

Appropriation Bill 2008/2009

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INTRODUCTION
APPROPRIATION BILL 2008-2009
IN THE SENATE ON OCTOBER 6 2008
BY SENATOR THE HONOURABLE MARIANO BROWNE
MINISTER IN THE MINISTRY OF FINANCE

Mr. President, I beg to move that a Bill: entitled an Act to provide for the service of Trinidad and Tobago for the financial year **October 1 2008 to September 30 2009** – be now read a second time.

Mr. President, this is a money Bill and it was approved in the other place on **October 2 2008**. The Bill provides for the issue from the Consolidated Fund of the sum of **\$44,206.3 million** under the various heads as indicated in the schedule of the Bill.

I. INTRODUCTION

Mr. President, I am privileged to have been assigned the responsibility for presenting this budget statement for the financial year **2008 – 2009** to this Honourable Senate. The Budget is anchored in a medium-to-long-term policy framework crafted and enunciated over the last seven years. My colleagues and I will continue to refine and adapt the National Strategic Plan, also known as Vision 2020, in the context of current international and domestic conditions. I remind this honourable House that VISION 2020 was developed from considered contributions by persons drawn from a diverse cross section of our society, and represents a general consensus as to where we would like to be, when, and how to get there.

Mr. President, in this regard the National Strategic Plan identified the following five development pillars for achievement of our vision:

- i. Developing Innovative People
- ii. Nurturing a caring society
- iii. Enabling Competitive Business
- iv. Investing in Sound Infrastructure and Environment
- v. Promoting Effective Government

Vision 2020 is our overarching goal, one in which we see an improved future for all our citizens significantly enhanced over our current reality. Our citizens will have access to the wide-range of services and goods on terms and conditions which are similarly available to the citizens of developed countries.

We have been reshaping our economy since 2002. This **2009** budget statement is based on the theme “**Shaping our future together**”. We invite the National community, the business sector, Civil society, and all Non Governmental Organisations, to continue to build on the strong economic and financial foundation that have been set as we seek to strengthen the long term growth of the economy. We are of the firm view that this can only be achieved with collaboration and participation by all.

Mr. President, we take the opportunity on presenting the annual budget in this Honourable Senate to articulate our plans and programmes to the national community. Our programme of action is built on the following key policies:

- prudent and sustainable fiscal stances,
- consistent monetary policies,
- major structural reforms in the areas of taxation and public institutions,
- commitment to public savings through consistent transfers to the Heritage and Stabilization Fund,
- exchange rate flexibility which provides the domestic economy with a cushion against external shocks

- and investment expenditure as we create the physical, financial and social infrastructure for a modern economy.

Mr. President, in this vein the detailed plans and programmes are set out in the following documents which were laid in this House:

- Review of the Economy: 2008;
- Public Sector Investment Programme: 2009;
- Public Sector Investment Programme Tobago: 2009
- Supplementary Public Sector Investment Programme: 2009;
- Social Sector Investment Programme 2009;
- Draft Estimates of the Revenue and Expenditure and the Development Programme 2009

It would be remiss of me, *Mr. President*, if I did not pay public tribute to those others who assisted me in the preparation of this budget statement:

- the Prime Minister and my colleagues in Cabinet for their guidance and advice;
- the civil groups including those representing businesses and labour; and
- the citizens of Trinidad and Tobago who have consistently called upon me to ensure that the plans and programmes put in place by this Government since **2002** should remain inclusive, in particular for the vulnerable and the disadvantaged.

II. THE 2008/2009 BUDGET- CONTEXTUAL CONSIDERATIONS

1. THE INTERNATIONAL ECONOMIC OUTLOOK

We live in turbulent times and we cannot ignore the difficulties being experienced by countries more developed than ourselves. We need to take careful note of the market volatilities that continue to unfold and be cognizant of the potential and in some cases, expected fallout that may impact us. In this regard, most of the world is grappling with the twin problems of persistent inflation and slower economic growth.

Various approaches are being implemented by countries in an effort to address these weaknesses and bring stability to their economies. The situation in the US, which if not expeditiously addressed, can have systemic contagion effects globally. This could exacerbate the effects of the rapid increases in the price of internationally traded commodities, in particular those that are used pervasively throughout the world, oil, food and steel . The general consensus is that the prevailing uncertainty will continue for some time. However, economists at the IMF still project positive world economic growth though at a much slower pace.

