



GOVERNMENT OF BARBADOS

FINANCIAL STATEMENT

AND

BUDGETARY PROPOSALS

2008

PRESENTED

BY

HON. DAVID THOMPSON

PRIME MINISTER AND MINISTER OF FINANCE

Monday 7th July, 2008

RESPONSIVE AND RESPONSIBLE

Mr. Speaker,

The honour is mine and the privilege is humbling to present this first budget of the new Democratic Labour Party administration in this House.

I start by thanking Almighty God for all the blessings He has showered on us as a nation, and our people for the special wisdom and the courage to exercise their democratic rights from time to time and to seek change when necessary. I thank all of those who pray for those who lead them every day.

I come to this point grateful to the people for entrusting the management of the nation's affairs to my Cabinet at this crucial juncture in the history of our beloved country. There are those who think that 2008 is the worst time for a political party to come to office bearing in mind the multifaceted challenges that confront us. But ours is not a labour for reward. It is a labour of love of country and for which our feet have been held to the hottest of fires and we have endured the cruelest of winters.

I am strengthened by the comforting by the words from the Book of Joshua, *"Be strong and of good courage; be not afraid, neither be thou dismayed for the Lord thy God is with thee withersoever thou goest."*

The people of Barbados have turned to us at crucial watersheds in our development in the past. We did not disappoint you then and we shall not disappoint you now. We have taken tough decisions before that have led our country on to greatness regionally and internationally.

I am therefore acutely aware of the enormous responsibility that has been placed on the shoulders of this new Government. But we will not shirk from our task, nor rest our sinews until we have achieved those goals we set out in the Pathways to Progress.

Today Barbados stands tall in the international arena as one of the highest ranking developing countries in the world – not because the statistics were adapted to suit us, not because we have friends who rank us, not because we like to show off – but because our ambitions are not limited, our prudence and thrift are legendary, our management is careful and creative and our history is our guide. This means, in my view, that we are capable of achieving the status of a developed country within our lifetimes. And to this we are committed.

We are also committed to maintaining that momentum that will take our country to a higher level of development. One in which every Barbadian has access to a decent standard of living and an improved quality of life.

We cannot do this without taking into consideration the context within which we come to this task. We are a small island that is highly susceptible to socio-economic forces that link us inextricably to developments taking place in the global environment.

Today, there are two powerful forces operating in the marketplace that are having a devastating effect on nations at all stages of development.

The first is the inexorable rise in the price of oil with a dramatic knock-on impact on the cost of living.

The other is the corresponding and very much related rise in the price of the most basic necessity for human survival – food.

Barbadians know that when demand increases and supply remains the same, or decreases, or increases at a slower rate than demand, prices will rise.

Barbadians also know that these developments have led to several forms of protests in highly developed countries like the United Kingdom, France and Spain and have caused riots and more serious demonstrations of anger in poor countries like Haiti, Somalia and North Korea.

We have, since coming to office, wrestled with these forces and have tried to ameliorate their impact on the most vulnerable members of this society.

It is therefore a measure of the political maturity of this nation and the trust it has placed in this Government that Barbadians have been exploring alternative ways of saving scarce resources, have become more enterprising and have waited patiently for this Budget, knowing full well that this Government will leave no stone unturned in its search for measures to bring relief to the citizens of this country.

Compounding the situation is the state of financial affairs, which this Government inherited and the commitments which we are obliged to honour. There are those, who, for their own reasons, would like us to say nothing about the past and *"get on with running the government."*

Regrettably, this cannot be the case when we are being ruled from the political grave of the last administration.

Poets might want to express it as being passed a *"poisoned chalice"*; and our military leaders might understand *"leaving a minefield behind"*.

Fiscal Irresponsibility

But it is my duty to tell you in simple terms that my Government is still discovering cases of excessive spending and fiscal irresponsibility that can only be explained in terms of a regime that assumed that it would rule forever and that no one outside their Government would ever discover the mess they were creating.

Certainly, I would like to get on with the job of governing if only I could have ignored the following instances of such irresponsibility that put in jeopardy not only our national economic strategy but our standing internationally.

Let me itemize some of the things this government had to do in its first six months and add to that the long list of commitments made by the former administration which we have had and will have to finance.

Barbadians are already aware of the scandalous and sordid financial messes with the Greenland Landfill, the Gems Project, the National Housing Corporation Building at Warrens, Kensington Oval, the new "Barbados-to-US currency" Prison, the bathroom facilities at Silver Sands and the wastage and squandermania at the Urban Development Commission among others.

I have not even begun to deal with the ABC highway project or the \$35 million in roads in St. Philip for which financial provision had not then been made.

We also had to find \$26.5 million for the Barbados Defence Force pensions, and other new Barbados Coast Guard expenditure, the Hardwood Housing scam and the latest sordid case of the Mobil Refinery clean-up, the full facts of which will come to light shortly.

We also had to find \$33 million to clear the National Housing Corporation's overdraft, \$27.8 million for the Transport Board, \$5 million for Enterprise Growth Fund, \$8.1 million for the Queen Elizabeth Hospital.

When we came to office, the subsidy to Barbados National Oil Company, which stood at about \$50 million, had to be dealt with.

ABC Highway

I want to deal specifically with the ABC highway as this is an example of the most reckless and wanton disregard for financial prudence and management.

This project, you will recall, was started by a company that no one knew anything about and, apart from information emanating from legal sources in the United Kingdom and Jamaica, we still know little about.

How could a government let a company start a project based on an artist's impression? In July, 2006 Three S started construction "on a rolling basis" of road widening for a projected cost of \$40,232,432.00. Eight Flyovers were to be constructed again on an artist's impression for \$79,517,659.00. This was a total projected cost of \$119, 750,000.00.

Work started and no contract was signed and, despite the decision of the Cabinet of Barbados, Three S has still not signed a contract.

No specifications, no bill of quantities, no working drawings and no contract!

From an original projection of \$119 million in November 2005, by May 6, 2006 the projection had reached \$143,614,460.23 in less than six months. By December 17 2007, the figure for road widening only moved from the original figure of \$40 million to a revised figure of \$70, 231,220.00 and then to an amazing \$117 million. Despite the decision of my Cabinet, Three S is now claiming more.

Enough is enough!

As Prime Minister and Minister of Finance, I am ordering an immediate termination of the contract with Three S; a full investigation of that sordid mess - the terms of which will be set out shortly; and that the Ministry of Transport, Works and International Transport work with the Barbadian contractors to have the road widening completed.

Furthermore, there will be no flyovers!!

The Economic Picture: International Developments in the First Half of 2008

The volatility in international financial markets first observed in 2007 continued into the first half of 2008. Record-high prices for oil and other commodities and a declining US dollar exacerbated the effects of this financial turmoil, dampening global growth, while simultaneously driving up inflation.

These developments influenced the performance of the Barbadian economy significantly during the review period, inasmuch as they affected mainly advanced economies, among them Barbados' major trading partners — the US, Canada and Europe.

In the US, the credit squeeze that began with the sub-prime mortgage crisis continued its cascade through a number of domestic industries, including construction, business services and retail trade, placing sustained downward pressure on real output growth. In response, the government implemented a multi-billion dollar economic stimulus package, while the US Federal Reserve (Fed) instituted a series of interest rate cuts, which reduced the target Fed Funds rate to the current low of 2.0%.

At the same time, a weakening dollar made US exports more attractive and imports less so, leading to a narrowing of the current account deficit and providing some impetus for growth.

In line with the expansionary measures, as well as the boost from trade, the performance of the US economy exceeded earlier expectations, recording growth of 1.0% in the first quarter. However, this was significantly below the average growth of 2.2% in 2007, and estimates for the second quarter indicate a further slowing in activity.

The lower growth estimates are supported by recent economic releases, including jobs reports, which show continued job losses through May.

Meanwhile, the depreciating dollar and rising commodity prices contributed to higher import costs. This, combined with the monetary and fiscal stimulus, placed upward pressure on prices, leading to a jump in headline inflation to 4.2% in May, from 2.7% a year earlier.

At the same time, some of Barbados' other major trading partners also grappled with sluggish growth and rising prices during the period. In Canada, where the US is the country's main trading partner, real GDP decreased by 0.3% in the first quarter. In the UK, year-on-year GDP growth slowed moderately to 2.5%, down from 3.1% in the first quarter of 2007, while in the Euro zone, year-on-year growth of 2.3% was recorded, down from the 3.2% recorded a year earlier. In a bid to shore-up growth, Canada continued its rate-cutting cycle which began with a quarter-point cut in December 2007, lowering its target overnight rate by a further 1¼ points during the review period, as inflation remained within the target range of 1 – 3 percent.

Slower growth notwithstanding, the European Central Bank (ECB) and the Bank of England (BoE) were more reluctant to cut rates in the face of significant inflation pressures. The ECB therefore maintained its neutral policy stance adopted since June 2007, while the BoE, after a quarter-point cut in February, kept its rate on hold in April. Nevertheless, May inflation reached 3.7% and 3.3%,

respectively, in the Euro zone and UK, significantly above the 2.0% level targeted by both central banks.

Despite the deceleration in the US and other advanced economies, moderate growth was maintained at the global level, driven by emerging markets, where the effects of the financial crisis were less pronounced due to their reduced exposure. The impact of the global slowdown was further mitigated in these economies as increasing regional demand for exports partially offset declining receipts from exports to the advanced economies.

Against this background, China's economy continued its double-digit growth, expanding by an estimated 10.6% year-on-year in the first quarter, just 0.5 percentage points lower than the growth experienced one year earlier. Similarly, India recorded real GDP growth of 8.8% over the period, while Russia, too, experienced a relatively high year-on-year growth rate in excess of 6%. In Latin America, growth rates were also less depressed than in the advanced economies.

However, while these economies were able to avoid some of the effects of the international slowdown, they were unable to shield themselves from the inflationary pressures also facing the advanced economies.

In fact, inflation was a major concern for these economies, particularly since food prices, which constitute a larger percentage of their consumption than in advanced economies, continued their upward trend through 2008.

In general, global commodity prices continued to climb through the first quarter, especially oil and food prices — including the cost of staple foods such as rice, wheat and corn, a situation that was made worse by increased freighting costs and low supply stemming from bad weather conditions.

International Outlook Through the First Half of 2009

The outlook for the world economy for the remainder of 2008, going into 2009, is largely predicated on a few key factors: the extent to which the current global financial crisis is likely to persist, the anticipated US slowdown or recession and associated spillover effects on other major economies, as well as the future trajectory of oil and other commodity prices.

According to the International Monetary Fund, global growth is expected to slow to around 3.7 percent in 2008 and to continue at about the same pace in 2009.

The predicted slowdown is based largely on a scenario where continued financial market weakness in the US would tip the economy into a short and mild recession in 2008, with the ensuing trade and financial spillovers causing other advanced economies to slow further.

Emerging and developing economies are also expected to decelerate somewhat, reflecting efforts to combat inflation in some countries, as well as spillovers from the advanced economies and some moderation in commodity prices.

Analysts speculate that the price per barrel could reach as high as US\$200 by year-end and do not expect the price to fall significantly, if at all, in 2009. In addition, the IMF is projecting higher food prices, as demand for food in emerging and developing markets is set to continue growing. The prospect of still-higher commodity prices over the forecast horizon is therefore likely to feed into higher inflation forecasts.

Domestic Economic Review for the First Half of 2008

Mirroring the global slowdown, growth in the Barbadian economy slowed to an estimated 1.8% during the first six months of 2008, in comparison to the 4.2% average rate of expansion registered in the corresponding periods between 2004 and 2007.

Lower rates of growth in both the traded and non-traded sectors contributed to this outturn.

Average output in the non-traded sectors, the main engine of growth from 2005, grew by approximately 2.0%, substantially below the average first-half expansion of 5.1% recorded between 2005 and 2007.

Activity in the construction sector, the driving force behind non-traded growth during this peak period, fell by an estimated 6.7%, with the completion of projects relating to Cricket World Cup (CWC) 2007, along with a reduction in residential and commercial real estate activity in the private sector.

Real output in the traded sectors expanded by an estimated 1.1%, compared with the 2.4% increase one year earlier, reflecting declines in manufacturing output and sugar production, as well as a moderation in tourism value-added.

The dip in manufacturing came as gains registered by the electronics and beverages and tobacco industries could not compensate for a fall in chemical production, which was related to the destruction of a major chemical plant by fire in 2007. The 2008 sugar harvest yielded approximately 31,600 tonnes of sugar, some 2,300 tonnes less than the 2007 crop year.

