

Senator the Honorable Conrad Enill –Minister in the Ministry of Finance
Speaking in the Senate on the Mid Year Review of the Budget on Wednesday
15th June 2005.

Madam President,

The House of Representatives met on Friday 10th June, 2005 and agreed to two proposals with respect to the 2005 Appropriation.

Madam President,

The first proposal was for the provision of supplementary funds in the sum **Three Thousand and Fifty Million, Two Hundred and Eleven Thousand, Eight Hundred and Sixty Four Dollars** - (\$3,050,211,864) to fund urgent and critical recurrent and capital expenditure to September 30, 2005.

The **second proposal** was for the variation of the Appropriation for fiscal year 2005 in the sum of **Sixteen Million and Eighty Three Thousand Dollars** - (\$16,083,000).

Madam President,

The increase in the Appropriation will provide supplementary funds for the following Heads:

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Head13 Office of the Prime Minister	11,544,000
Head 15 Tobago House of Assembly	205,750,000
Head 17 Personnel Department	1,523,000
Head 18 Ministry of Finance	348,653,460
Head 21 Ministry of Planning & Development	319,000
Head 22 Ministry of National Security	160,400,000
Head 23 Ministry of the Attorney General	6,076,673
Head 28 Ministry of Health	454,000,000
Head 30 Min. of Labour & Small & Micro Enterprise Development	16,425,000

Head 31	Ministry of Public Administration & Information	40,468,765
Head 36	Ministry of Housing	163,653,910
Head 37	Integrity Commission	17,266,528
Head 39	Ministry of Public Utilities & the Environment	160,898,614
Head 40	Ministry of Energy & Energy Industries	650,000,000
Head 42	Ministry of Local Government	239,231,976
Head 43	Ministry of Works and Transport	416,261,938
Head 46	Ministry of Sport & Youth Affairs	7,527,000
Head 47	Ministry of Foreign Affairs	11,365,000
Head 54	Ministry of Science, Technology & Tertiary Education	134,595,000
Head 55	Ministry of Community Development & Gender Affairs	15,000,000
Head 56	Ministry of Social Development	875,000

Madam President,

The Senate would recall that the 2005 budget projected a fiscal surplus of \$7.7Mn or 0.01% of GDP.

For purposes of administration of the budget, an overall deficit of \$770.3Mn was projected for the period 01 October 2004 to 31 March 2005. Based on actual expenditure, the Government recorded a fiscal surplus of \$2,444.8Mn in the first six months of the fiscal year. This favourable position is due to higher than anticipated revenues of \$1,690.6Mn and lower than anticipated expenditure of \$1,524.5Mn.

The additional revenue is due mainly to increases in Taxes on Income and Profits, Taxes on Goods and Services, and Taxes on International Trade, which together totalled \$1,613.2Mn, along with increases in Royalties on Oil.

The stronger than anticipated performance in Taxes on Income and Profits is due to better tax take from Oil and Other Companies as well as Unemployment Levy -- all of which are

associated with higher than anticipated oil, gas and petrochemical prices. While estimates of oil revenue for 2005 were based on projected oil and gas prices of US\$32 per barrel and US\$1.50 per mmcf, the average weighted prices for the first six months of the year were approximately US\$40 per barrel and US\$ 2.26 per mmcf.

In the case of Taxes on International Trade, the increased revenue was due to increase importation, which correlated with the upward trend reflected in the distributive sectors. With respect to Taxes on Goods and Services, the improved performance was due to higher than anticipated receipts from Motor Vehicle Taxes and Duties and Value Added Tax.

Madam President,

The shortfall in expenditure for the first half of the year was due in part to the lower than anticipated implementation rate for the Public Sector Investment Programme to the tune of \$592.8Mn.

In the case of recurrent expenditure, the sub-heads registering the highest shortfall in expenditure were Personnel Expenditure and Other Goods and Services. With regard to Personnel Expenditure, spending was lower than anticipated because funds that were included to facilitate the settlement of arrears of salary to primary and secondary school teachers as well as members of the Fire Services were not utilized within the projected time frame, because of delays in certification of payments by the Auditors and further processing delays by NISC. The expenditure shortfall in goods and services has occurred because the implementation programme of Ministries has been affected, in the main, by delays in the recruitment of contract personnel and the acquisition of minor equipment, as well as tardiness in the finalization of final payments.

