than many other similarly-circumstanced countries and with substantial economic and financial buffers. We shall pursue a proactive reform and policy agenda for transforming and creating a new Trinidad and Tobago.

The well-being of our citizens is paramount to this Administration. We have had four (4) years of fiscal deficits; but in the main they were aimed at buttressing economic activity for securing growth and job creation. We have succeeded. We are now at full employment levels and our policies and programmes are aimed at ensuring that our workforce can meet the demands of a growing and increasingly modernised economy. We are now in a position to return the fiscal framework to a sustainable path and in the process to resume savings for future generations.

We have established a roadmap to bring our budget into balance by 2016, if not before. We would balance the need for creating the confidence and trust of our citizens in our fiscal position with the need for supporting growth and development and for generating quality jobs and prosperity. Our state enterprise sector will have to do more with less resources. They must do so through a greater focus on higher performance standards and higher worker productivity.

The maintenance of stimulus would underpin our growth dynamics which are being anchored on an increasing private sector involvement in the economy and improving competitiveness. Central to this process is our commitment to consultation with all our stakeholders. Growth will be further supported by high educational standards, by an increased credit flow from our financial institutions and generally, by a commitment of our national community to hard work, discipline and increased productivity.

Mr Speaker, I commend this Budget to this Honourable House and I beg to move.