The reduction in tourism output growth, from 3.1% in the first half of 2007 to an estimated 2.7% during the review period, came as April tourist arrivals returned to pre-CWC 2007 levels, leading to a sharp decline in the second quarter of 2008. This was partially offset by a double-digit expansion in the first quarter, as arrivals remained strong despite the slowdown in Barbados' major source markets during the period.

While the impact of the global slowdown on domestic output growth was limited, rising international commodity prices and higher inflation in Barbados' major trading partners had a significant effect on domestic inflation.

Consequently, the point-to-point rate of inflation was 5.0% at the end of March, after having fallen to 2.9% in September 2007, essentially moving in line with US inflation. Furthermore, with the removal of subsidies on petroleum products as of April, inflation is expected to have risen substantially in the second quarter.

On the balance of payments, a significant rise in the value of intermediate imports (mainly fuel-related, due to higher international prices) resulted in a widening of the current account deficit, while the surplus on the capital and financial account narrowed in comparison to 2007, when there were substantial capital inflows to finance real estate and tourism-related activities.

Nevertheless, the capital account surplus still offset the current account deficit and therefore the net international reserves (NIR) of the monetary authorities had risen by \$115.9 million to \$1,663.9 million as at June 25th.

During the period under review, growth in credit to the non-financial private sector picked up considerably, while domestic deposits continued to expand, albeit at a much slower pace than in 2007.

Notwithstanding this, the rate of domestic deposit accumulation (5.6% as at June 18th) still exceeded the expansion in credit (4.6%), leading to a further build-up of liquidity and a corresponding fall in the 3-month Treasury-bill rate. As a result, Government was able to finance the bulk of its deficit domestically.

In an effort to quell liquidity and further reduce the operating costs of foreign exchange-earning businesses, the Central Bank of Barbados cut the minimum deposit rate by 25 basis points to 4.5% in April, bringing the cumulative rate reduction since November 2007 to 75 basis points.

The decision to reduce rates was also influenced by international growth and inflation prospects and the potential impact of any weakening in the economies of major trading partners on the local economy. Furthermore, with the Fed's monetary easing depressing interest rates in the US to levels below those in Barbados, the reduction was also aimed at maintaining a positive differential with interest rates abroad, thereby providing some safeguard against the outward movement of capital.

Domestic Economic Outlook Through the First Half of 2009

The performance of the Barbadian economy during the remainder of 2008 and into the first six months of 2009 is largely dependent on the performance of the global economy.

In particular, growth in the major source markets (the UK and the US) will largely determine the outturn for tourism, which is expected to be the main driver of activity.

Accordingly, if the respective WEO 2008 growth forecasts of 0.5% and 0.6% for the US and UK hold, then real growth in the Barbados economy is projected to slow somewhat, to between 2.0% and 2.5%. However, in the event that the monetary and fiscal measures have the impact that the Fed expects on the US economy, these projections could be revised upward.

Beyond 2008, further slowing in the major source markets — exacerbated by higher transportation costs and possible reductions in airlift as a result of higher fuel prices — could lead to declines in both long-stay and cruise arrivals, and consequently, a slight moderation in real tourism value-added.

Nonetheless, the output of the traded sectors should increase moderately, as chemical production is expected to recover once the McBride's plant reopens as scheduled in 2009, boosting manufacturing value-added.

Despite expectations of a continued reduction in construction activity to pre-CWC levels, the output of the non-traded sectors should still rise by the end of 2008. This forecasted expansion is based on continued (albeit lower) increases in the wholesale and retail, transportation, storage and communications and business and other services sectors.

For the first two quarters of 2009, growth in most of the non-traded sectors is projected to slow relative to the corresponding period of 2008. In line with the anticipated dip in tourism, the output of the wholesale and retail, transportation, storage and communications and business and other services sectors should slow. Moreover, the level of construction activity is expected to remain relatively unchanged through 2009.

The moving average rate of inflation is anticipated to be about 7.9% by year-end, dictated by the trends in international oil and other commodity prices, and this relatively high inflation is expected to continue through the first half of 2009. Commensurate with the slowdown in real GDP growth, the average rate of unemployment is likely to increase, but should remain in single digits.

With respect to the balance of payments, the current account deficit could reach around 7.8% of nominal GDP by the end of 2008, approximately 0.8 percentage points above the ratio registered one year ago, as the value of retained imports is projected to increase further, given the rise in food and fuel prices.

In addition, capital goods imports are anticipated to rise due to the construction of the Ash Handling System at Spring Garden and the new Electricity Generation Station at Trents, St. Lucy.

The current account gap may continue to widen during the first six months of 2009, on account of higher intermediate imports (mainly fuel) and consumer imports.

Furthermore, with the likely moderation in tourist arrivals, travel credits may stagnate somewhat. However, the capital and financial account surplus – though likely to narrow as inflows to the private sector may be weaker and sizeable long-term private outflows relating to loan payments and real estate are expected – should more than compensate for the current account deficit. As a result, the NIR of the monetary authorities should still increase by year-end 2008 and in to 2009.

Credit is poised to pick up further as the anticipated decline in lending rates should provide an incentive to borrow. At the same time, deposit growth is likely to decelerate given the lower rates of return on deposits and the forecasted weakening of private capital inflows. Notwithstanding this, liquidity in the financial sector should remain high.

On the fiscal accounts, growth in government expenditure is projected to be in line with current trends. However, the removal of petroleum subsidies is likely to lead to a pick-up in VAT receipts which in turn may aid in containing the fiscal deficit in 2008 and the beginning of 2009.

I see the current major issues as:

- Projected slow rate of growth in tradable sectors, particularly tourism
- Vulnerability in food and energy with resulting pressure on growth of the economy and impact of inflation on the poor
- High national debt and an already high fiscal deficit
- Pent-up unsatisfied demand for housing by lower and lower middle income families

National Consultations

It is against this background that we have had to prepare this Budget as one of necessary restraint rather than the traditional honeymoon Budget most new governments present in their first year of office.

In keeping with our commitment to free, open, transparent and participatory governance, we consulted extensively with the people of Barbados to ascertain not only by how much we should ask them to tighten their belts, but to try to solve some of the little niggling problems they experience in their daily round.

The first form of consultation has been the on-going discussions with ordinary Barbadians in their communities whereby the Democratic Labour Party promised that as a party in government we would continue to interface with members of the public on a regular and consistent basis.

I am pleased to be in a position to say, indeed to boast, that every single member on this side of the House has established a regime whereby he or she has set aside a constituency day to hold constituency clinics or otherwise interact with voters on an upfront and personal basis.

It is in and through such consultations that we have remained connected to the people and also in touch and in tune with the issues that concern and directly impact their lives.

Additionally, during the past two weeks, we have invited representatives of the various stakeholder groups to sit with us and discuss how best to address the issues that confront our nation.

We recently held a National Consultation involving the established Social Partners which, incidentally, this year, boasted the largest attendance ever.

This was followed by 40 non-traditional interest groups individually sitting down with me at the official residence of the Prime Minister to explain the measures that they would like to see adopted.

There are those who advised me against holding such discussions on the pretext that we would receive a shopping list of unattainable requests. It is a tribute to the Barbadian prudence of which I earlier spoke that there was not one single outlandish or excessive measure that would be unbearable and unacceptable but some will take time.

There was a consensus that the sober measures recommended were nothing more than the birth pangs of the Better Barbados that is within our reach and that can only be achieved by making short-term sacrifices. Further, many groups made recommendations that had no fiscal implications. They made requests that simply emphasized the disconnect that has developed between the people of this country and those who have governed them.

It emboldened me to sit frankly with the Cabinet and take some quick action on a few initiatives that require minimal effort but will bring substantial returns. I will outline some of these during the course of this presentation.

It is my intention to make permanent, such annual consultations and, furthermore, to put in place mechanisms for ongoing dialogue among special interest groups, ministers of government and the public service at large.

This is the open, accessible and transparent government that we promised and this is the open, accessible and transparent government that we shall practice!

Governance

On the matters of openness and transparency, I am pleased to announce that the Governance Advisory Board, under the Chairmanship of Independent Senator Orlando Marville, former Diplomat and with former Central Bank Governor Calvin Springer, University Professor Dr. Eudine Barriteau, Attorney at Law Monique Taitt, the Very Reverend Frank Marshall, Dean of St. Michaels and all Angels and Shantal Munro-Knight a leader and policy-advisor in the NGO movement as members is working assiduously on developing a new regime of governance in Barbados.

The Board has been appointed with a mandate to advise the Minister on matters relating to the establishment of a legislative regime to foster good governance in the public sector, and ultimately the country.

It will, with the assistance of Legal Advisor, Professor Dr. Albert Fiadjoe, former Dean of the Faculty of Law and internationally respected administrative law expert, prepare draft legislation in the following areas:

- Integrity (to include declaration of Assets by public officials, and a Code of Conduct for Ministers)
- Defamation
- Freedom of Information
- New Constitutional provisions to rationalize the powers of the Prime Minister.

In addition, it will advise on a comprehensive public education programme on matters of good governance. The Board will also address matters of the Role of the Ombudsman and a Contractor General. It is proposed that draft legislation will be completed by the end of this calendar year.

In order to improve management in the public sector, particularly Statutory Boards and Companies owned by government, I am summoning all Chairpersons and Deputy Chairpersons to a Governance Consultation on July 20th 2008 to deal with issues relating to corporate governance and accountability as well as human resource issues.

Before I get to the sectoral diagnosis and analysis, there are a few issues on which we must reflect and which strike at the heart of accurate public information.

Accuracy of National Statistics

It is acknowledged widely that our Unemployment Statistics do not accurately reflect the level of unemployment or under-employment in Barbados. The definition of employment is limited and treats as employed, anyone who has worked for one hour in the previous two weeks and it consigns a portion of our population to those not seeking work when indeed they are tired of seeking work but find none.

These inadequacies in the definition have been exploited to the fullest by some who have heralded figures, which bear no relevance to reality. This government is keen to get to the truth and to have a clear picture of where we stand in relation to unemployment.

We have therefore sought technical assistance from the Inter-American Development Bank through the Statistical Modernisation Programme to improve on the methodology and ultimately the accuracy of our unemployment statistics.

Likewise the retail price index which measures movement in prices where the basket of goods is limited: it does not capture enough services and its composition is not changed quickly enough to capture changing consumption patterns. This too will be restructured under the Modernization Programme.

The traditional measure of the Public Debt makes no allowance for the guarantees which the government gives to government-owned corporations, both statutory and those formed under the Companies Act, which have increased significantly in the last 14 years, leading to concealment of the true obligations of government.

These will be addressed in this modernization process.

I could continue to fool myself that unemployment is not a problem in Barbados and take comfort, as did the former government, in the published unemployment and inflation statistics.

But, if I do that, I would be ignoring the objective reality of Barbados today. Consequently, I will not let my government be fooled by statistics that bear no relevance to the daily experience of the people as communicated to Members of Parliament.

The Social Sector

Mr. Speaker, judgements about our social sector can only be made with accurate, relevant and timely statistics. We cannot wait for the reforms in the methods of analysis of unemployment, inflation and so on before we take action on some crucial fronts.

In keeping with the philosophy of our Manifesto, which has been made a document of this Honourable House, we have decided to put people first and to deal with those things that are having a decisive short-term and even long-term impact on their lives.

Education

We start with education because it has been our most effective tool in developing the only resource we have in abundance – our people.

Our educational sector needs many changes. The physical plant continues to crumble and we are doing as much as we can in light of the limits to our resources to repair and upgrade this plant.

Additionally, we need more special teachers for our slower and our faster learners and we need more facilities for our disabled children.

Even for our students just past their CXC examinations hurdle, we need to double the spaces we now provide. It must be earth-shattering for our youngsters, full of enthusiasm, to find that they are unable to gain entry to our tertiary institutions like the Barbados Community College – or one of the Sixth-Forms - or the Samuel Jackman Prescod Polytechnic.

These youngsters are then forced to try to get into the University of the West Indies before they are academically and emotionally ready and it costs government more to put them through tertiary institutions.

When our students need to borrow funds for special courses - especially when they wish to go abroad - they find the borrowing limits of the Student Revolving Loan Fund too low, the interest rate too high, the range of permitted courses too restricted, the repayment period too short and the administrative arrangements for getting a loan too antiquated.

These problems cannot be solved all at once. We have decided to use the Student Revolving Loan Fund by increasing the loan limits and we will, over the next nine months, do more to bring the scheme in line with our thinking for tertiary education.