2. THE DOMESTIC ENVIRONMENT

Review of Economic Performance

Mr. President, the fundamentals of our economy remain strong and sustainable. The Trinidad and Tobago record is impressive to say the least:

- i. **gross domestic product** (GDP) has almost tripled since 2001. From \$55.0 billion it has reached \$152.0 billion in 2008 and is projected to rise to over \$165.0 billion in 2009;
- ii. **the non-energy sector** continues to register rapid growth and for the first time in many years, grew at a faster rate than the energy sector;
- iii. **growth in the non-energy sector** has been broad-based and diversified : construction activity, manufacturing, tourism, wholesale and retail trades and financial services are all expanding;
- iv. **economic growth** is evidenced by increasing employment levels; the unemployment rate at the end of **June 2008** is at 4.2 percent. Since 2002 the economy has created 75,000 new sustainable jobs and is now considered to at be full employment level. This is unprecedented in our country's history and compares favourably comparable with levels in developed economies such as United States and the United Kingdom, which are experiencing unemployment levels in excess of 6%
- v. **the balance of payments** have continued to strengthen, reflecting high oil and gas prices. This has resulted in the growth of external reserves which have now reached US\$8.52 billion - the equivalent of 11 months of import cover.
- vi. **public savings** as measured by the Heritage and Stabilization fund have increased. The balance of this fund now stands at US\$2.46 billion; this amount which is not included in our official external reserves represents more than 10.2 percent of GDP. This is considerably higher than the level of our external debt.
- vii. **external debt** continues on a downward trend and it now stands at 6.0 percent of GDP; public sector debt is also trending downwards. It is now 28.0 percent of GDP, down from 58.3 percent in 2000.

Mr. President, we can all be justifiably proud of this economic performance and it has not gone unnoticed by international observers or foreign investors. In **August 2008**, *Standard & Poor's Ratings Services* raised its long-term foreign currency sovereign credit rating of Trinidad and Tobago from *A minus* to *A*. In announcing the rating

upgrade to the market place, the highly reputable international rating agency advised that: "*the upgrade reflects the continued strengthening of the Republic's fiscal and external accounts.*"

Mr. President, our international credit rating is important as it signals to world that Trinidad and Tobago is an attractive destination in which to do business— a reputation which has consistently acted as catalyst in attracting capital inflows into our major productive sectors.

Inflation and High Food Prices

Mr. President, keeping inflation in check represents a corner stone of our public policy. We are mindful of the importance of price stability to the growth process. We recognise also that the country cannot be insulated from the increased inflationary trends prevailing among our major trading partners. Headline inflation, which includes the effects of food prices, in August 2008, was measured at a rate of **13.5 percent** with food inflation being the main catalyst, given that core inflation (which excludes the impact of food prices) was measured at a lower rate of **6.3 percent**.

Mr. President, the rise in inflation in Trinidad and Tobago has resulted from both external factors as well as strong domestic demand. Accordingly, we are attacking the inflation level from several angles:

- i. On the demand side,
 - a. to address the domestic buoyant demand conditions we are collaborating with the Central Bank on liquidity management to reduce the amount of money in the financial system and as a consequence dampen demand for goods and services
 - b. We have embarked on an aggressive strategy to ensure that our planned expenditure is undertaken more efficiently.

- ii. On the supply side :
 - a. We are actively collaborating with the private sector to expand food production through small and large farm projects in an effort to reduce the impact of the high prices of food imported from abroad.
 - b. We have also eliminated or significantly reduced import duties and value added taxes on a wide variety of food items so that the prices charged to consumers for these food items will be reduced

III. BUDGET OBJECTIVES AND OPERATIONAL STRATEGIES FOR FISCAL YEAR 2009

1. DEVELOPING INNOVATIVE PEOPLE

Mr. President, our intervention in key productive sectors as well as our investment in infrastructure works to ensure that our long-term economic growth is maintained and enhanced; but this objective could only be achieved on a sustainable basis through consistent investment expenditure that contributes to the development of our people.

