

Address by the Minister of Finance and the Economy

Senator the Honourable Larry Howai

Tranquility Credit Union

Ribbon Cutting Ceremony

2015/04/11

Mr. Karyl Adams, Commissioner of Co-operatives;

Mr. Aaron Moses, President, Caribbean Confederation of Credit Unions;

Mr. Joseph Remy, President, Co-Operative Credit Union League of
Trinidad and Tobago;

Mrs. Kerlina Niles, President, Tranquillity Credit Union;

Members of the Media;

Other distinguished guests;

Ladies and Gentlemen,

Good afternoon.

I must begin by thanking your General Manager Sherwin Cambridge for inviting me to be part of this milestone event in the history of your credit union. It is really a pleasure for me to participate in celebrating something so positive for the economy and for your members. This ribbon cutting ceremony celebrates growth, it celebrates new investment and it demonstrates confidence in the future.

And so I congratulate the Board, Management and Members of Tranquility Credit Union on this tremendous achievement. You are the proud owner of a new home. You have helped so many of your members achieve this very dream and now you can celebrate this moment yourself!

This is a wonderful place in which you can grow. An asset that trumpets

your name to existing and new members. An investment that will grow in value with you. And perhaps, most significantly to me as Minister of Finance and the Economy, an action that so clearly demonstrates, as I said before, your confidence in the future of the economy and also the future of the energy sector from which you draw your membership.

Economic Outlook

At a time when the timid adopt a wait and see approach, Tranquility remains focused on its goals, and continues to boldly execute its strategy of growth and service excellence for its members. This is to be commended.

Although the global recovery remains fragile, our recovery here at home has remained robust . Yes, the fall in oil prices has slowed the recovery, which we have experienced over the last three years but it has not halted it, and I expect the recovery momentum to continue as the year unfolds. I am certain that 2016 and 2017 will see a continuation of economic activity and growth. I am also confident that the nation's financial buffers are strong enough to address the immediate concerns regarding the recent decline in

oil prices.

Other economic performance indicators are very good. The quarterly unemployment rate in Trinidad and Tobago has remained below 5 percent since the first quarter 2011 and, according to the latest available data, the unemployment rate has further declined to 3.3 percent in the third quarter of 2014. In December 2014, the international credit rating agency Standard and Poor's reaffirmed Trinidad and Tobago's credit rating as "A", with a stable outlook for the economy.

Energy Outlook

Ladies and Gentlemen, I know the financial fortunes of TCU are tied to the performance of the Energy sector in 2015 and beyond. A thriving sector means thriving employees, which then directly impacts the growth of your membership as well as the growth of your main income segment—loans—and the containment of bad debts.

I feel confident that 2015 will be a clear improvement over 2014 and it

will only get better after that. The Central Bank estimates that the energy sector contracted by just over two percent in 2014, because of continued disruptions to natural gas supply and LNG production; given that there has been upgrade and maintenance work in both upstream and downstream facilities. These will outweigh the stabilization in crude production that has been achieved. However, the Bank expects natural gas production to recover in 2015, in support of economic growth.

We also have a number of major developments and significant investments that have begun as a result of Government's changes to the fiscal regime:

- These include the US\$2.1 billion Juniper Project, the main component of which will be the fabrication of the Juniper Platform in the LABIDCO Industrial Estate, with the creation of 300 jobs, which will help revitalise economic activity in the southwest peninsula.

- Twelve production-sharing contracts have been signed over the last four years. Under the new model, the Government has included various options for the marketing of its share of the natural gas.

Just in the last two years, five new discoveries of natural gas or oil have been made. These are: Trinity in the East Galeota block with 27 million barrels of oil; Petrotrin in Trinmar's Cluster 6 with 48 million barrels of oil; bpTT in its Savonette-4 well with one trillion cubic feet of natural gas; Trinity in its TGAL 1 well with 26 million barrels; and REPSOL in its Teak Bravo North well with 40 million barrels of oil.

Moreover, two additional deepwater production-sharing contracts are about to be signed, and three on-shore licences are about to be issued, the first in many decades.

Drilling activity, which is reflective of greater activity in the upstream sector, is increasing. In 2013, rig days more than doubled from 1,132 in 2010 to 2,485.

The good news for you and for all of Trinidad and Tobago is that at least 53 exploration wells will be drilled over the next eight years based on: the exciting new seismic data coming to hand, the incentives now in place,

and the contractual obligation of the companies.

So, overall, there are concrete reasons to be optimistic—from significant increases in drilling activity and foreign and domestic direct investment to discoveries of new reserves of oil and natural gas and the stabilisation of oil production. We also expect that, starting in 2017, we shall see improved results arising out of the audits of our oil and gas reserves.