It is proposed to amend the Student Revolving Loan Fund legislation to permit:

1. Annual loans up to BDS\$100,000 over four years;
2. Repayment of the loan over 30 years and provision for prepayment of the loan without a prepayment penalty;
3. Interest at 1.5% over the savings rate, being in current terms 6% per annum;
4. Removal of the need for sureties in the event that a charge on property is taken;
5. A grace period on principal and interest for the full time of the student's studies and for two years thereafter.

On the subject of providing educational opportunities for our young people, we have agreed that UWI, Cave Hill will establish a Medical Faculty here in Barbados from September this year.

This will mean that 25 of our Barbadian youth will be able to pursue their medical studies here in Barbados and this translates into reduced cost to them.

Having myself benefitted from interaction at UWI with other students from the Caribbean and realising that such interaction makes a profound contribution to our regional integration efforts, provision will still be made for 10 of our medical students to attend the Medical Faculties at Mona, Jamaica and Mount Hope, Trinidad and Tobago.

The Ministry of Education will be embarking on the following within this fiscal year:

- Accelerating the training and retraining of teachers so as to meet the needs of a varied student population in our Nursery, Primary and Secondary Schools.
- Increasing the number of children who benefit from Nursery education by the construction of two purpose-built Nursery Schools;
- Build one new Primary School to replace an existing school;
- Increase the use of technological apparatus, educational software and other computer applications in schools;
- Expand the role of the Audio Visual Department;
- The completion of the design of a new Secondary School;
- The Lodge School and Harrison's College will undergo major refurbishment;
- Work on the Parkinson Memorial to improve its overall physical condition will start soon.

School Bus Service

Mr. Speaker, we are troubled greatly by the behaviour to which many of our schoolchildren are exposed and which they practice on some types of public service vehicles. This uncontrollable situation must stop.

The "*minibus culture*" of breaking traffic laws, playing loud unadulterated lewd music and liming by school children in the PSV vehicle stands, has lowered our traditional values and led to lack of concentration in the classroom by our children, exposure to alien forms of uncensored messages about violence, guns, use of drugs and sex and has led to uncouth behaviour on and off those vehicles.

A stop must be put to these developments and, even if we are to become unpopular for it, we will not close our eyes and fold our arms to this insidious destruction of our young people.

Energy prices are rising and the cost of public transport has increased exponentially over the past 14 years. Last year alone, Government provided the Transport Board with \$27.8 million to cover its operating deficit. Under normal circumstances, we should be and indeed there would be justification for our increasing bus fares, even to school children.

However, we have agreed that even more critical than the financial impact is the social impact of a disorderly school bus system that exposes our children to vices best avoided.

Effective the start of the next school year in September 2008 school children in uniform or with student identification cards will be permitted to travel free on Transport Board buses. Thus a school trip that may once have cost 2 dollars because it involved taking two different buses to get to school will now be free.

Parents will also have to worry less about the cost of sending their children to school. This facility will provide a \$400.00 per year minimum benefit for a child who has to take only one bus to school and \$750.00 per year minimum for a child who has to take two buses to get to school.

I want to make it clear how this government feels:

If there is no improvement in the compliance by PSV's with the law and traffic regulations during the intervening period, at the point of introducing the new service, we will ban school children from travelling on PSV's by law.

Additionally, Mr. Speaker, I consider this an appropriate point in this presentation to address the issue of bus fares in general. I alluded earlier to a \$27.8 million operating deficit by the Transport Board last year alone. Also, rising fuel prices and other operating costs are impacting negatively on the finances of the Transport Board.

A clear case can be made for an increase in the cost of public transport. But, again, as a gesture towards containment of the Cost of Living in Barbados, I am pleased to announce that fares on Transport Board buses shall, in this Budget, remain untouched.

Family, Youth Affairs, Sport and Environment

Mr. Speaker, we continue to be concerned about the conditions in which our young children are raised, particularly when their parents have to go off to work and the children are left unsupervised.

Our concern is heightened because the sense of community which existed in days past seems largely to have disappeared and the sense of duty which made us all see each one as the other's keeper has been almost lost.

Our young children are most vulnerable to undesirable attention from others who mean them no good and are more likely to be tempted into trouble during the long periods during school holidays when many of these children are idle.

In order to have our young children supervised in camps during these vacations and to use the occasion of such supervision to rebuild community values we plan to establish a National Summer Camp Programme.

This Programme will bring our young children under the good influence of our outstanding retired citizens and will help our teenagers to develop a sense of duty towards their juniors. We also want to create a cadre of community leaders who believe in sacrifice above self and to bridge the generation gap between our teenagers and authority figures.

We feel this programme can help to build respect among our youth for our senior citizens and to provide an opportunity for training teenagers in counseling, activities management and execution while paying them a stipend.

Unfortunately we have not been able to get these camps ready in the numbers we would like for the start of this summer holiday. But we will be expanding the number of camps under the sponsorship of the Sports Council and the Division of Youth Affairs from August this year.

Camps will also be provided for all school children between ages of 5 and 15 years during the Christmas, Easter and summer holidays of next school year and each year thereafter.

These camps will be staffed by Volunteers from the Barbados Association of Retired Persons, other retired persons, church helpers, the various Service Clubs around the island, the Cadets, Scouts, Guides and by the Sixth Formers, students of Barbados Community College, the Samuel Jackman Prescod Polytechnic and the University of the West Indies.

We will provide a fortnightly stipend of \$500.00 will be paid to Volunteers. We will use Schools, Churches and Community Centres for these camps and will aim to have all camps within walking distance of the homes of the children that they are serving.

These camps will be provided free of cost to our children.

Social Care and Community Development

Mr. Speaker, we are mindful of the fact that the complex and fragile family structures of the Caribbean have traditionally been supported by the community.

We intend strengthening the capacity of the community to help raise our children through the Ministry of Social Care, Constituency Empowerment and Urban Development as well as the Ministry of Community Development and Culture.

Hence we shall devolve greater responsibility and authority to local people by means of Thirty Constituency Councils which will be established to enable ordinary Barbadians in communities, within clearly defined constituencies, to participate in the process of deciding what needs to be done in their constituencies and to link residents in a meaningful way to Parliament and Central Government.

This is one of the most exciting social programmes since the abolition of Local Government.

The mission of the Welfare Department is to provide a range of Social Work Services geared towards the resolution of individual and family problems which include the alleviation of poverty.

Under the National Assistance Act, provision is made to assist a person in cash or kind, who has no resources to maintain himself or his dependants. All categories of monetary assistance given under the National Assistance Act were last revised in 1996.

In 2007 the rate for the severely disabled was increased from \$63.00 to \$96.00. Omitted from consideration for review were the following:

<u>Category</u>	<u>Rate</u>
Child under 16	\$25.00 per week
Child over 16	\$28.00 per week
Able-bodied adult	\$28.00 per week
Low disabled	\$29.00 per week
Persons 55-65/ Disabled	\$63.00 per week
Severely Disabled	\$96.00 per week

At this time the disposable income of those receiving monetary assistance under the National Assistance Act has been eroded. I therefore wish to make the following proposals for rate increases in the following categories:

Children under 16

At June 2008 there were over 3,000 children receiving grants from the Welfare Department. A realistic rate increase of 40% from \$25.00 to \$35.00 per week will be granted.

Children over 16

At present the monetary grant given to this group is \$28.00 per week and an increase of 25% bringing them to \$35.00 per week will be granted.

Able Bodied Adults

At June 2008 persons in this category received \$28.00 per week. This rate is deliberately low to discourage dependence so the proposed grant will be increased to \$33.00

Minimum Disabled

The rate received by persons in this category is \$29.00 per week which will be increased to \$36.00 per week

Severely Disabled

I propose that the grant for severely disabled persons be increased with effect from 1st September 2008 from \$96.00 to the level of the new non-contributory pension of \$116 per week.

These increases are expected to cost the Treasury approximately \$3 million per year.

Pensions generally

As promised in our Manifesto, I also intend to increase the minimum contributory pension from \$119.00 to \$142 per week with effect from 1st September, 2008.

This will cost the National Insurance Fund an additional \$13 to \$17 million annually and is intended to allow those pensioners to cope with the increased cost of living.

In addition, non-contributory old-age pensions will be increased from 1st September, 2008 to \$116 per week to assist our senior citizens who have no other pension to cope with the cost of living.

This increase will cost the Treasury approximately \$8 million per year.

Additionally, I note that last year the Reverse Tax Credit was proposed to be increased from \$800.00 to \$1100.00 for this Income Year and effective Income Year 2009 it would be further increased to \$1300.00.

However, as a result of the increase in the cost of living, I am going to increase the grant to persons earning below \$15,000.00 per annum immediately to \$1300.00 for **this** year.

This increase will cost \$7.5 million.

Housing

Mr. Speaker, I now turn my attention to the area of housing. I have had to make a judgement in this Budget regarding my vision for Barbados. I will call it the case of *the house or the car?*

Upon being elected in 1994, the Member for St. Peter said his vision was to see a motor car in front of every house. But if Barbadians don't have their own houses they will merely be parking cars in front of houses owned by others.

My vision therefore is first of all to provide adequate housing solutions for our people. The number of Barbadians standing in line for both public and private housing is conservatively put at 25,000.

But before I get into our programme for the future, I want to remind this house that within one hundred days of coming into office 1725 families were given letters offering to transfer their rental units to them. They will become owners of their own houses.

I was particularly moved one morning to receive a letter dated June 6th 2008 from a lady from Pinelands who had been living with her family in her Unit for over 43 years.

I wanted to let her know how much I appreciated her letter which read, *"On behalf of my family and myself I wish to take this opportunity to thank you for giving us the opportunity to purchase my home in which I have been living for 43 years. Sir, we are truly grateful for this opportunity. May God continue to bless you ad your government."*

Notwithstanding the success of that programme, we are mindful of the thousands of others who want a house.

Government has already identified over 500 lots in existing tenancies, which it will be acquiring for sale to first time home owners at \$5.00 per square foot. The services are already there and the only additional issues are acquisition, surveying and the legal arrangements for conveying the land.

However, 185 of those lots already belong to the NHC and tenders for the construction of two and three bedroom, purpose-built houses on these lots would have appeared in yesterday's newspapers. Construction is proposed to start on August 1st, 2008 on 51 lots at Greens, St. George, 44 lots at Work Hall, St. Philip, 40 lots at Four Hill, St. Peter, 33 at Marchfield, St. Philip and 17 at French Village, St. Peter. The latter are reserved for small contractors under our government procurement programme for small enterprises.

This programme will be administered through the National Housing Corporation and a Special Unit must be set up immediately to achieve this goal.

The National Housing Corporation, you will recall, was established by the Democratic Labour Party as the Housing Authority and we will restore it to its role as the provider of low-income housing solutions in our country. It is this government's intention to ensure that the NHC facilitates 2000 solutions every year and we will give it the financial liquidity to do the job.

Mr. Speaker, the Value Added Tax has negatively impacted on the desire of many Barbadians to own their own home.

Due to the rising cost of land and building materials, the cost of building a home is becoming prohibitive to those earning low incomes. This has engaged the attention of the Government and we have decided that the VAT should be removed from building materials on low-income houses with a value of up to \$150,000.00 for first-time home owners who reside in their homes.

We have been advised that approximately 800 lower income dwelling houses are built in Barbados every year. The removal of VAT from the construction materials on such homes would cost the Government approximately \$7.2 million.

We have considered the many ways in which we could administer this programme in a workable, efficient way. Obviously we want only those for whom the concession is intended to benefit. Since the intention is to bring relief to the home owner, my government proposes to refund the VAT included in the cost of acquisition of owner-occupied dwelling houses, whether these houses are built by the owners or purchased, for first-time home-owners, on houses up to a value of \$150,000.00. The Value Added Tax Act, Cap. 87 will be amended accordingly.

Those who will qualify for the benefit must, I stress again, be first-time home owners with gross family income below \$42,000.00 whose housing solution has a value of up to \$150,000.00.

Contractors providing such housing will be encouraged to register under the Housing Incentives Act 2007 to get the benefits under that Act. These benefits include a reduced income tax rate. It will shortly be amended to increase the limit on the value of construction of the housing unit so that an incentive for lower middle-income housing may also be provided.

All banks and insurance companies are reminded that they may register under the Mortgage Insurance Act and so provide low-income loans on properties up to \$150,000.00 at the rates set under that Act. In doing so, they will pay the reduced corporate profits tax rate of 12.5% on the profits made from such lending. This will ensure that the rate of interest on the mortgages for these low income properties are priced at no more than 2% over the cost of funds used to fund these loans.

Cost of food and personal items

It is generally accepted that the major issue facing ordinary Barbadians today is the cost of living.

Since assuming office, this issue has been at the centre of Government's concerns leading to my engaging in discussions with various entities in an effort to obtain their views on the best way to deal with this issue.