Education

Mr. President, a sound education system is the strongest catalyst for broadening opportunity, for reducing poverty and for building an inclusive society. This budget prioritizes a number of initiatives in school building and in early childhood education:

- i. to our existing nineteen **(19) completed**, we would add an additional *150 Early Childhood Care and Education (ECCE) Centre* and increase that number to 600 by 2012 to cater for an expected population of some 40,000 3-4 year olds, thereby achieving universal early childhood care and education.
- ii. the *School Feeding Programme* is being expanded to cater to 75.0 percent of the targeted school population at a cost of \$240 million;
- iii. the *Textbook /Loan Programme* is being reviewed to increase its efficiency and this would benefit 300,000 students;
- iv. the *University of Trinidad and Tobago* is expanding its course offerings to include programmes in security systems, theatre arts, fashion design and management, criminology as well as a series of professional engineering programmes; and responding to the need for more skilled persons in the food production area, it is introducing Bachelor of Science degrees in biological sciences and Food Technology at its Centre for Bio-sciences, Agriculture and Food Technology.

The University of the West Indies (UWI) the Trinidad and Tobago Hospitality and Tourism Institute the college of Science Technology and Applied Arts of Trinidad and Tobago (COSAATT) and the *University of Trinidad and Tobago* are spearheading the national effort to increase the percentage of tertiary graduates from just under the present **50.0 percent** of our population to **60.0 percent** by **2015** – the average of most developed states-

Health

Mr. President, the provision of quality and affordable health care for our citizens is an unquestionable right. The **\$4.3 billion** allocation is reflective of our focus on improving the operational capability of the sector and on sustaining improvements in the quality of healthcare. Within this broad framework of delivery of healthcare:

- the Chronic Disease Assistance Programme (CDAP) was further expanded to provide free blood glucose testing machines and strips to insulin dependent diabetics;
- the partnership between the Government, John Hopkins Medicine International (JHMI) and the University of Trinidad and Tobago (UTT) is already paying rich dividends. Academic programmes at the UTT will build managerial capacity in the health sector. A hospital strategy, the planning for which is underway, will optimize resources to provide the critical clinical mass to deliver high quality care to our citizens and research facilities will expand the scope of delivery of healthcare.
- A more than **65.0 percent** decline in the number of AIDS cases and greater than **50.0 percent** decline in AIDS related deaths has been achieved by the implementation of the strategic plan for reducing the incidence of HIV infections and mitigating the negative impact of HIV AIDS on persons infected and affected.
- We continue to expand the availability of dialysis treatment. We have increased the number of dialysis machines at public health institutions and have facilitated access by patients to the facilities at

private institutions. At present **577** patients are now being dialysed – an increase of **32.0 percent** over **2007**.

Community Development and Culture

Mr. President, we will continue to build our communities. Within this framework a number of organisations and institutions will play key roles:

- village and community councils;
- the national commission for self help;
- the Best Village Trophy programme;
- The National Steel Symphony Orchestra

Youth and Sport

Mr. President, we will continue to provide financial and technical support to our national sporting organisations on the terms and conditions which have yielded substantial benefits. The effectiveness of this support is measured by the excellent performance of our athletes at the last Olympic Games.

2. NURTURING A CARING SOCIETY

National Security

Mr. President, the fight against crime will be reinforced through the strengthening of institutions and enhanced mobilization of resources:

- i. the *Special Anti-Crime Unit of Trinidad and Tobago (SAUTT)*, has expanded its capability in forensics in developmental training for law enforcement and in lending operational support for the Trinidad and Tobago Police Service and other law enforcement agencies ;
- ii. A *National Drug Control System (NDS)* was installed in **2008** with a capability to trace the movement, nationally and internationally, of precursor chemicals and to serve as a main platform within the Caribbean Basin to minimize any risk of illegal diversion;
- iii. **Between 2009 and 2010** Trinidad and Tobago will take delivery of **three (3)** Offshore Patrol Vessels which are now being constructed in the United Kingdom. These vessels will be supported by **six (6)** Fast Patrol Craft which are now being built in Australia with delivery dates in **2009** and **2010**. In addition, are now in the process of procuring **four (4)** helicopters.

Mr. President, we are in no doubt that we will benefit substantially from the transition which is taking place in law enforcement. Progress is being made and I want to place on record the appreciation and debt of gratitude to all our service men whose lives are at risk on a daily basis.