There is also good news on the downstream side. The proposed US\$987 million Mitsubishi-Massy Methanol to Di-Methyl Ether plant is in an advanced stage of technical conceptualization. Indeed yesterday the Minister of Finance along with representatives of Mitsubishi Corporation and Mitsubishi Gas Chemical Company Inc as well as Massy Energy (Trinidad) Limited a member of the Massy Group and the National Gas Company of Trinidad and Tobago signed the Project Agreement for the Establishment of the Natural Gas to Petro Chemicals Complex for the Production of Methanol Dimethyl Ether (DME) at Union Industrial Estate, La Brea.

I also expect that the Gas Master Plan, which is almost finalised, will attract a new wave of investment into the sector.

Ladies and Gentlemen, I know that, in light of falling energy prices, some companies in the sector have announced efforts to reduce costs, including reductions in their workforce. But, in light of planned drilling and production activities, the net effect of any such reductions to be minimal.

I believe that most significant cost cutting exercises will be achieved through greater co-operation by all stakeholders in the industry to reduce very expensive supply disruptions. In this respect, I echo the call made by bpTT's President Norman Christie who said: "There is too much duplication, and clear opportunities exist to reduce costs." In urging more co-operation, he noted that he was casting the widest net possible, covering not only companies in the upstream, midstream, downstream, and services sector, but also government, the Opposition, trade unions and more.

The overwhelming impact of the energy sector on the T&T economy

certainly makes the case that such co-operation is to everyone's advantage. I would note here that Mr Christie applauded the Ministry of Energy for its efforts in this regard, saying: "With the leadership of the Ministry of Energy, we have increased co-operation across the gas value chain to mitigate the impact of disruptions to supply."

Credit Union Bill

What does all this mean for your over 1,600 members employed in the energy sector? Your membership spans a range of energy-based entities that include: some of the longest-established oil and gas companies in T&T, as well as spanning both the private and public sectors. They hail from bpTT, Atlantic LNG, PetroCanada, National Gas Company, National Petroleum, BG, BHP, Repsol and the downstream Pt Lisas-based companies such as Yara, Phoenix Park and PCS Nitrogen.

In this very competitive and increasingly demanding financial environment, how do you safeguard members' funds and also retain and attract new members?

I applaud your Mission Statement as actually providing the answer and the strategy. It states your Mission as: *To become an efficient and professional financial co-operative committed to improving the economic and social well-being of our members, delivering superior products and service.*

Consider the Central Bank and the proposed Credit Union Bill as vital tools that will help you achieve your Mission and realise your Vision *to be the best managed professional financial co-operative in Trinidad and Tobago.*

In fact, I encourage and urge all credit unions, their members, directors and managers, to embrace the opportunity to draw on the resources and financial expertise of the Central Bank. The proposed Credit Union Bill and Co-operative Societies Amendments Bill open up what is really a great opportunity for the credit union movement to be able to turn to the Central Bank as their advisor, consultant, and, yes, Regulator.

The parallel I would draw here is with that of a young cricketer, who loves the game, wants to become the best cricketer in the world, and Brian Lara sees him playing a small game with his friends, and tells him, I will come and watch you play and give you some tips. I'll also give you some drills that you must do if you want to improve. There are also rules you must know and follow if you want to play international cricket. Are you going to tell Brian Lara it's alright, you prefer to do it on your own?

What if you were a small, new, service company looking to win some contracts in the energy sector, and the CEO of BG, BHP or BP offered their professional input. Or the Energy Chamber offered to review the safety procedures you had in place. Would you tell them no?

Perhaps you believe there is no way that a Central Bank or the Minister of Finance, especially one who was a career banker, could truly support what a credit union is all about. After all, Credit Unions came into being to reach the ordinary working men and women who were under-served by traditional financial institutions. But permit me to make some claim of

doing the same. First Citizens Bank, which the Minister led for so many years, was born from three indigenous banks that themselves were formed to serve the ordinary working class—Trinidad Co-operative Bank which was known as “the penny bank,” Workers’ Bank, and the National Commercial Bank (the first bank to see and meet the need for 90% financing for home mortgages).

I would urge you to compare the public perception and confidence in First Citizens when it was first formed, to where it is now. Through sound management and procedures, First Citizens was able to win public confidence, and experienced an overwhelming response to its public share offering in 2013. I note that Tranquility Credit Union is actually now a proud shareholder in First Citizens with 40,294 shares.

As for the Central Bank, the Bank’s Governor, Mr Rambarran, has stated that: (and I quote) *“The Draft Credit Union Bill recognises the co-operative principles, democratic structure, service to members and social goals of credit unions. In developing the legislation, the Central Bank considered it important that many of the current services and practices of credit unions be maintained. However, we also considered it absolutely*

necessary that relevant and appropriate prudential limits be put in place and enhancements made for more effective governance.” (end quote)

I would actually encourage everyone to go on the Central Bank’s website and read the full text of his remarks, which he delivered to AeroServices Credit Union, and which, I think, would allay many of your concerns.