On February 28, 2008, the Cabinet decided that a Sub-Committee on the Cost of Living should be created to provide recommendations on ways to reduce the rising cost of living.

In that regard, I propose to amend the Environmental Levy Act to encompass a basket of goods which will be exempt from the environmental levy. The exemption will apply from August 1, 2008.

The list of goods proposed is in the schedule to this Statement and covers basic foodstuffs and personal care items.

I wish to sound a note of caution in this regard. Such tax reductions or removal as have been applied in other jurisdictions in the Caribbean have shown that the benefits were not passed on to the consumer. The Price Control Division will be actively monitoring the prices during this period and any failure to reduce prices will be brought immediately to the attention of the Social Partnership.

Additionally, Mr. Speaker, I have alluded in the past to the fact that the distributive sector is open to international competition and that this government has no problem with new players entering the distributive sector in our country to increase competition and the options available to consumers.

It is expected that the inclusion of new players in the food procurement, distribution and retail sectors will lead to greater competition and ultimately to a reduction in the overall price of commodities to the consumer.

A feature of new enterprises that we would like to see is that they are stand-alone operations and do not become intertwined with existing players to the extent where a cartel like scenarios persist.

There is a need for the streamlining of operations at our Sea Port to minimize the cost of doing business as well as an ongoing review of port charges and other processing fees to assist in bringing down the cost of imports to wholesalers and other distributors.

Such a study is currently being undertaken.

Health

Mr. Speaker, much of the necessary repair and maintenance work at the Queen Elizabeth Hospital has been deferred from year to year for a long time.

It can no longer be postponed if the QEH is to begin to deliver an acceptable level of service. We have no choice but to ask Parliament very soon to approve the guarantee of a bond to be raised by the QEH in tranches totaling \$60 million over the next 18 months to execute this vital repair and maintenance work.

We will also carry out necessary expansion to the Barbados Drug Service to create more locations and improve convenient access of the service to Barbadians. In addition, we will initiate discussions with the Unions to enable all the polyclinics to move to later closing times and to open 24 hours where research indicates that this is needed.

In the meantime, Cabinet has agreed to the expansion of the QEH on its present site estimated to cost over \$400 million and we have also begun to identify funding for this upgrade and expansion.

The Barbados Government owns a substantial number of shares in both the Barbados National Bank and the Insurance Corporation of Barbados, but in both companies, the Government is a minority shareholder, and so is in no real position to direct the strategy of either company.

At the same time, Government has been advised that the value of its shareholding in those two companies is approximately \$200 million and that the rate of the cash dividend that Government receives on an annual basis on these shares is less than the rate of interest that Government pays on its borrowing.

Since these shares are no longer useful in determining the strategic direction of either of these companies, Government has taken the decision to offer these shares firstly to Barbadian individuals, the National Insurance Board and local companies and then, if necessary, to the current majority shareholders of the two companies, if Barbadians do not take up all of the shares.

The proceeds of these sales will be used to fund part of the upgrading and expansion of the QEH.

Additionally, a number of *bona fide* local investors have approached the Government on their own behalf and on behalf of a number of foreign investors with substantial property investments in Barbados and have offered to raise philanthropic capital contributions for this upgrade and expansion of the QEH. More on that later.

Barbados Water Authority

We will also over the next two years prepare the Barbados Water Authority to submit itself to the rigours of accountability under the Fair Trading Commission, so that water and sewerage charges may be determined at levels that are fair to consumers and the Barbados Water Authority alike, and remove the huge burden that Government now carries in subsidizing water and sewerage rates for all persons in the society.

Economic Growth Strategy

My Government knows only too well that we need to keep the economy buoyant if we are to afford the comprehensive package of social services we offer to our people.

Our economic growth strategy therefore encompasses the following initiatives.

Tourism

Tourism is our main economic engine.

But we have to make some major decisions relating to this industry.

I have just returned from a CARICOM Heads of Government meeting at which tourism, regional and international transport were discussed for one full day.

Some important decisions were taken including the commitment to a regional brand, the establishment of a Caribbean Tourism Marketing Fund and discussions are taking place between LIAT and Caribbean Airlines Limited on their future ***together***.

There are some critical national concerns and a Tourism Master Plan is currently being designed by a new Unit in the Ministry of Tourism designed to look at our tourism development strategy in a holistic way addressing our product, land use policy, marketing, carrying capacity and linkages to our other sectors and the lives of Barbadians among other matters.

While this is happening, though, tourism is being attacked both by the slowdown in the world economy, the loss of wealth by many financial asset-holders particularly those in the housing market, and the horrendously steep rises in energy prices.

Energy prices are bringing a totally new dimension forcing airlines to cut back their fleets and services and may even force some of them into filing for bankruptcy protection. It seems that with the drastic increases in fares and other charges by airlines, traveling will very soon return to being a privilege for the wealthy or those on business.

The general feeling then is that the increase in the number of tourists visiting other places in the world will slow and Barbados will not be immune from this world situation. We do not intend to be idle.

Already the Barbados Tourism Authority has restructured its marketing programme to focus more acutely on the markets from which the more price-resilient of our tourists come and on those markets that are critical to us maintaining the airlift we now get from the major airlines. The marketing of the country will be intensified but will also become more focused on the market niches that we consider, on the basis of the statistical evidence available, provide us with the best value for our marketing dollar.

That revised programme will cost us an additional \$10 million.

A supplementary will be sought from Parliament to enable the BTA to do all it can to protect our tourism numbers and even to grow them a little in the current world economic circumstances.

I have specifically asked that we focus more on the Diaspora market in order to attract more friends of Barbadians living overseas as visitors to Barbados. A programme must be developed with appropriate incentives given to encourage Barbadians living overseas to market our country. There will be more on this later.

I need to pause here though, to point out that our first national strategic long-term priority is to protect our country for our own people and to save the important things that mean so much to those who visit us.

In that regard, we have already announced a policy of protecting our East Coast from Pico Teneriffe to Skeetes Bay as a national park area and from the purchase of land by foreigners.

This is not a xenophobic policy. All small islands have to protect their patrimony. We will protect ours. But we will also continue to develop those areas where tourism development is not in conflict with the aspirations of Barbadians.

The expansion of the luxury tourism market will include the construction and opening every two years of a major internationally-branded luxury hotel and associated branded residences catering to the five-star and ultra luxury tourism market.

The Tourism Development Act will also be amended to provide a gradation of concessions to be granted to tourism-related investments on the basis of the local value added that accrues to Barbados from those tourism-related investments.

Along with the internationally branded hotel chains, we will also encourage local luxury hotels to expand, but we have to use the international marketing presence and muscle of the international luxury chains to provide substantial assistance to the national marketing effort in tourism.

The expansion of the luxury room stock will also assist in the establishment of the Health Tourism market in Barbados.

In line with the expansion of the luxury segment of the hotel market, the “budget section” will also be upgraded. The aura around Barbados as an exotic high class vacation destination will increase along with the number of luxury hotel properties and this aura will also attract those who wish to stay in the budget-conscious hotel properties. But these properties will themselves have to go through an upgrade in their quality.

The Small Hotels group will still benefit from the fund administered by the Enterprise Growth Fund Limited. Government will therefore ensure that liquidity continues to be adequately provided for the Fund to meet the demand for loans by this group and will also subsidize the fees charged to these hotels for the administration of the fund.

Additionally, we expect that many of the properties will want to enter into arrangements with the better known international budget chains to expand their international name recognition, without losing their local identity, so as to expand their marketing reach and muscle, improve their operational systems and lower unit costs, and so improve their occupancies and profitability.

Wherever these developments in the tourism product take place, we will ensure that these projects maximize their linkages to the rest of the Barbados economy.

In this regard, the Tourism Development Act will be further amended to increase the length of concessions as the linkages by the tourism entity to the rest of the community are deepened.

Mr. Speaker, presently the Tourism Development Act provides for a package of incentives for the development of tourism facilities. A central tenet of the Tourism Development Act is that properties benefiting from concessions under the legislation must be made available for rental for at least nine months of the year and be registered with the Barbados Tourism Authority.

Recently however, it has been drawn to the Ministry of Finance's attention that some developers are not willing to place their units in the rental pool, and there is concern that insistence on the rental pool requirement would reduce the project's marketability.

I therefore propose to amend the Act to make the rental pool conditionality optional.

To this end the staff of the Ministry of Finance will be meeting with members of the Ministry of Tourism to design a special package of tax incentives for this category of investor bearing in mind that the concessions to be granted will most definitely not be as extensive as those presently available under the Tourism Development Act.

Government will take the lead through its tourism related properties to ensure that Barbadians of all walks of life have the opportunity to become shareholders or other financial stakeholders in the tourism products of this island.

Every tourism development involving the Government will from this year provide for Barbadian ownership and every private tourism development making provision from this income year for mass participation by the average Barbadian, will qualify for additional income tax concession of up to 5 years over and above the original and normal concession, if 25% of the investment is owned by Barbadians in blocks of not more than \$100,000 per shareholder.

For a long time now, there has been much discussion about potential major new hotel developments at Needham's Point. Negotiations on these developments have been partially hampered by the need for Government to have the land properly cleaned of hydrocarbons that have infiltrated the sites over time.

The Government, under the previous administration, had entered a contract with Esso, the owner of one of the sites, to clean the site and release Esso from all liability in connection therewith, in exchange for a payment by Esso to Government of approximately US\$7 million.

A contract for such clean-up was signed with a Canadian company, but after 3 years, the contract has had to be stopped after payment of all the money provided by Esso but with the sites in basically the same condition they were in when the contract started!

This is another one of those examples of questionable expenditure but as the matter is *sub judice*, I will say no more for now.

My government prefers to be part of a joint venture arrangement with firms or individuals who have hotel management expertise and systems and/or financial resources to bring to the partnership so that a more successful enterprise is assured. This situation does not exist with Government's involvement in Hotel and Resorts Ltd.

Government will therefore move expeditiously to create its preferred arrangement in HRL, but will do so only after the company has obtained planning approvals for expanding its three properties for mixed-use and a full audit of and financial investigation into the operations of HRL is conducted.

This will make the properties more attractive to potential joint venture partners in one or more partnerships for these properties and so enable Government and the people of Barbados to earn more from these joint venture arrangements to assist in recovering Government's investment in this company.

Alongside these developments will be the establishment of a number of marinas to attract yachts, as well as construction of a number of jetties in fishing villages on the east and south coasts with the necessary facilities to encourage the development of the boating industry.

These jetties and unique fishing villages will also become points for light commercial hospitality activities such as locally-owned restaurants, bars and nightclubs catering both to locals and visitors alike. The development of the boating industry will bring with it the creation of skilled jobs for persons who have to service the boats and their equipment, and will also expand the ship chandlery business.

Barbados will also seek aggressively to become a major regional airport hub to the rest of the Caribbean and to Central and South America. This will mean further expansion of the airport and further cooperative marketing with the airlines that we wish to use Barbados as a hub and that wish to come to Barbados as a destination.

In this way we expect to help airlines increase their load factors as well as decrease their costs to operations so that their airlift into Barbados expands over the next few years. Consistent with this hub development, Barbados will revise and thus expand its duty free selling regime so that its shopping becomes more competitive and a magnet, through its quality, range of brands and pricing, to persons who would normally visit Barbados for reasons other than shopping as well as for those who travel to shop. This focus will serve to attract more regional visitors.

Barbados will pursue, through private developers facilitated by Government, the development of theme park type entertainment to provide attraction for regional visitors to vacation in Barbados as well as for more residents of Barbados to vacation here. Thus, in addition to becoming more of an attraction for foreigners, Barbados' tourism industry will become more attractive to Barbadians as their vacation spot of choice.

The situation which Travel Agents have found themselves in by being at the mercy of airlines with respect to setting commissions is being examined. I cannot give any assurances as yet to Travel Agents, but I assure them that the government will seek to protect their interests.

Taxi Operators

The matter relating to the duty-free concession offered to taxi operators which is restricted to diesel vehicles has been brought to my attention. This will now apply to either diesel or gasoline immediately. Any equipment purchased by taxi operators to assist the disabled will also attract the concession.

International Transport

I spoke earlier of Barbados' participation in discussions at the level of CARICOM in relation to important regional international transport initiatives.

Specifically, government will pursue:

1. The maximization of the potential of our airport as a regional hub;
2. The construction of a terminal for private jets in north of island;

3. The building a new cruise ship pier and facility in the north of our island to reduce congestion at Bridgetown Port;
4. The investment in a regional ferry service.