Social Protection

Mr. President, the sustained economic growth of this country over the last **fourteen (14)** years has created the fiscal space for scaling up financial assistance to the most vulnerable and defenceless groups in our society. We recognise that economic progress must go hand in hand with social progress. Our economic policy aims at the equitable distribution of the fruits of development. Accordingly, we will continue to foster social development and integration on multiple fronts. We will provide a network of integrated, effective and accessible social programs and services including:

- i. The targeted conditional cash transfer programme which is being expanded with levels of cash transfers being increased by approximately 35%
- ii. The partnering with international agencies such as the European Union and the United Nations Development Programme to execute a more cohesive and aggressive approach to poverty reduction; and
- iii. The establishment of a Social Services Delivery Agency to ensure the efficient delivery of social services

3. ENABLING COMPETITIVE BUSINESS

Mr. President, we are firmly of the view that the private sector has a pivotal role in driving and enhancing growth; this Government continues to consolidate pro-growth policies in many key sectors; and in the process ensure that the growth which takes place would always be inclusive providing more and enhanced opportunities for our citizens. As we move to facilitate an enabling competitive business environment we have targeted the following **seven (7)** strategic industries for national focus on industrial growth and diversification:

- i. food and beverage;
- ii. printing and packaging;
- iii. maritime;
- iv. yachting;
- v. sea food;
- vi. film; and
- vii. entertainment.

Mr. President, we are aware of the potential for these strategic industries to contribute to expanding the opportunities and draw the underprivileged and the working poor into the mainstream of economic activity. We are reasonably assured that they will become substantive contributors to our gross domestic product and major pillars in shaping our future. We will facilitate the development of these sectors, but there is a key role for private sector involvement and investment.

Energy

Mr. President, the energy sector remains the main engine of growth in the economy. We initiated its expansion and diversification in the early 1990's, a measured transition of the economy from oil-based to gas-based.

Mr. President, our significant gas potential makes continued oil and gas exploration an imperative. The 2008 Ryder Scott report has underscored this position. As a result, over the medium-term our energy policy agenda will focus on the provision of incentives for increased oil and gas exploration to maximise the benefits which would accrue to all citizens of Trinidad and Tobago. *Mr. President*, exploration will continue in the upcoming fiscal year. In addition to the **fourteen (14)** wells drilled under the existing *production sharing contracts and exploration and production licenses more drilling is anticipated*. We intend to maintain a judicious balance of gas and oil reserves to production.

Agriculture

Mr. President, the under investment by the private sector is being addressed. The Government is moving rapidly to expand food production and to accelerate agricultural development. An unprecedented **\$1.7 billion** has been allocated to the agricultural sector for the financial year **2009**. In addition, taking steps to improve the institutional arrangements within the sector and promote realisation of our goals for this sector:

- i. **From a land availability perspective**, approximately **20,000** acres of land have been made available and are now being brought under agricultural production by :
 - the Caroni Agricultural Lands Programme, where each former Caroni worker has been allocated two acre plots for farming,
 - and the **fifteen (15)** large farms projects;
- ii. **from a financing perspective**, The Agricultural Development Bank (ADB) has been resourced with an allocation of **\$125.0 million**; this is solely for the support for private farmers and does not include funds for the large Government-sponsored farm projects.
- iii. **From a marketing perspective**, The National Agricultural Marketing and Development Corporation (NAMDEVCO) will continue to address institutional inefficiencies with improved market intelligence through the creation of farmers markets to bring producers and buyers together.
- iv. **From a production perspective** the National Agribusiness Development Programme is facilitating the preparation and implementation of industry development plans for several commodities. It is also facilitating the organised and coordinated planning, development and growth of the agri-business sector. This Programme will also collaborate with the new *Roads Authority* to upgrade and expand the road network to farmlands throughout the country. And
 - a) Formulation of an agricultural crop insurance programme and
 - b) Development and implementation of measures to mitigate the incidence of praedial larceny.

Tourism

Mr. President, the tourism industry continues to generate substantial growth. In **2007** there were more than **560,000** visitors to our shores. 2008 figures indicate that this figure will be exceeded. New hotel capacity is being created and existing room stock being upgraded to internationally competitive standards.