Madam President,

When the higher levels of expenditure facilitated by the Finance (Supplementation and Variation of Appropriation) Bill 2005, now before us, is matched against the revised projection of Total Revenue, it yields a revised Overall Surplus in Government's fiscal operation for Fiscal 2005 of \$11.9 million. This reflects an increase in Total Expenditure from the originally

budgeted \$24,007.8 million to \$26,756.5 million, and an increase in Total Revenue from the original projection of \$24,015.5 million to \$26,768.4 million.

Madam President,

The three largest contributors to the improved revenue projection for 2005 are Oil Companies, Other Companies and Taxes from Individuals. Taxes from Oil Companies is projected to increase from the original estimate of \$7,993.3 to \$9,004.9 million, an increase of \$1,011.6 million. Taxes from Other Companies is earmarked to increase from the original estimate of \$2,068.3 million to \$2,879.4 million, an increase of \$811 million. And, Taxes from Individuals is projected to increase from the original estimate of \$3,392.4 to \$3,818.1 million, an increase of \$425.8 million.

Madam President,

The details of these proposed changes were circulated to all Members of the Senate.

Madam President,

Please permit me at this time to advise the Senate on the proposals applicable to Heads of Expenditure for which increases in excess of **Two Hundred and Fifty million** – (\$250Mn) is being proposed.

Under Head 18 – Ministry of Finance an increase of approximately \$348 million is being sought. The amount is made up, *inter alia*, as follows: -

In the wake of the Tsunami in South East Asia, Cabinet agreed that Trinidad and Tobago contribute US\$2.0Mn to the United Nations relief and reconstruction efforts. Consequently a Warrant in the sum of \$12,600,000 was issued from the Contingencies Fund to honor this commitment. As a result, the sum of **\$12,600,000** is now required to retire the Warrant in accordance with Section 16 (4) of the Exchequer and Audit Act Chapter 69:01.

Madam President,

An allocation of approximately \$1,356.9 million was made in the 2005 estimates to be transferred to the Interim Revenue Stabilization Fund. Based on computation of oil revenues projected by the Ministry of Finance for the fiscal year, the surplus revenue over that estimated based on a US\$25 per barrel oil price is \$2,376.4Mn.

In accordance with the present principle of transferring 60 percent of the surplus revenue into the Interim Revenue Stabilization Fund, a sum of \$1,425.8Mn will be required to be transferred to the Fund. As a consequence, a further appropriation to the Interim Revenue Stabilization Fund in the sum of \$68.9Mn is now being sought. This would facilitate the transfer of \$1,425.8Mn within the 2005 fiscal year.

In November 2004 Cabinet agreed that the Government of Antigua and Barbuda a shareholder Government of LIAT (1974) Ltd, be allowed to access a loan of EC\$5.7Mn. No provision was made in the 2005 Budget for this purpose. As a result, the sum of approximately TT\$13.6Mn was transferred from the allocation for BWIA. Also, in January 2005, Cabinet agreed that \$20.8Mn be injected as equity in the National Quarries Company Limited. Again, no provision was made in the 2005 budget for this purpose and a further amount of \$10.4Mn each was transferred from the allocations for BWIA and Caroni.

Additionally, Caroni (1975) Limited requires the sum of approximately \$49.5Mn to meet its statutory obligations to the Board of Inland Revenue and amounts due to local and foreign creditors to the end of fiscal 2005.

As a result of the transfers which were interim measures as well as the supplementary funding required for the Board of Inland Revenue provision is now being sought in the sum of \$24Mn for BWIA and \$56.9Mn for Caroni.

Madam President,

Supplementary resources in the amount of approximately \$123.8Mn is also being sought for the Trinidad and Tobago Electricity Commission (T&TEC) to meet its debt service obligations to the National Gas Company in light of the increased market price of natural gas and the attendant cost to the utility.

Madam President,

Under Head 28 – Ministry of Health an increase of \$419,000,000 is being sought.

This additional funding is required to meet, *inter alia*, the increases in provision of services under the Chronic Diseases Assistance Programme (CDAP) in the sum of \$10.3Mn and the provision of dialysis and other medical treatment in the sum of \$4.4Mn.

A further sum is also being sought to enable the North West Regional Health Authority to meet outstanding obligations to its creditors, as well as the Board of Inland Revenue and other statutory authorities. Increased provision is also required to meet payment of employee benefits and other incentives. The additional funding required to meet these expenses as well as the operating shortfall at the Eastern and South West Regional Health Authorities is \$337.3Mn.