Duty-free Sector

I now turn my attention to the Duty-free shopping sector. This Sector is a critical component of our tourism product and Barbados competes with other tourism destinations.

In 1992, at the height of the economic crisis, a revamping of this sector and the construction of the Cruise Ships Terminal in our Sea Port contributed greatly to the resuscitation of our tourism, craft and the distributive sector. Almost 200 Barbadians partnered with the government in this initiative.

Mr. Speaker, there are presently two systems for duty-free shopping in operation in Barbados, the "Drawback scheme" and the "In-bond scheme". The drawback scheme is designed to allow licensed operators, who have been operating for less than a year, to sell duty-paid goods at duty-free prices to bona fide tourists, and apply for a refund of the duties and taxes after the items have been taken out of the island by the passenger.

On the other hand, the in-bond scheme is a system where licensed operators who have been operating under the drawback scheme for at least one year, are permitted to take delivery of goods, which they will be offering for sale to tourists, without paying the relevant duties and taxes up front.

Over the years since the introduction of the in-bond scheme, operators under the drawback scheme have voiced the concern that their purchasing power is greatly reduced with having to pay the duties upfront and then wait for a refund which only adds to their cash flow problems.

We wish to get visitors to Barbados to spend more in our retail establishments by expanding our duty free shopping scheme.

This expansion will permit any retailer who passes the due diligence checks of the Ministry of Finance to become a retailer of goods free of import duties and excises to visitors with their passport, a second form of identification and their ticket, on the retailer posting a bond for 30% of the estimate of quarterly duty that the retailer and customs agree would most likely be otherwise payable on the goods to be sold free of duty.

This bond would reduce by 5 percentage points per year on satisfactory reporting and reconciling of duty free sales to rest at a bond of 5% of duty that would otherwise be payable.

This change in the duty free arrangements would reduce the cost to existing duty free shops, provide far easier entry to the duty free scheme from new shops especially small businesses, and encourage shops of very high quality and famous brands not now in Barbados to open their establishments here for duty free shopping.

Shops with less known brands would also be encouraged to establish operations since the administrative and financial burdens would be reduced.

Government fully appreciates the importance of this Sector and we are cognizant of the fact that Barbados' competitive edge was enhanced with the introduction of the in-bond scheme. The concerns have been noted and after discussing the matter I have decided that the drawback system will be phased out.

Effective September 1, 2008 new market entrants will, upon application to the Comptroller of Customs and the provision of the appropriate bond coverage, be permitted to take delivery of imported goods which they are offering for sale duty-free to tourists, without the payment of the relevant duties and taxes.

The expansion of the duty free scheme should help with the redevelopment of Bridgetown as a shopping area of quality, and should also expand shopping opportunities in Speightstown, Worthing and Holetown and at the various hotels.

Our aim is to have Barbados become the one place in the Caribbean for getting very good bargains on excellent quality merchandise in keeping with the brand image of this island. Our CARICOM neighbours will also be happy to have somewhere near where they can do their quality duty free shopping when they visit on vacation.

International Business Services

The other major plank in the growth of foreign exchange earnings in the country will continue to be the international business services sector.

More urgency will be placed on the negotiation of additional double taxation treaties and bilateral investment treaties between Barbados and other countries. Particular emphasis will be placed on negotiations with the countries of Latin America and Asia so that we have a network of treaties that straddles all major countries and positions us to compete with jurisdictions that have an extensive network of double taxation treaties.

Work will be intensified to create the conditions locally to make Barbados attractive to regional and international companies as a location for their business headquarters. These include tax benefits, immigration arrangements for senior and professional staff and their families, relaxation of exchange controls on capital transactions, double taxation agreements, bilateral investment treaties, dispute settlement arrangements, educational and health facilities and skills availability.

We will place much more of our effort in education at the university level on the graduate schools so that Barbados may produce more persons with the requisite training in information technology, finance and accounting, law and the other services required by the international business services sector.

Much of this effort will come at the Cave Hill Campus of the University of the West Indies where we expect that the appropriate staff resources will be recruited and the appropriate systems put in place to produce more professionally qualified persons at the post-graduate level in the skill areas required in the international business services area.

Agriculture

Land use is at the heart of our agricultural policy. A land use policy that is so flexible as to admit of ad-hoc change of use for competing tourism or residential developments spells doom for agriculture. It has led to land being taken out of agricultural production in the hope that eventually it will be approved for other uses.

We believe in balanced development. But we must protect our people and food security is a major consideration for countries like ours. In the face of the global crisis, a more consistent land use strategy is required and a defined area of our country needs to be reserved for various types of agriculture.

An Agricultural Protection Bill is being drafted which will protect large areas of agricultural land and require the approval of parliament for the change of use of land areas of over 100 acres.

However, a realistic extension of the Urban Corridor to include areas along either side of the ABC Highway and from the Newton Roundabout to Six Roads needs to be considered.

We don't grow enough food and the recent increases in international food prices have brought home to us all the level of our dependence on imported food which requires large amounts of foreign exchange.

We will do more to remove this defect from our economy and government will take the lead in this effort by having companies under its control use modern technology to generate major increases in food production and distribute and handle that production in a way that does not cause gluts in the market place or wastage. Instructions have therefore been given to the Barbados Agricultural Management Company Limited to increase its area of food production up to one thousand acres within the next five years

The BAMC's modern food producing assets will be leased and some of BADMC's food storage, handling and distribution will be franchised to progressive small farmers and business persons.

Thus a new class of high tech, small, young food farmers and distributors will be created through government's pivotal catalytic role. For this fiscal year, Government will guarantee loans to a total amount of \$15 million to BAMC and BADC to provide an additional 10 acres of greenhouse, shadehouse, tunnels, irrigation systems for modern agriculture and for packing houses and systems, cooling rooms and vehicles for transporting produce.

This investment will provide the facilities for those interested and trained in modern agriculture and distribution of crops.

Additionally, government will, in response to the request of the Wayside Vendors Association, identify a plantation to make available to the Association to undertake a pilot project for the production of vegetables for sale by members.

The agricultural information system will be re-established and improved to provide information at an early time on expected amounts of produce likely to be available from week to week.

This initiative by Government will be designed to ensure that productivity is increased and that it becomes more profitable and acceptable as a career to our young people. This can be achieved by the intensive use of technology in several areas.

There are a plethora of agricultural incentive schemes in place in Barbados but it appears as though many of them are not being efficiently accessed.

In order to encourage persons to make the necessary investment for modern agriculture and to protect this investment, we believe that farmers should get their incentives up front when they purchase items rather than have to wait on a duty rebate scheme.

No one else receiving incentives has to first prove their level of income from the activity for which they would receive the concessions, and farmers should not have to either. In all other cases, the concession is granted and if abuse occurs, the concession has to be repaid by the person who received it. The same should apply to farmers.

With effect from this year, all farmers entitled to concessions will receive these concessions up front and on the basis of the annual inspections which the Ministry of Agriculture will be required to conduct for the issue of farmer's licenses, the Ministry will recommend whether the concession should be retained or withdrawn.

Government will also make it easier for genuine farmers to access incentives commensurate with their investment in farming and will encourage those persons engaged in aquaculture through providing the same types of incentives and access to capital to them as to other farmers.

Increasing the domestic production of food will not be successful if the agricultural sector depends solely on rain fed crop cultivation.

The Government will be establishing a Pilot Project involving about thirty (30) farmers selected from among those in the BADMC's irrigation districts across Barbados at a cost of \$300,000.00. This Project will assist in demonstrating the efficient use of tensiometers, which can assist farmers in determining the optimum moisture level for the soil, thus reducing water wastage. Valuable information will also be provided to assist in decision-making.

A rebate of 50%, up to a maximum of \$ 7,500 per farm per annum, on a first come first serve basis, of the cost of cleaning, drainage and refurbishment of existing wells on farms, will be granted to registered farmers by the Government.

The cost for supplying this service is estimated at \$500,000.00.

Government will guarantee a loan for the financing of a \$16 million project for Drainage and Irrigation Water Storage conducted at the River Plantation by the BADMC.

This project will not only result in the harvesting of water for irrigation purposes, but will also extend the amount of land within the Land for the Landless Programme which will be available for agricultural production. The BADMC will however have to charge rates for the water provided to recover these costs as well as cover any operational costs.

The necessary funding will be provided to the BADMC to conduct a feasibility study for the drainage of lands in Gibbons and Springhall.

With the ever-increasing cost of agricultural inputs, there is an urgent need to find means by which to reduce, or at least stabilise, these costs, in an effort to decrease the cost of production and enhance the competitiveness of domestic agricultural production.

Presently the supply of agricultural inputs is only available through traditional suppliers at exorbitant prices. Efforts to ensure the adequate supply and efficient utilisation of inputs into agricultural and fisheries production will be achieved by the BADMC being granted the requisite licenses to import and distribute newer, environmentally friendly pesticides and bio-fertilisers and other agricultural inputs to registered farmers.

It is government's belief that a concerted effort must be made by every individual to increase agricultural food production. The Ministry will therefore continue its efforts to encourage greater youth participation within the agricultural sector through the following initiatives:

The annual subvention currently provided to the 4-H organisation will be increased from \$100,000.00 to \$200, 000.00 per year.

This increase is expected to ensure that there is at least one 4-H club in every constituency.

Fish farming is now the world's fastest growing food production sector. In 1980 just 9% of fish came from aquaculture. Today that figure has soared to 44%; yet fish farming remains an under-developed sector in the region. Fish farming is a highly cost-effective way of using scarce land resources.

It can be used in tandem with other forms of farming creating an ideal symbiosis where farmers growing vegetables can feed the waste to fish, while fish can be used for animal feedstuff; and fishmeal and other by-products are used for fertilizing soil.

Duty-free concessions will be granted to for live fish fry and fingerlings and live crustaceans intended for breeding or rearing for food, as well as for seed stock such as sea moss as well as on machinery and equipment and chemicals for aquaculture, mariculture and Aquaponics systems.

Farmers' organizations and co-operatives offer the opportunity for the farming community to work together to adopt arrangements that can improve the economies of scale and returns to the factors of

production, which can have the effect of enhancing competitiveness and reducing the cost of agricultural products.

The Government will provide a one-off grant of \$100,000.00 to the Barbados Agricultural Society (BAS) to support their efforts in the re-establishment of a wholesale market at their headquarters at the Grotto and beginning the next Financial Year, Government will increase the subvention offered to the Barbados Agricultural Society (BAS) to \$200,000.00 per annum.

Duty free concessions will be granted on importation of the equipment and machinery for facilities for the storage and marketing of local agricultural and fisheries products by registered farmers' and fisheries cooperatives organisations.

Every effort will also be made to re-establish our flocks of black belly sheep and to intensify research and development into the continuing improvement of the animal as well as in the economics of the commercial rearing of the flocks.

With the expected continuing high price of animal protein, along with the planned increase in the tourism industry, particularly at the upper income end, the demand for locally produced lamb will increase and Barbados must position itself to capture the benefits of this increased demand.

The primary focus of our sugar cane industry will also change from producing sugar for export at cheap prices to producing electricity for local use and for which there is an assured market at a good price and to producing molasses for our expanding rum export industry.

Efforts will be renewed to successfully develop our sea-island cotton industry into a major component of our agricultural sector, largely because of the great potential that the careful development of this industry holds for the redevelopment of an indigenous Barbados garment industry.

The renewed efforts will however not be capital intensive efforts but will focus more on joint venture arrangements with a select number of investors who are able to bring different benefits to us in the development of the industry.

Government will revise the laws of praedial larceny and stray animals.

The law relating to evidence will be amended to make it easier to obtain conviction on praedial larceny charges and on charges of destruction of property, chattels and crops by stray animals. Financial penalties for such offenses will also be increased to cause significant loss to persons found guilty in such matters.

In an effort to reduce the incidences of praedial larceny therefore, the government will increase the threshold of the rebate of 50% of the cost of an approved security system, from the existing maximum amount of \$5,000.00 to \$10,000.00 to allow farmers to acquire more sophisticated monitoring devices. A total of \$1 million will be allocated for this purpose on a first come first serve basis.

BADMC will also be provided with a guarantee for a loan to fund the importation of farm supplies and their distribution at prices which provide some advantage for farmers when compared to present prices but at prices that enable BADMC to service such a loan and to make a small profit to cover the overheads associated with such a project.

The issue of marketing agricultural produce and the management of markets in Barbados is a troublesome one. But there can be no doubt that one way to reduce the cost of living is to have vibrant public markets or provide adequate marketing opportunities for farmers.