- Hyatt Regency created over 500 high-quality rooms in 2008;
- Holiday Inn Express created 83 room in 2008;
- Carlton Savannah when completed will provide 165 rooms;
- Star Hotel when completed will provide 120 rooms,

- the Academy for the Performing Arts when completed will provide 52 five-star rooms; and
- Trinidad Hilton is undergoing a major upgrade which will increase its complement to 420 rooms.

Mr. President, at least four other major hotel projects are on the drawing board and we are well on the way to creating a diversified and sustainable tourism product in this country.

Financial Services

Mr. President, the Government is moving steadfastly to support the establishment of an international financial centre as a key component of the financial services sector. This is another pillar of our industrial policy framework. Our financial reputation, legal system and ideal location make this country an attractive site for international banks and investment firms which are interested in fostering business linkages with the wider Caribbean and with Latin America.

Mr. President, the *Trinidad and Tobago International Financial Centre* will create a wide range of employment opportunities in the financial services sector and other ancillary services. It will provide an enabling environment for local and international financial institutions specializing in:

- commodities trading;
- asset management;
- insurance and reinsurance services;
- international loans syndication; and
- insurance back-office activities.

4. INVESTING IN SOUND INFRASTRUCTURE AND ENVIRONMENT

Mr. President, the provision of infrastructure services is the most challenging issue on our agenda. We are well aware that from an economic perspective an adequate supply of infrastructure services is a key ingredient in promoting economic development, growth and equity. Therefore, we have confronted the issue and dealt with a number of the bottlenecks retarding our progress in this area and we intend to accelerate our rate of progress in the coming year.

HOUSING

Mr. President, we will continue to create integrated and wholesome communities. The centrepiece of this agenda is the provision of acceptable and affordable low-income housing. Since 2002 we have initiated more than 32,000 housing starts.

TRANSPORTATION

Mr. President, our investment in modernising public transport will reshape our urban and rural landscape. Our road network would fall under the remit of a Roads Authority. The modernisation process is underway:

- i. in early **2009** the *elevated west to south bridge from the Churchill Roosevelt Highway to the Uriah Butler Highway* will be completed. This will alleviate the significant traffic delay from Port of Spain to San Fernando. Construction of the remaining sections of the interchange when completed will do away with the traffic lights and traffic conflicts at that junction and with the flyovers and service roads at El Socorro and at Aranguez, the south bound traffic would be unimpeded;

- ii. in **December 2008** the *water taxi service* between Port of Spain and San Fernando would be launched with **four (4)** interim vessels. The service will be subsequently expanded with docking areas at Point Fortin, Waterloo, Invaders Bay, Point Cumana and Chaguaramas;
- iii. in **April 2008** the *Trinidad Rapid Rail Transit System* was initiated with the execution of a contract with the Trinitrain Consortium. The completion of Phase I - planning and design in **February 2010** – would establish the alignment, station locations and sizes as well as rolling stock for the Trinidad Rapid Rail Transit System, the construction of which should begin immediately upon the completion of Phase I;
- iv. the fleet expansion and modernisation programme of the Public Transport Service Corporation (PTSC) has brought 300 new buses to service existing and new routes; the number would be increased to 450 as the PTSC completes its expansion programme and put itself in a position to satisfy travel demand during peak hours; and
- v. a comprehensive new national highway grid will be constructed over the next **eight (8)** years and this will allow our citizens to travel from any one area of Trinidad to any other area in less than two and a half hours. The technical work relating to procurement for the **thirteen (13)** major highways is now being undertaken.

Drainage

Mr. President, we are establishing a *Drainage Authority* with full oversight of all drainage networks throughout the country and with the mandate to find effective solutions to the country's current drainage problems.

Water Production

Mr. President, in the context of a waste water and water master plan, we are committing more than **\$10.0 billion** over the next **five (5)** years to complete **eight (8)** major water production projects. When completed, these projects will provide our citizens with a safe and reliable supply of water. Among the projects would be **five (5)** large desalination plants, the construction of the Moruga Dam, the completion of the Beetham Water Re-use Project, the establishment of a National Water Transmission Grid combined with universal metering.

POWER GENERATION

Mr. President, the Trinidad and Tobago Electricity Commission (T&TEC) is now reviewing all existing power generation plants with a view to ensuring that the infrastructure is in place to meet and surpass the growing present and future demand for electricity.