An additional \$102.0Mn is also required for the costs associated with the commissioning of new Wards and introduction of free services at the Mount Hope Medical Complex.; and

Madam President,

Under Head 40 – Ministry of Energy And Energy Industries an increase of \$650.0Mn is being sought to meet the subsidy payments to the petroleum marketing companies consequent on the prevailing high prices for oil in the international market.

Under the Petroleum and Subsidy Act, Chapter 62:02, Petroleum Products Subsidy a subsidy arises when the price that the marketing companies pay to purchase these products is **more** than the revenue collected in sales “at the pumps”.

The sum of \$650.0Mn is required to meet outstanding payments due to the National Petroleum Marketing Company, which in turn would enable that company to meet its accumulated debt to Petrotrin related to the unmet subsidy payments.

Madam President,

Under Head 43 – Ministry of Works and Transport an increase of \$400.2Mn is being sought.

These resources are required to meet the following:

- the cost of Salaries & Cola and Wages & Cola for the fourth quarter under the various divisions of the Ministry. The shortfall arose as the allocations were transferred to facilitate payment to the Port Authority for leasing of two additional vessels for the Inter-island Ferry Service. It is now necessary to replace the allocations that were transferred.

- additional costs associated with the implementation of a short-term drainage programme, which includes de-silting, and widening of watercourses throughout Trinidad;
- the additional cost of financing the deficit on the operations of the inter-island ferry service for the period July to September 2005 and for the mobilization fee for interim leasing and commissioning of a high-speed ferry;
- expenses related to the provision of additional seating on the Trinidad & Tobago Air-bridge for the period May to September 2005;
- replenishment of the debt servicing allocation under the Airport Authority in order to meet payments due in the month of July 2005. Funds were transferred out of this vote to meet the cost of providing additional seating on the air-bridge for the period August 2004 to April 2005;
- replenishment of the debt servicing vote of the Port Authority in order to meet its commitments due in the month of September. Funds were also transferred to meet the cost of providing additional seating on the Trinidad and Tobago Air-bridge.
- commitments on ongoing contracts under the Reinstatement and Stabilization of Failed Slopes Programme, which have been accelerated to take advantage of the weather conditions;
- payment for works being undertaken on the Tobago component of the Institutional Strengthening of the National highways Programme. Also, to meet payment of retention fees from previous contracts;
- advance payments on contracts awarded for the following major projects under the Trunk Road Expansions:
 - (i) Widening of the Churchill Roosevelt Highway from O'Meara Road to Santa Rosa;
 - (ii) Rehabilitation works from the Pillars to Antigua Road – Churchill Roosevelt Highway; and

- (iii) Feasibility study and designs for highway from Golconda to Point Fortin;

Supplementary resources are also being proposed for the Public Transport Service Corporation (PTSC) for the following: -

- the acquisition of 25 Conventional Buses, which are due to be commissioned in June 2005;
- the purchase of spares and accessories to repair Marco Polo Buses; and
- the acquisition of 12 Articulated Buses which are due to be commissioned in June 2005 - \$4.9Mn.

Madam President,

At this point I would like to address those Heads of Expenditure for which a reduction in the allocation is proposed, i.e. the Industrial Court and the Ministry of Trade and Industry.

In the case of the **Industrial Court**, Cabinet gave approval for the Director of Real and Property Estates to negotiate a lease agreement for a proposed location to house the Tobago Office of the Industrial Court. However, funds provided for this purpose have not yet been utilized and it seems unlikely that the process would be completed in the Fiscal Year.

With regard to the **Ministry of Trade and Industry**, the designs for the Information Technology Industry Development Project at Wallerfield are not expected to be completed by the end of Fiscal 2005, as planned.

Madam President,

May I take this opportunity to inform the Senate that \$950.5Mn of the supplementary resources provided for in this Bill are earmarked for the Public Sector Investment Programme (PSIP). The Ministry of Planning and Development, in collaboration with other Ministries and Departments, conducted a mid-year review of the PSIP, as a result of which \$16.1Mn are being varied among three Heads and supplementary of almost \$1billion dollars are required.

It is therefore proposed to increase the allocation to projects which are in need of additional funding, and reduce those projects that have performed below expectations.

Madam President,

In closing, may I reiterate that the increased levels of expenditure authorized by the Finance (Supplementation and Variation of Appropriation) Bill 2005 combined with the revised projections for Government Revenue are expected to result in an overall surplus of \$11.9 million in Government's fiscal operations.

Madame President ,I beg to move.