The licensing and location of vendors is a major public issue. We must find a solution. I have consulted widely on this issue. I am of the view that Barbados needs to re-establish a market day or days every week on which all farmers, stall operators and vendors – whether licensed or not – may bring their produce to a central location and sell their product from 6 a.m. to 6 p.m.

We are in the process of identifying the central location and making the arrangements for traffic, cleaning, security and other attendant issues.

On days other than the designated market days, the licensing regime will be rigorously enforced.

For many years, our fishermen faced hardship in getting their boats hauled up, especially when hurricanes or storms are approaching, and more especially if they are at Tent's Bay. Government will therefore acquire a crane, a hydraulic trailer and boat jacks as necessary so that haul up services for fishermen may be provided in a timely manner and at reasonable rates.

We expect such a service to be put in place at a cost of \$3 million before September this year, before the hurricane season traditionally reaches its peak.

Finally, in this area, the same types of concessions and access to funding provided for farming will also be made available with immediate effect to persons certified by the Ministry of Agriculture to be engaged in aquaculture.

It is recognised that rodents can easily thrive in the environment in which a farm provides.

The presence of rodents creates significant food safety problems by contaminating foodstuff and stored crops with droppings and urine. Rodents have even contributed to infrastructural damage by gnawing on fences and electrical wiring which could create a fire hazard. In addition rodents are purported to be on the rampage and are indiscriminately eating crops.

Generally speaking the plantations do bait their sugar cane fields. Some bait is provided by the Ministry of Health but not usually to farmers. In this regard, in an effort to promote food safety and to reduce rat damage which impact on productivity, a rebate of 50% up to a maximum of \$3 000 per registered farm per year will be granted towards the purchase and application of rat bait or other approved rodent extermination and control devices.

Each application must be of at least \$100 in order to qualify for this rebate. It is being proposed that \$1 million be allocated for this on a first come first serve basis.

The timely availability of tractor cultivation services has been identified as a hindrance to production in Barbados. While tractor cultivation services are presently offered by private operators, this service is limited and equipment old, resulting in frequent breakdowns.

Thus, farmers experience some difficulty in having ploughing and other cultivation services provided when needed.

Tractors and associated equipment imported by private operators for providing cultivation services to farmers and certified as such by the Ministry of Agriculture may now be imported free of any government imposts.

Government will provide \$1.0 million to facilitate the cotton industry in pursuing investment opportunities as well as for payment of seed cotton.

The fisheries sector is an area of significant economic activity with several vibrant small businesses, including fishing, fish processing, fish retailing and wholesaling, boat building, fish export and fish distribution.

These businesses provide employment and income for an estimated 6,000 persons (both directly and indirectly) many of whom are self-employed.

To further support the development of this industry therefore, it is being proposed that there be a 25% rebate on the cost of lifting vessels from and into the water, provided the vessel is returned to the water within four months (112 days) after lifting. This does not apply to initial launching of the vessel or lifting of vessel that were on land for more than 4 months.

It is being proposed that funding be provided in support of the preparation of a feasibility study and the commercialisation of cassava production with \$400, 000.00 being provided for this purpose.

Energy

Our way of life is heavily dependent on imported fossil fuel and we are therefore vulnerable to increased prices for such fuel. Barbados has made headway in solar water heating and we will assist our manufacturers of solar water heaters to improve that their product are used in our hotels, restaurants and luxury houses.

Government will take the lead using its properties in generation of electricity from solar, wind and waste for its own facilities and for sale into the national electricity grid.

This initiative will also be accompanied by any necessary fiscal incentives to encourage the efficient generation of energy from these alternative sources.

Additionally, Government will also lead the way in retrofitting its buildings and facilities, and in revamping its fleet of vehicles in as feasible and economical a manner as possible in order to conserve its own use of energy, particularly of fossil fuel energy.

Building standards and incentives will also be put in place to encourage major conservation of energy.

We will expand the National Petroleum Corporation's subsidiary distribution system that connects to the main lines that now exist, so that more households and businesses may be connected to this cheaper and very convenient form of energy. These installations will be done on a commercial basis, with the commercial cost of the installation being payable immediately or over 5 years with interest. Government will guarantee a loan to NPC for this purpose but will first remove NPC from under the Fair Trade Commission's jurisdiction.

We will continue to press ahead with the search for offshore oil and gas. The call for bids has been made and submissions should be made 30th September this year, for announcement of winners in November this year. In the matter of the evaluation of these bids we will engage the necessary experts and institutions to assist us so that we are able to bring the highest technical skills to those evaluations. In the meantime we will amend the Offshore Petroleum legislation to provide requirement for local content, to protect value of Barbados' carried interest, and to provide adequate dispute settlement arrangements.

Work on the waste-to-energy complex at Vacluse should commence within a year and will provide between 6 and 8 megawatts of power to the grid, when commissioned.

Cabinet has also agreed that the pricing of refined petroleum products and LPG should be done in a more timely manner without having to be brought back to Cabinet each time there is a change in price of the imported product or a need to change the local prices of the products.

The price of petroleum products and LPG will be adjusted monthly by the Ministry of Trade on the advice of the Division of Energy based on the prices paid for these products by the importers and in accordance with the formula that has been approved by the Cabinet.

The only change that the Cabinet has made to the formula for the pricing of these products since the prices were last changed is that the component included for the recovery by Barbados National Oil Company Ltd has been increased to cover losses sustained by BNOCL when local prices did not increase, even though import prices had risen sharply.

The prices of petroleum products, LPG and natural gas will now be set by the Ministry of Trade without intervention by Cabinet on the basis of a formula approved by Cabinet and applied to the current import market prices with effect from August 2008.

Currently, there exists in the Income Tax Act provision for the cost of energy audits up to \$2,000.00 to be deducted as part of the general Income Tax Allowance for Home Improvement of \$10,000 in any one year.

I propose now to create a separate allowance called the Energy Conservation and Renewable Energy Deduction of a maximum of \$5,000.00 per year over each of five (5) years to cover the costs of an energy audit and fifty per cent of the cost of retrofitting a residence or installing a system to produce electricity from a source other than fossil fuels. This applies also to businesses whether incorporated or unincorporated.

Cabinet has also approved Government approaching the Inter American Development Bank (IDB) for assistance in preparing the appropriate legislation that would require the Barbados Light and Power Co. Ltd. purchase all electricity produced from renewable energy sources and offered for sale to Barbados Light and Power by independent power producers at rates set by the Fair Trading Commission.

Further, Government will within the next year, examine alternative energy projects for the Barbados Water Authority and the Queen Elizabeth Hospital and at several government installations within the next year.

Feasibility and design work will start within the year and this work along with the installation work will be done by private firms at their own risk but with concessions.

Additionally, Government is reviewing the proposed new factory for the sugar industry in order to find ways to reduce the very high capital costs of the proposed factory. The review will also provide direction on the decision for the mix of products to be manufactured on the basis of the available market for those products and the incremental profits to be made from each of the proposed products.

Under Part II B item 87 of the Customs Tariff, various items of wind turbines, photovoltaic components and systems, bio-fuel systems, hydropower systems, solar thermal systems, wave or tidal power systems, fuel cell systems and geothermal heat pump systems are exempted from import duty (20%) and environmental levy, on the basis of ministerial approval. The need for ministerial approval in each and every instance will no longer apply and these items will automatically enjoy the concession from the Customs.

New Real Estate

The availability of additional land on our west coast for further tourism and high valued real estate development is severely limited and constraining at a time when demand for such land continues to be very strong. We have also decided to very prudently and carefully allow only environmentally friendly projects consistent with the national park designation on the East Coast.

To help solve this dilemma, Government has been invited by a number of private sector joint-ventures involving significant local and foreign investors of good repute and business success, to facilitate the creation of additional real estate acreage off the coasts of Barbados through reclaiming lands including constructing offshore islands and constructing marinas for yachts.

These initiatives require no financial contribution from the Government and instead will provide revenue to the Treasury and jobs for Barbadians through the construction and subsequent economic activity in these reclaimed areas. Further, these developments would alleviate the demand for real estate on “mainland” Barbados and partly relieve the pressure on prices for land.

Planning Decisions

Government has also given consideration to ways to shorten the time for decisions in respect of planning permissions on developments to be made without in any way reducing the carefulness and due diligence of the process. Work has already started on putting some of these arrangements in place including the hiring of professional town planners in private practice to assist with the case load and to delegate certain powers now exercised by the Minister to the Chief Town Planner.

Manufacturing

The strategy for growth in our manufacturing sector will be tied to that in respect of our agricultural sector, construction sector including housing, office and hotel construction, and the strategy in the energy sector.

To complement the efforts in construction and to gain as much as possible for the country from those initiatives, we will within the next year prepare adequate plans for the sustainable redevelopment of the indigenous pottery industry through improving design, technology, quality, marketing and sales and distribution, and through creating incentives for local pottery to be used in local establishments.

We expect that some growth in the manufacturing sector will be driven by the initiatives to be taken with respect to the manufacture of sea-island cotton garments and products. Our aim is to develop a viable, high fashion, high quality textile and garment industry based on sea-island cotton, with world class design and world class manufacturing quality, through joint venture and franchise arrangements.

Additionally, we expect that the local furniture industry will receive a fillip from the development in housing, office and hotel construction, and in this regard we will be working within the next year to create incentives for hotels and restaurants and shops and real estate developments that use or sell more locally manufactured goods.

Further, we anticipate that our manufacturing sector will tool itself to assemble the components required for the expansion of alternative energy from solar and wind, and those required for the drive for increased energy conservation.

With the initiatives above, we will also put in place adequate arrangements at the appropriate time to increase the export promotion effort for locally produced goods.

Productivity

Over the past decade there have been calls for Barbados to become more competitive.

Every day we hear about the high labour rates in Barbados. What we mean is the low productivity for the wages and salaries paid. Our current economic difficulty stems from the fact that our total output cannot match the goods and services we are demanding.

The importance of improving productivity is appreciated by everyone. Management is the source of productivity and must therefore call on itself for improvement.

Secondly, research has shown that periods of high levels of investment in modern technology have always coincided with high levels of employment. Workers' fear that they will be replaced by machinery is old economic history. Retraining and adapting to new jobs have always led to more prosperity and with it the creation of additional employment. Productivity is significantly influenced by industrial investment strategy.

The five-day forty-hour week is a feature of our business which needs reviewing. We operate factories for less than 25% of the available time. This represents tremendous under-utilization of our resources and therefore contributes to a reduction in our national productivity.

Most of our compensation systems reward people for time rather than for work. Whereas it is quite easy to measure time it is much more difficult to measure work. It is difficult but not impossible.

Over the next year therefore we will design approaches to encourage more investment in technology to improve productivity and to increase telecommuting. We will also consider and evaluate systems for preferential taxation of productivity or performance bonuses at lower rate in the hands of recipients, and decide on ways to encourage businesses to implement more significant pay-for-performance schemes.

Intensive work will also resume between the National Productivity Council, the Congress of Trade Unions and Staff Associations, the Ministry of Civil Service, the Office of Public Sector Reform and the Ministry of Finance to devise, design and agree on systems for measuring outputs/impacts of government agencies and paying for performance against output/impact targets.

Trade Facilitation: Customs Release Application Form (CRA)

There is another issue impeding trade facilitation.

It has been brought to my attention by the Customs Brokers Association that with the introduction of ASYCUDA ++ it is no longer necessary for the Customs Release Application Form (CRA) to be used by the Customs Department to monitor the movement of containers from the time of release.

I have been advised by Officers in the Ministry of Finance and the Customs Department that the efficiency of the Customs Department would be greatly enhanced if the need for the CRA were to be removed. I therefore propose to have the necessary administrative processes put in place to monitor the movement of all containers in and out of the Port without the use of the current CRA form.

The CRA will be discontinued by September 1, 2008.

Council for Investment, Exports & Foreign Exchange and the Diaspora

Much emphasis has been placed on the challenges presented to small developing states by the harsh external economic environment. I believe that we must now focus on the opportunities that the present situation creates.

You cannot have a country-team effort in our foreign missions which are supposed to be the face of the Barbados investment climate if you don't have one at home. If we cannot find a way to coordinate the work of all of our tourism, investment and labour offices overseas as well as focus on the needs of Barbadians, we will continue to waste resources and support the territoriality and internecine fighting between our promotional organizations.

To achieve this coordination, I have instructed the Minister of Foreign Affairs, Foreign Trade and International Business to set up an appropriate tripartite Council to coordinate the efforts of our principal foreign exchange earning sectors and to ensure that this coordination is achieved.