Telecommunications

Mr. President, the process for transforming Trinidad and Tobago to a knowledge and technology-driven society is well underway. During the period **2009 – 2013**, the Telecommunication Services of Trinidad and Tobago (TSTT) in addition to providing residential and mobile services, will evolve into a company capable of providing modern technology and a new service paradigm including access to e-services, video and entertainment, video conferencing, and security. The fulfilment of these needs would be effected by the expansion and availability of bandwidth throughout the country. *Mr. President*, obsolete copper cables would be replaced by optical fibre cables to provide advanced services so that by **2013** our citizens would have access to state-of-the-art advanced telecom services.

The Environment

Mr. President, as we modernise the country with improved infrastructure we will continue to maintain and upgrade the environmental integrity of Trinidad and Tobago through:

- i. the establishment of an independent statutory authority within the Ministry of Local Government to administer the waste recycling system.
- ii. the recovery of waste , including recycling, re-use and reclamation.
- iii. The restructuring of the Solid Waste Management Company Limited (SWMCOL) to focus on waste management including waste water management. This function will be transferred from the Water and Sewerage Authority (WASA);
- iv. The transfer of the Community based Environmental Protection and Enhancement Programme (CEPEP) to a special purpose state enterprise to be established; and
- v. Through The Green Fund, grants to community-based organisations and non-governmental organisations for remediation, reforestation and conservation projects.

5. PROMOTING EFFECTIVE GOVERNMENT

Pension System

Mr. President the technical work relating to the reform of the pension arrangements for the public sector of Trinidad and Tobago is almost complete. The final design of the pension system will be subject to extensive consultations with the major stakeholders and should be completed in 2009 to allow for implementation in 2010.

Property Tax Regime

Mr. President, four years ago we introduced reforms of our income and corporate taxation so as to make tax administration as efficient and user-friendly as possible. We are in the final phase of that reform exercise. The property tax regime is antiquated. Therefore, we expect to put in place a new property tax regime by **January 2010**.

Local Government Reform

Mr. President, we are committed to develop *sustainable local communities rooted in the principles of robust participative democracy*.. The local government transformation and modernization programme is an essential component of Vision 2020 and early in 2009 parliament will consider local government reform legislation. The objective of this reform is to encourage the wide-spread participation and involvement of all citizens in the community as well as to develop such communities.

E-AUCTION

Mr. President, critical to the process of achieving Vision 2020 we are according high priority to the achievement of seven (7) information and communications technology driven measures: E-Government, E-Commerce, E-Health, E-Security, E-Learning, E-Culture and E-Services. We are making substantial strides in advancing E-Services within the public service and state agencies, in particular in the area of procurement.

Mr. President, the expanded use of E-Auction within the state agencies represents an alternative procurement method for generating substantial cost savings within an efficient, open and transparent system.

Mr. President, in one (1) recent E-Auction event more than ten (10) state enterprises participated.

6. TOBAGO

Mr. President, Tobago has experienced tremendous progress and prosperity due to the collaboration between the Central Government and the Tobago House of Assembly (THA). In **FY09**, the THA will have access to budgetary resources in the order of **\$2,650 million**, up from **\$2,238 million** in **FY08**.

FISCAL OPERATIONS FOR 2009

Mr. President, let me turn now to the Budget for 2009. The Budget this year is calibrated on an assumed oil price of US\$70 per barrel, a gas price of U\$4.00 per mmbtu and a projected GDP growth of 5.6 percent. Officials of the IMF as recently as September advised in relation to the international oil market that:

”market supply-demand balances remain tight. Strong demand growth—fuelled by the acceleration of activity in resource intensive emerging economies-sluggish supply responses, and declining inventories and spare capacity, are likely to keep prices high and volatile”.

Based on these assumptions, total revenue is forecast at \$49,465.2 million, comprising energy sector revenue of \$19,924.6 million and non-energy revenue of \$29,540.6 million.

The total expenditure to be appropriated from the Consolidated Fund is \$44,206.3 million of which \$5,100 million will be transferred to the Infrastructure Development Fund. In addition, we estimate \$6,750.8 million as direct charges on the Consolidated Fund, and \$496 million from the Unemployment Fund and the Green Fund.