Credit Union Bill - Specific Concerns

Ladies and Gentlemen, much of the criticism and unease that some credit union leaders are expressing about the proposed Credit Union Bill might be due to a simple misunderstanding. So I would like to use the rest of my time to try and address this and to reassure you that the Bill will help, not hurt, credit unions.

These are some of the specific criticisms that I see repeated but that are frankly not accurate.

Credit Unions had no input and no say in the Bill. It was developed without consultation.

Ladies and Gentlemen - the Central Bank Governor is on record

expressing his commitment to getting the right legislation in place and stating that: “In recognition of the differences between credit unions and other financial entities that we regulate, the Central Bank has been developing, in consultation with the sector, credit union- specific legislation in the form of a Draft Credit Union Bill (the Bill). These consultations have been extensive beginning in 2006 and ending in July 2013.”

He said this in an address to AeroServices Credit Union last year and he further stated that during the seven-year period of consultation, the Central Bank consulted with stakeholders who included: “the Ministry of Finance, the Ministry of Labour and Small and Micro Enterprise Development, the Co-operative Credit Union League, the Association of Co-operative Credit Union Presidents, and members from the credit union movement.” He further noted that, based on these discussions, a number of changes were made to the Bill before it was laid in Parliament.

2) Another claim - The Bills will impose High Court Action against Board and Committee Members.

The Central Bank Governor also addressed this concern in his speech last

year. He told the members of AeroServices Credit Union: “ ...even though the provision for criminal charges is in the law, it will be used only as a very last resort when all else has failed.” In addition, I have to ask, if one of your directors or officers is jeopardising the safety of your funds, and refuses to follow the Regulator’s advice or instructions, wouldn’t you want the Regulator to have the power, on your behalf, to stop that person?

3) Why remove credit unions from the supervision of the Co-operatives Division?

First, let me clarify that while the Central Bank will regulate Credit Unions in terms of the prudential side of their operations, the administrative side of a credit union’s operations will continue to be regulated by the Commissioner for Co-operative Development in the Ministry of Labour and Small and Microenterprise Development. Isn’t this just a logical and desirable arrangement? The Central Bank already possesses all the resources and expertise to regulate financial activity. Why ask for the Co-operative Division to be strengthened to do so? Why duplicate resources? Why not leverage the strength of the Regulator you already have?

4) The Bill will restrict the type of business activities in which credit unions can participate.

This is true - but not the whole truth. Credit unions can still provide non-financial services but there are guidelines.

First, the reason for the restriction is that these non-financial activities - such as running a travel agency, grocery or day-care - can strain the limited managerial capacity and expertise of credit unions. They also pose risks that are outside the supervisory responsibility of the Central Bank.

The Credit Union Bill allows credit unions to provide these non-financial services once they represent no more than five percent of total assets or 10 percent of revenues. This ensures that what credit unions came into existence to do—make affordable credit available to its members—remains their central focus.

If a non-financial service grows beyond these limits, the members of the credit union can direct their Board to establish a new co-operative, singly or jointly with other credit unions, to continue provision of these services.

The Central Bank Governor has noted that “there is no prohibition in the proposed legislation against the credit union and the new co-operative having the same governance structure and composition, an allowance that was requested by the sector.”

The Protection Fund

There is a very important provision in the proposed legislation, which I have not seen highlighted, and yet I expect credit union members will be very glad when it is put in place.

Ladies and Gentlemen, do you know that the new legislation will bring into being a Protection Fund to cover deposits and withdrawable shares in the total amount of \$125,000?

This would be along the lines of the Deposit Insurance Fund that bank customers enjoy and pretty much take for granted but which is an important reason why many people prefer to put their savings in the bank!

Conclusion - Importance of Credit Unions

Ladies and Gentlemen, collectively, credit unions manage approximately

\$10 billion in assets, or almost four per cent of the total assets of the entire financial system.

According to the Co-operative Credit Union League, there are about 400,000 credit union members. Those are substantial reasons for a Central Bank Governor and a Minister of Finance to want to ensure that credit unions are strong and stable and thriving.

We also recognize that the credit union movement has been instrumental in helping its members develop a culture of financial discipline and savings, and the movement has played a pivotal role in providing basic financial education and capital to small businesses.

Government's vision for the credit union sector is to ensure that it is on par with other domestic financial institutions in terms of safety and soundness, and it has a stable platform from which it can continue to grow and help its members achieve their own individual financial goals. I believe we can and should be working together to make this happen.

In closing, I wish all the Members of Tranquility Credit Union every

success in the future—with heartiest congratulations once again on your new home!

Thank you.