This new entity which will be called the Council for Investment, Exports and Foreign Exchange (CIEX) will build upon the positive achievements of the Foreign Exchange Committee, created by the Democratic Labour Party government in 1991, with the mandate to develop, exploit and monitor opportunities for earning and conserving foreign exchange; to identify and remove operational constraints to the earning of foreign exchange and to coordinate and monitor an overall strategy for promoting Barbados' economic interests abroad.

It will however be broader than the original FXC and will explore several creative new ways to attract investment into Barbados and to promote specific economic and social development initiatives.

I wish to outline two of them now:

Philanthropy

At a time when the global economy is contracting, and with official development aid on a long-term decline, this government is embarking on innovative methods to capture international funds in support of social and economic development.

Investing private capital for a public return is a new approach to development financing, where corporations or wealthy individuals “invest” resources on the expectation of social or environmentally sustainable returns, whether or not they also expect a cash return.

The new source of philanthropy capital has a range of advantages over traditional sources of development financing such as bilateral and multilateral aid or remittances. These include independence from politics, flexibility in development projects invested in and the ability to provide seed capital and long term funding.

Financing economic opportunities for the poor in developing countries, coupled with the rise of social entrepreneurship using private capital to finance development challenges, is highly effective at transforming economies and fueling economic growth.

We will establish a Foundation for Corporate Social Responsibility and Philanthropy. Barbados has long been the second home, holiday destination, tax domicile and investment location of a significant number of high net worth individuals. Many of them have told me how eager they are to contribute in some tangible way to the expansion and modernization of our hospital and enhancement of communities but there is no legal regime to assist them in doing this in a mutually beneficial way.

Similarly the Barbadian business community acknowledges its responsibility as a corporate citizen by its sponsorship of diverse community events but the scope of its contributions is curtailed by inadequacy of the domestic fiscal and legal regime governing charitable donations.

More importantly, Barbadians living abroad are generous contributors to social development causes but there is no formal vehicle through which to channel their generosity.

Diaspora

This leads me to the second important role of the Council.

We need, as a matter of urgency, to restore the relationship between us and the tens of thousands of Barbadians living overseas. My administration views the diaspora as an integral part of the economic, social and cultural development of Barbados and is determined to create a comprehensive strategy for engaging them.

The original Charter for Returning Nationals, building on the policy established by the Democratic Labour Party in 1991, set in place a series of concessions to encourage Barbadians abroad to resettle here on retirement.

This has been fraught with bureaucratic complexity and the absence of a clear legal and institutional framework to manage and coordinate the interests of nationals who return to Barbados. Many have become disillusioned and frustrated and have dissuaded others from returning.

The loss of revenue from the duty free importation of one motor car per household is miniscule compared to the enormous contribution which our overseas citizens can make to national development through their remittances; their support of local products in the external market; their volunteerism and philanthropy towards the disadvantaged and their advocacy on behalf of Barbados' vital interests in their adopted communities.

Remittances from overseas Barbadians have grown from \$64 million in 1992 when the policy started to \$263 million in 2006. Their investment has created jobs, new housing, as well as business. Many of these contributions also come from Barbadians who may never return to Barbados permanently and therefore our policy is flawed if it only offers concessions and opportunities for those who have returned.

The following will be done:

1. Establish a Unit for Overseas Barbadians called Barbados NetWork;
2. Review the incentives given with a view to enhancing them and removing some unnecessary restrictions including those relating to the condition of returning to Barbados;
3. Create a Bond to encourage the investment of foreign exchange by Barbados NetWorkers;
4. Develop a comprehensive Barbados NetWorkers Data Bank;
5. Host a Biennial Barbados NetWork Consultation starting next year following on the National Organisation of Barbadian Organisation Conference of Overseas Barbadians in Barbados this month.

Innovation

A national imperative is to grow the size of Barbados' economic cake and increase the net growth rate in order to:

- induce sustainable economic growth;
- boost energy and food security;
- increase foreign exchange earnings/savings;
- generate employment;

- reduce poverty;
- enhance returns to individuals, commercial banks, private sector businesses, trade unions and Barbadians of the Diaspora.

This can be achieved through a national focus on developing a family of successful high performance enterprises, one enterprise after another.

Government therefore proposes to establish the Barbados Quick Response Revolving Seed Capital Fund (SCF) and the Barbados Quick Response Venture Capital Fund (VCF). These funds are designed to meet the needs of clients that have potentially profitable and sustainable high-growth business ideas but find it difficult, on a timely basis, to access all the seed and venture capital finance required to meet their needs, from traditional Venture Capital or other Private Equity financial institutions in Barbados.

Barbados Quick Response Revolving Seed Capital Fund

The SCF will be used for creating innovative ideas from a “blank sheet”; strategic visioning retreats; massaging ideas into more sturdy concepts; assisting the entrepreneur with a potentially high performance idea, to survive as the idea is developed; providing funds to address operational emergencies; product development; market research; business plan development; and sourcing investment capital.

It is proposed that this fund will be a government financed but private sector managed fund with adequate public accounting by the private sector to Government for the management of the fund. It is proposed that the contribution by Government should be \$500,000.00 per year for three years.

Barbados Quick Response Venture Capital Fund

The Venture Capital Fund will be used to make the initial investment in the implementation of the business plan and will provide a stimulus to attract other equity investment.

It is proposed that the venture capital fund will be funded by equity investment from individual investors, trade unions, commercial banks, private sector companies, the Barbados Diaspora and the government.

The fund will provide an investment stimulus by contributing, say, 20% of the equity needs of the business. This initial investment will attract other investment partners to complete the capitalization of the each business.

Government will provide incentives such as attractive tax credits to encourage private sector investors to participate. Equity agreements will be developed which will include a profitable exit strategy for investors. The benefits to investors will be an appealing return on investment and the benefits to the country as whole will be enterprise development and economic growth.

It is proposed that the VCF fund will be managed by a committee, which would include representatives from the private sector and the government.

Credit Unions

My government has a strong and deep interest in the development of the Cooperatives sector. I am therefore restoring the allowance for investment in Credit Unions to \$3,000.00 as a separate allowance.

Revenue Raising Measures

Insurance

Many of the persons covered by the medical and life insurance schemes receive treatment from the public health care facilities particularly the Queen Elizabeth Hospital and the Barbados Drug Service.

For the most part, these services are provided free or at subsidized rates which benefit the insurance companies directly or indirectly.

Additionally, the provision of the road system, police security systems, coastal conservation systems and sanitation services all work directly or indirectly to the benefit of the insurance industry.

I therefore propose to increase the insurance premium tax with effect from January 1, 2009 by one percentage point wherever the premium tax now applies.

This measure will raise \$6.6 million in a full year.

License fees for insurance companies now stand at \$5000 per year. This is a very low figure for an industry that does so well financially from our economy.

Moreover, these licenses have not changed for over ten years. I therefore propose to increase these annual license fees to \$20,000 per year.

This license fee increase should yield \$4.8 million in a full year.

Financial Institutions

The license fees for Financial Institutions have not changed for over ten years. It is now time to change those fees and so I propose that with effect from 1st January 2009, those fees be as follows:

Local – main branch:	\$250,000 per bank
Local – other branches:	\$20,000 per additional branch
Local – ATM's:	\$1000 per ATM other than at branches
International banks	\$100,000 per bank
Trust companies	\$100,000 per company

These changes should yield \$4.9 million in a full year.

Highway Revenue

In addition to its scheduled road maintenance and improvement programme, the government is now saddled with the costs of financing and servicing the obligations left to us by the former administration in respect of the ABC Highway widening and flyover project.

I have already explained that this project proceeded on a rolling basis without any limits. It is now twice what its original "guesstimate" was. Unfortunately, while this is an example of mal-administration and profligate expenditure by the previous government, the taxpayers of Barbados ultimately have to pay.

Government's expenditure in respect of Highway Construction and Maintenance will therefore increase substantially over the coming years.

In an effort to ensure that we meet previous commitments in respect of the ABC Highway project, I propose to increase the fees for the use of the highway with effect from August 1, 2008.

The new fees will be as follows and are expected to yield an additional \$46 million in a full year.

Proposed New Highway Fee Rates

Description	Current Rate Of Fees \$	Proposed New Rate Of Fees \$
Private Cars	265	400
	330	450
	600	900
	1,060	1,600
Motor Cycles (without sidecar)	120	180
(with sidecar)	150	225
Commercial Vehicles (Two Axles) Not Exceeding 3600 KGS	250	375
3601-5000KGS	350	525
5001-7000KGS	500	750
7001-12000KGS	800	1200
12001-20000KGS	2500	3750
20001-24000KGS	5000	7500
(Three Axles) Not Exceeding 24000 KGS	1600	2400
24001-36000KGS	2500	3750
Articulated Vehicles	3000	4500

Vehicles Exceeding 36000KGS	85 per ton or part thereof	130 per ton or part thereof
Trailers Including Tanks & Containers (Not Exceeding 7 Metres)	200	300
(Exceeding 7 Metres)	400	600
Bicycles	3	25
Regulation Tests		30
Learner Permits	40	80
Highway Codes	10	20
Driving Tests	50	100
Driving Licenses (5 yr)		200
Replacement of Driving Licenses	10	100
PSV Drivers & Conductors Badges	115	150
Sale of Tariff Cards	1	10
Visitor's Driving Permit	10	100
International Driving Licenses	50	65
Limited Trade Plates	40 per set	190
Provisional Trade Plates	10	25
Special Permits	6	25
Weight Certificates	12	25
Vehicle Examinations	45	100
Vehicle Investigations		50
Road Worthiness Certificates	12	25

Refunds of Road Tax

In 1994 Mr. Speaker the Road Tax Act was amended to allow persons who disposed of their vehicles under twelve months to benefit from a refund of the unused portion of the Road Tax. Processing of these refunds, Sir, has become cumbersome and an administrative nuisance; therefore effective immediately refunds of Road Tax will no longer be allowed.

Liquor Licences and Professional Fees

Research of legislation reveals that the fee structures existing in the Profession, Trade & Business Registration Act and the Liquor Licences Act Cap 182 have not been reviewed since the 1980's.

Based on the available import statistics it would appear that the trade in alcoholic beverages is doing well enough to make a greater contribution to the Treasury.

Therefore effective September 1, 2008, these fees will be increased as follows:

Licence	Current Rate	Proposed Rate
General Wholesale Licence	\$5000.00	\$10,000.00

Wholesale	\$2500.00	\$5000.00
Retail	\$350.00	\$1000.00
Hotel containing:		
a) up to 25 rooms	\$1,000.00	\$1,500
b) 26 – 50 bedrooms	\$2500.00	\$3,750.00
c) 51 to 100 bedrooms	\$5000.00	\$7,500.00
d) Over 100 bedrooms	\$10,000.00	\$15,000.00
Restaurant Licence	\$350.00	\$1,000.00
Occasional Licence	\$50.00	\$100.00
Members Club	\$200.00	\$500.00
Proprietary Club	\$2500.00	\$5,000.00
Druggist licence	\$100.00	\$750.00

It is expected that these changes would yield additional revenue of \$1.0 million in a full year.

Fees collected under the Trade, Business and Registration Act no longer bear any relationship to the individuals or organization's earning capacity or the availability of skills on the island. In addition, these fees have not been revisited since the early eighties! There is therefore a need for the revision of existing fee structure.

Effective January 1st 2009 all accountants, actuaries, architects, attorneys-at-law, dental practitioners, engineers, land surveyors and quantity surveyors will be placed in the top category and pay an annual registration of \$2,500.00 each.

I also propose to graduate chiropractors, chiropodists, dental hygienists, dental technicians, draughtsmen, embalmers, funeral directors, optometrists, podiatrists and professional promoters from Part II of the Second Schedule to Part I of the Second Schedule.

These will now pay an annual registration fee of \$750.00.

The other trades and categories that currently pay a fee of \$5.00 will now pay a registration fee of \$50.00.