The Key figures are summarised as follows:

- total revenue is estimated at \$49,465.2 million;
- total expenditure net of Capital Repayments and Sinking Funds is estimated at \$49,445.7 million; \$44,206.3 of which is to be appropriated from the Consolidated Fund and the balance to be expended by way of direct charges and withdrawals from other funds such as the Unemployment Fund;
- a moderate fiscal surplus of \$19.5 million is being projected.

FISCAL MEASURES

Mr. President, I now turn to the Fiscal Measures for Budget 2009.

MOTOR VEHICLE TAXES

Mr. President the Government proposes to increase the rates payable on Motor Vehicle Tax based on the vehicle’s CC rating in the following order:

Engine Size Motor Vehicle Tax per CC Rating

Current Proposed

1599 cc and under from 0 to \$5 per cc

1600-1799 cc from \$4 to \$8 per cc

1800-1999 cc from \$8 to \$15 per cc

2000-2499 cc from \$21 to \$25 per cc

2500-2999 cc from \$25 to \$30 per cc

3000-3499 cc from \$30 to \$35 per cc

3500cc and above from \$45 to \$50 per cc

This measure will require amendments to the Motor Vehicles and Road Traffic Act and became effective from September 23, 2008 and will result in increased revenue collections of \$525million.

CNG CONVERSION

Mr. President the Government is in the process of expanding the distribution of Compressed National Gas (CNG) as we move to a cheaper, and environmental friendly fuel system. As a consequence, in order to accelerate the move to the use of CNG, we propose to remove the Customs Duty and Value added Tax on the Conversion Kits for modifying from Gas to CNG Kits. Mr. President, further to this measure the Government proposes to

convert all public service vehicles to CNG usage. The Government will also put measures in place to increase the number of service stations and geographic distribution of these stations offering CNG over the next two years.

INCREASE IN THE PRICE OF PREMIUM GASOLINE

Mr. President, the Government proposes to increase the price of premium gasoline from \$3.00 per litre to \$4.00 per litre. This measure took immediate effect from September 25th. The price for other grades of fuel will be retained. We reiterate that there should be no increase in the cost of transportation by maxi taxis, buses, the majority of taxis and other transport vehicles that use diesel and super unleaded fuel for which the prices remain the same. It should be noted that the closeness of the specifications of the super and premium grades creates a reasonable choice for consumers.

Mr. President, the savings from this measure is estimated at \$200m.

Free Ferry Pass

Mr. President, the Government recognizes the challenges faced by our retired citizens and as a result, we propose to introduce a free "Ferry Pass" to persons 65 years and over for travel between Trinidad and Tobago. This measure took effect from October 1, 2008 and is estimated to cost \$5million.

DISABILITY GRANT

Mr. President, the Disability Grant was increased with effect from 1st October 2007 to \$1,100. The Government now proposes a further increase to \$1,300 at an estimated additional cost of \$40 Million. This measure took effect from October 1, 2008 and will require amendments to the Public Assistance Act. It will benefit an estimated 17,000 of our citizens.

PUBLIC ASSISTANCE GRANT

Mr. President, in order to provide relief to the economically challenged in our society we propose to increase the Public Assistance Grants as follows:

	Current Grants	Proposed Grants
1 person households	650	850
2 persons households	900	1100
3 persons households	1,100	1300
4 persons and above households	1,250	1450

This measure is expected to cost an additional \$50.4 Million and will benefit an estimated 21,000 individuals. It takes effect from October 1, 2008.

SENIOR CITIZENS GRANT

Mr. President in October 2007 the maximum Senior Citizens Grant was increased by \$300 to \$1,650 per month. The Government has reviewed this distribution and made the following enhancements:

- An increase in the income qualifying ceiling from an average monthly income of \$2,500 to \$2,800 per month;
- An increase in the maximum Senior Citizens Grant from \$1,650 to \$1,950 per month;
- An increase in the Senior Citizens Grant for an individual whose monthly income is \$100 or less by \$300 from \$1,650 to \$1,950; and
- An increase in the Senior Citizens Grant for an individual whose monthly income is greater than \$100 but does not exceed \$1,000 by \$300 from \$1,550 to \$1,850.

Mr. President, individuals whose average monthly income exceeds \$1,000 will receive a Senior Citizens Grant equal to the difference between the qualifying income ceiling of \$2,800 and the income received. For instance, if an individual is in receipt of an average monthly income of \$1500 his qualifying Senior Citizen Grant will be \$2,800 less \$1,500 equivalent to \$1,300.