Proposed Fee Structure under the Profession, Trade and Business Registration Act, Cap 373:

Trade, Business or Calling	Current Rate	Proposed Rate
<u>First Schedule Part I</u>	(a) First Registration: \$750.00 (b) Annual Fee: \$750.00	(a) First Registration: \$2,500.00 (b) Annual Fee: \$2,500.00
<u>First Schedule Part II</u>	(a) First Registration: \$500.00 (b) Annual Fee: \$500.00	This category will no longer exist.
<u>Second Schedule Part I</u>	(a) First Registration: \$250.00 (b) Annual Fee:	(a) First Registration: \$750.00 (b) Annual Fee:

	\$250.00	\$750.00
<u>Second Schedule</u> <u>Part II</u>	(a) First Registration: \$50.00 (b) Annual Fee: \$50.00	(a) First Registration: \$750.00 (b) Annual Fee: \$750.00
<u>Third Schedule</u>	(a) First Registration: \$5.00 (b) Annual Fee: \$5.00	(a) First Registration: \$50.00 (b) Annual Fee: \$50.00
<u>Temporary Registration Fees</u>		
Dental Practitioner	(i) 3 months or less: \$125.00 (ii) More than 3 months but not more than 6 months: \$250.00	(i) 3 months or less: \$375.00 (ii) More than 3 months but not more than 6 months: \$750.00
Dental Hygenist and / Dental Technician	(i) 3 months or less: \$12.50 (ii) More than 3 months but not more than 6 months: \$25.00	(i) 3 months or less: \$150.00 (ii) More than 3 months not more than 6 months: \$300.00
Nurse	(i) 3 months or less: \$12.50 (ii) More	(i) 3 months or less: \$150.00 (ii) More than 3

	than 3 months but not more than 6 months: \$25.00	months but not more than 6 months: \$300.00
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Betting and Gaming

Mr. Speaker, I next turn my attention to Betting and Gaming. It has become apparent over time that the existing legislation is inadequate to fully address the emerging challenges of the industry. Such challenges include the advent of internet gaming, co-mingling, the management of lotteries for national sporting organizations, applications for casino gaming, requests for the use of locally based vessels as floating casinos, aggressive attempts by non-nationals to establish gaming operations in this jurisdiction and applications for the operation of bingo clubs island wide.

The Betting and Gaming Committee which operates under the aegis of the Betting and Gaming Duties Act Cap 60, has become obsolete in the face of these challenges.

I therefore propose to establish A Gaming Commission to be responsible for the regulation of betting and gaming in the country.

This Commission will be established by the start of the financial year 2009/2010.

The Gaming Commission will be required to examine all forms of betting, gambling, table games and then entire range of gaming issues.

It is my intention that the Gaming Commission be self-financing and I now wish to turn my attention to the fees and taxes paid by persons involved in gambling.

The previous Government, as I indicated during the General Elections, surreptitiously granted a company permission to import a substantial number of online video lottery machines.

Since that decision, operators of existing arcades and gaming machines have made representation that these machines can and do accommodate games which are played on existing gaming machines. The operator of the VLTs has installed these machines in shops, supermarkets and other locations where gaming machines were not previously located.

This has created two regimes operating side by side; one of which is heavily regulated and the other is relatively unregulated.

The Customs Department has concluded that that Video Lottery Machines are in reality "*electronic slot machines*" and as such should

be classified as '*gaming machines*' under Section 19(2) of the Betting and Gaming Duties Act Cap 60. The Act will be amended accordingly.

It has therefore become necessary for conditions to be imposed on the operation of Video Lottery Terminals in Barbados similar to those of traditional slot machines.

The licence fees on gaming machines including Video Lottery Terminals will be increased from \$10,000.00 to \$15,000.00.

It is also my intention to increase the tax on lotteries or sweepstakes to 20 cents in the dollar and the tax on lotteries operated by an approved sporting organization to 13 cents in the dollar. For daily lotteries the rate of tax will be 20%, an increase over the 12% and for those operated by an approved sporting organization the rate will increase from 3% to 11%.

With effect from January 1, 2009, racing service and amusement arcade registration fees will be increased by 200% as shown in the attached schedule.

I also propose to increase the annual registration fees for Pool Betting Businesses from \$300 to \$1,000.00.

Ceiling on imports of gaming machines

Effective immediately there will be an increase in the ceiling on gaming machines other than video lottery terminals; this is in view of the current requests from existing and potential gaming machine operators. The maximum ceiling pertaining to gaming machines will be increased from the current 895 machines to 1200 machines.

However, a separate ceiling of 800 will be placed on the importation of Video Lottery Terminals which will enable the Government to monitor the deployment of these machines. Terminals will only be allowed in locations approved by the Gaming Commission.

Ceiling on Number of Machines in Arcade

Similarly the '25' machine cap currently in place will be increased to '50" machines per arcade. Other limits will be reviewed by the Gaming Commission.

Racing Service and Amusement Arcade Registration Fees

Effective January 1, 2008, racing service and amusement arcade registration fees will be increased by 200%.

Withholding Tax on Winnings

Mr. Speaker, gambling is pretty much an all cash activity and over the years we have seen a steady increase in the revenues of gambling. The time has now come for the Treasury to benefit from these revenues. Mr. Speaker with effect from October 1, 2008 all jackpots and all pay-outs of over \$1,000.00 will be subject to a Withholding Tax of 25%.

The tax will be collected by the owners of the gaming establishments and paid to the treasury within 15 days of the end of the month during which the money was won. This tax will not be applied to charitable organizations who conduct games of chance to raise funds for the organization.

It is estimated that this tax will raise approximately \$8.7 million in a full year.

Excise Tax

Alcoholic Beverages and Tobacco Products

Mr. Speaker, I now turn to another area of discretionary expenditure and that is alcoholic consumption.

Effective immediately the Excise Tax payable on alcoholic beverages falling under Tariff Head 22.00 will be increased by 50%.

With immediate effect the Excise Tax payable on manufactured tobacco falling under Tariff Heads 24.02 and 24.03 will be increased by 100%. I will also go further by announcing that with immediate effect the Customs Regulations will be amended by removing the duty-free allowance currently granted to persons traveling to Barbados with manufactured tobacco.

The increased yield from the increase in excise on tobacco and Alcoholic Beverages is \$1.5 million.

Environmental Levy

One of the major underpinnings of the Revised Treaty of Chaguaramas is that any taxation introduced by regional member states should not distort competition by discriminating against products from other Member States.

A case in point, Sir, is this country's Environmental Levy. The legislation represents an attempt to introduce the concept of the 'polluter pays' by including the environmental costs in the price of goods. However, the application of the levy in Barbados to imports and not local production has breached the Treaty.

A call has therefore been made by other Treaty partners for Barbados to make its Environmental Levy legislation consistent with the rules of the Revised Treaty of Chaguaramas. The mischief identified by CARICOM is relative to the fact that Barbadian manufacturers are being given an unfair advantage over their regional counterparts by not having the Environmental Levy imposed on their output. However, the levy is imposed on regionally manufactured goods entering Barbados.

It is in this context that I wish to announce that the Levy will now be applied on local production as well as imports. However, those

manufacturers who export their goods will now qualify for a rebate of the levy on the exports.

In addition to the foregoing, some segments of the motor industry have made representation that the environmental levy charged on used cars is onerous to the dealers of used cars and discriminates in favour of the new car importers.

The existing levy on used cars is \$4,000.00 and \$300.00 on new cars. I therefore plan to equalize the treatment of new and used cars and set the environmental levy at \$1500.00 across the board.

This proposal will result in an additional \$1.5 million for the treasury.

Mr. Speaker, one of the most important tasks for any government is the care of the environment and measures that should be put in place to make sure that it is properly done. Government's expenditure in the area of preserving and enhancing the environment is ever increasing due to the many challenges faced.

The ad valorem rates of the Environmental Levy, which were in effect from the inception of the Act in 1996, were increased in 2007.

Mr. Speaker, the operational costs of maintaining this island's landfills may reach the \$5.0M mark for the financial year 08/09.

Due to this rising trend I am forced to increase the ad valorem rates of 1.5 and 2 per cent to 2 and 3 per cent respectively. This will raise an estimated \$3.5 million in additional revenue.

Town and Country Planning Fees

Mr. Speaker, the fees that must be charged by the Town and Country Development Planning Office for applications for planning permission and various other consents and certificates are prescribed by the Town and Country Planning (Fees) Regulations.

I propose to revisit the fees charged by the Chief Town Planner as there is need for the Department to charge fees that cover the cost of processing applications and to increase its capacity to deal in a timely manner with the large number of applications, many of them complex, that it receives each year.

In addition there is need to bring a level of equity in the application of the fee schedule where larger and more complex applications carry

a higher associated fee. At present the fee schedule consists entirely of a flat fee for each type of development. It is therefore my intention to adjust the fees with effect from 1st August 2008.

The details of the fee adjustments will be published before implementation.

These fee adjustments are expected to yield additional revenue of approximately \$500,000.00 in a full year.

Mobile Phone Subscription for Education and Training

At present approximately 20% of our national budget is spent on education and the return from this investment is becoming less and less. In my Party's Manifesto we gave the commitment, to the extent possible, of extending the text book loan scheme to include primary schools and establishing new, state of the art pre-school learning centres in close proximity to existing industrial complexes.

In addition, earlier this year I indicated my Government's intention to continue its funding of the tuition and related costs of Barbadian

students attending the University of the West Indies and the subsidizing of the Amenities Fee for students.

As you would appreciate, to finance these reforms there is need for substantial funds to be raised and as a Nation we must each be willing to make the appropriate sacrifice as every facet of the society, from the individual to the largest corporation will benefit from an improved, high-quality education system.

I have been made to understand that there are approximately 290,000 mobile phones on the island. In realization of my Government's objective of reforming the island's education system, I propose to collect a monthly subscription of \$4.00 on each post and pre-paid mobile phone in use.

The subscription fee, which must be submitted to the Treasury by the 15th day of each month, will be collected by each service provider on their customers' behalf. This proposal will become effective October 1, 2008 and is expected to raise, after taking VAT into consideration, net revenue of approximately \$6.96 m in the first six months of its operation and \$13.9 million in a full year.

These measures Mr. Speaker, will make a net contribution to the Consolidated Fund in a full year as follows:-

Revenue Gains:

Increase in tax on insurance

premiums 6.6m

License fees for insurance companies 4.8m

Banking license fees 4.9m

Highway Revenue 46.0m

Liquor Licences 1.0m

Racing Services Registration fees 0.6m

Gaming Licences:

- Slots 1.9 m

- VLT's 5.2m

Revenue tax on gambling 4.4m

Withholding tax on gambling winnings 8.7m

Excise Tax on Alcohol and tobacco Products 1.5m

Town and Country Planning Fees 0.5m

Environmental Levy - cars 1.5m

- Ad valorem 3.5m

Mobile Phone Subscription Fee for education

and training 13.9m

104.0m

Revenue Losses

VAT on lower income housing - existing rate

of increase of housing	7.1m
VAT on lower income housing -additional rate	
of increase of housing	11.0m
Increase in reverse tax credit	7.5m
Increase in pension for disabled	3.0m
Increase in non-contributory old age pension	8.0m
Increase in welfare grants	0.2m
Increase in vacation camps for children	5.0m
Expansion of school bus scheme	11.0m
Increase in marketing budget of BTA	10.0m
Restoration of credit union allowance	2.5m
Increase in Retrofitting allowance to cover energy conservation and alternative energy -----	5.0m
Incentives for agriculture	8.0m
Seed capital fund	<u>0.5m</u>
	<u>82.0m</u>
 Estimated Net Revenue gains	 22.0m

Mr. Speaker, these net revenue gains will go some way to reducing the overall planned deficit of the country or to meet increase in government expenditure that may have arisen since the presentation of the Estimates in March this year.

Conclusion

Mr. Speaker, we have sought in this budget to be both responsive and responsible.

I have not sought to pull wool over the eyes of Barbadians. The reality is that while external factors such as rising energy costs and food shortages and associated price increases are impacting negatively on our economy, we felt it necessary to put systems in place to cushion the impact on society's most vulnerable.

We also sought to deliver upon some of the critical pledges articulated and promised both in our manifesto and in the campaign leading up to the 2008 general election.

There will be those who will say that we could have done more. There will be those who will continue to promote the concept of increased subsidization.

We insist this is not the prudent path forward and we take great comfort in the fact that this policy position was supported by members of the majority of groups with which I met in the lead up to this Budget presentation.

Today, my faith in the resilience and ingenuity of Barbadians is strong. I know that we can and will weather present and threatening economic storm cloud.

This budget calls on the strong in our midst to help the weak. The big to help the small. The privileged to help the less fortunate. It calls for us each to be our brother's keeper.

I commend this Budget to this Honorable House in the hope that our standard of debate will reflect our appreciation for the gravity of the situation and the challenges confronting Barbados.

This is not the time for crass, political opportunism. A massive public education programme is needed if Barbadians are to adapt to the changes that are required to grapple with the still evolving new economic world order.

Daily we hear of civil and other social unrest in countries reeling under the impact of rising fuel and food prices. I urge Barbadians to continue making adjustments to their purchasing power and ultimately to their lifestyles.

I urge members in this Honorable chamber to start that process rolling by assessing this package from the perspective of what is realistic and best for Barbados and not what would serve partisan, political interests.

Mr. Speaker, I commend this package of measures to this Honorable House and ask God's continued Blessings and Guidance on our deliberations.

I thank you.