The estimated additional cost is \$240 Million and will benefit an estimated 80,000 persons. This measure takes effect from 1st October 2008 and will require amendments to the Senior Citizens' Grant Act.

RETIRED PUBLIC SERVANTS

Mr. President, to provide further support to fixed income earners the Government proposes to increase the minimum pension payable to retired public servants from \$1,650 to \$1,950. This measure will take effect from October 1, 2008 and is estimated to cost \$70 million and will impact the lives of more than 27,000 of our citizens.

CONTRIBUTIONS TO PENSION/ANNUITY PLANS

Mr. President, in this fiscal year we propose to increase the allowance for contributions to pension/annuity plans from \$25,000 to \$30,000 to further encourage persons employed to increase savings for their retirement. This will cost an estimated \$25 Million and will require amendments to the Income Tax Act.

STAMP DUTY

In light of the continued rise in domestic property values and recognising the Government's objective of making housing affordable for all of our citizens we propose to further increase the qualifying property value applicable for the levy of Stamp Duty, from \$450,000 to \$850,000. This means that properties valued in excess of \$850,000 but less than \$1,250,000 million will attract a stamp duty of three percent. Properties valued in excess of \$1,250,000 million but less than \$1,750,000 will attract a stamp value of 5 percent.

Properties valued in excess of \$1,750,000 will attract a stamp value of 7 ½ percent. This measure is estimated to cost an additional \$30 million and will require amendments to the First schedule of the Stamp Duty Act, Chap 76:01 under the heading "Conveyance or transfer on sale of any Property". It will take effect from October 1, 2008.

TERTIARY EDUCATION

Mr. President, through the Government Assisted Tertiary Education (GATE) and Higher Education Loan Plan (HELP). The present allocation for Post Graduate students at private institutions is fifty (50) percent per year up to a maximum of \$10,000. Since this allocation was made the cost of many programmes of study has increased. Accordingly, we propose to increase this allocation to \$20,000 for Masters Level Programmes and to \$30,000 for Ph. D Level Programmes. This measure is estimated to cost an additional \$40 Million and took effect from October 1st 2008.

SCHOLARSHIPS FOR 1ST CLASS HONOUR STUDENTS TO PHD LEVEL

Mr. President, this Government recognises the critical importance of academic research to the country's development. To encourage our best and brightest to continue their studies and explore new frontiers in the interest of personal and national development, we propose to grant to Trinidad and Tobago citizens who have attained First Class Honours Degrees at undergraduate level, scholarships up to the PhD level at any local or foreign institution of their choice.

These Scholarships will be limited initially to students graduating from the University of the West Indies, the University of Trinidad and Tobago, the University of Guyana, the University of the Southern Caribbean, and St. George's University in Grenada. However, all current and future Government scholars, including open and additional scholarship winners also will be eligible.

These scholarships will be available to all citizens of Trinidad and Tobago and to citizens who hold dual citizenship from CARICOM member states.

Mr. President, it is the Government's intention that these scholarships will be granted on the condition that recipients return to provide service equivalent to the length of study. The recipient could serve in Trinidad and Tobago or in any other Caribbean country in either the public or private sector.

In addition, Mr. President, the Government will implement an internship programme, at all Government ministries and agencies, to employ all recipients of national scholarships.

CONCLUSION

Mr. President, we are in no doubt that the economy of Trinidad and Tobago is sound and sustainable. While we are firmly integrated into the world economy, we are convinced that we can weather the cross currents and headwinds blowing our way. There are challenges ahead but this budget prepares our citizens for that eventuality. We have set in place an architecture of good governance: we have crafted a budget which is prudent and realistic; we are helping young people to educate themselves; we are helping our vulnerable and defenceless; and we are helping all our citizens as they seek to cope with higher world commodity prices. *Mr. President*, this is the hallmark of good governance. The details of the tax measures are provided in the Annex to the Statement.

In closing *Mr. President* to summarise this budget has a twofold purpose

1. To continue to build on the foundations that have been established since 2002 and narrow the gap between our current state and the future as set out in the Vision 2020 document.
2. To continue the fiscal measures that promote the well being of our citizens through education and the provision of social services

Mr. President, I beg to move.