

SENATE*Wednesday, June 27, 2018*

The Senate met at 1.30 p.m.

PRAYERS[MADAM PRESIDENT *in the Chair*]**PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE REPORT****(Presentation)****Union Estate Electricity Generation Company Limited**

Sen. Wade Mark: Thank you, Madam President. Madam President, I have the honour to present the following report as listed on the Order Paper in my name:

Thirteenth Report of the Public Accounts (Enterprises) Committee, Third Session (2017/2018), Eleventh Parliament on the Examination of the Audited Accounts, Balance Sheets and other Financial Statements of the Union Estate Electricity Generation Company Limited (UEEGCL) for the financial years 2008 to 2015.

URGENT QUESTION**HIV Health Care to Migrants****(Government Policy)**

Madam President: Sen. Mark. [*Desk thumping*]

Sen. Wade Mark: To the hon. Minister of Health: In light of recent reports that HIV health care is being denied to migrants, can the Minister indicate whether this is Government policy?

Madam President: Minister of Health.

The Minister of Health (Hon. Terrance Deyalsingh): Thank you very much, Madam President. [*Desk thumping*] Madam President, the article on page 20 of the *Express* was based on Prof. Rosemarie Belle-Antoine's speech yesterday, in

Urgent Question (cont'd)
Hon. T. Deyalsingh (cont'd)

2018.06.27

which she quoted UNC policy. UNC policy in 2015 was to deny care to migrants with HIV/AIDS. If you read paragraph 5 of the article. This Government, which is a caring Government, that does not have a dark soul like the UNC, we do not subscribe to that. And I made it abundantly clear, and if you read the article, “Minister denies migrants being turned away”.

So, I give this Chamber the assurance that we have reversed UNC policy, which Prof. Antoine based her speech on, and we give free testing and treatment to everybody with HIV/AIDS. [*Desk thumping*] And the same way I give that assurance, it is the same assurance I gave this country when I said I will bring down maternal mortality rates. Done. [*Desk thumping*] It is the same assurance I gave this country when I said I will bring down infant mortality rates. Done. [*Desk thumping*] Because they could not do it. The same assurance I gave this country when I said we would do cataract surgery. Done. We have done it. [*Desk thumping*]

So, the assurance I gave that we are giving HIV drugs free to everybody, is the same assurance I gave on maternal mortality. Done. Same assurance I gave in bringing down infant mortality rates. [*Desk thumping*] Done. The same assurance I gave on doing cataract surgeries for poor people so “dey doh” have to go to the private sector. Done. [*Desk thumping*] All of those things have been done, because we reverse UNC policy to introduce a health card which was to bar those people from getting HIV drugs. I thank you very much, Madam President. [*Desk thumping*]

ORAL ANSWERS TO QUESTIONS

The Minister of Agriculture, Land and Fisheries (Sen. The Hon. Clarence Rambharat): Thank you, Madam President. Madam President, the Government

will answer the three questions on notice which are due for response. That is questions nos. 157, 158 and 160. Thank you.

Uber

(Details of)

157. Sen. Wade Mark asked the hon. Minister of Works and Transport:

Can the Minister indicate the following:

- i. has Uber obtained all of the requisite approvals to operate legally in Trinidad and Tobago; and
- ii. if the answer to (i) is in the negative, what measures are being taken by the Government to address the operations of Uber?

The Minister of Works and Transport (Sen. The Hon. Rohan Sinanan):

Thank you, Madam President. The answer to part (i): Uber was unable to comply with the requirements of the Motor Vehicles and Road Traffic Act, Chap. 48:50, which governs the use of motor vehicle for public transportation service in Trinidad and Tobago. In particular, despite being asked to do, by the Ministry, Uber did not produce evidence of insurance for the vehicles used by its drivers for public transportation.

Part (ii) of the question: It is noteworthy that the company ended its operation in Trinidad and Tobago at the end of May 2018. So, part (ii) of this question is not applicable. Thank you.

Sen. Mark: Could the Minister indicate whether this same company, Uber, made available to the Ministry all relevant documentation as requested for its operations?

Madam President: No, Sen. Mark, that does not apply. No, that is the question at (i) that was answered. So, next supplementary.

Sen. Mark: The Minister has said that Uber has left Trinidad and Tobago, could

you tell us when they left?

Madam President: Sen. Mark, that was also answered in the question.

Sen. Mark: When was it answered?

Madam President: At the end of May 2018.

Sen. Mark: All right, thank you very much.

Madam President: Next question. Sen. Mark.

Sen. Ameen: Sorry.

Madam President: You have a supplementary?

Sen. Ameen: Yes, thank you. Thank you, Madam President. Uber is not so much a transportation company, but a coordinating company. Has the Ministry considered looking at policies in the future, because our whole dynamic is changing, have you considered looking at policies that would facilitate companies such as Uber who really rely on technology rather than the actual transport?

Sen. The Hon. R. Sinanan: Thank you. Madam President, the question, if I understand it, is a question—at the Ministry of Works and Transport, we operate for vehicles for public transport under the Motor Vehicles and Road Traffic Act, Chap. 48:50, which deals with transportation. In terms of making new legislation to accommodate the new technology, that was one of the requisites and the requirements that the Ministry made to Uber in a joint meeting with the Attorney General's office. Had all those requirements been forthcoming, the Attorney General was quite prepared to look at the legislation, but we cannot accommodate this service which would have been operating outside the law. So, the Attorney General's office was quite prepared to look at the legislation providing that they got the required documents from the provider. Those documents were not forthcoming as requested, and unfortunately, that was the end of the process.

Poor Water Supply in Penal

(Relief Measures Implemented)

158. Sen. Wade Mark asked the hon. Minister of Public Utilities:

In light of the recent protests in Penal concerning the poor water supply to that community, can the Minister indicate what measures are being implemented to bring relief to the residents?

The Minister of Public Utilities (Sen. The Hon. Robert Le Hunte): Madam President, the Water and Sewerage Authority has advised that the disruption experienced in the supply of pipe borne water to residents of Penal around May this year was as a result of an intermittent reduction in production from the desalination plant at Point Lisas, and the Caroni Water Treatment Plant, due to low voltage as well as mechanical problems with the wells at the Penal Water Treatment Plant. These problems have since been resolved, and the regular pipe borne water supply has been restored as per the water schedule. WASA is currently exploring a number of options to foster improvement in the water supply to Penal and environs, including upgrading of the Moruga Water Treatment Plant, installation of a stand by pump for the South Oropouche boosters, and incorporating the abandoned Petrotrin wells into the water supply system.

1.40 p.m.

Additionally, the completion of construction and operationalization of the Savonetta booster will have a favourable impact on the water supply to the area.

Sen. Mark: Did the Minister mention water schedule? Did I hear you say water schedule? Madam President, through you, can the Minister provide this Parliament with an appreciation of the water schedule for this particular community?

Sen. The Hon. R. Le Hunte: Madam President, I am unable to provide that at this point in time, but I am sure I will be able to do so subsequently, the exact water schedule.

Sen. Mark: Could you also indicate, through you, Madam President, with all these various developments that are being pursued to boost water supply in that area and its environs, can you give this Senate any timeline as to when these works would be completed so that there will a more regular supply of pipe borne water for the residents of that area and its environs.

Sen. The Hon. R. Le Hunte: Madam President, the major project that is being undertaken by WASA is the Savonetta booster, the upgrading of that Savonetta booster station. And that project is expected to be completed by the middle of July this year with the commissioning of it very soon thereafter. With that project we expect that the surrounding areas will be improved.

As for some of the other projects, with regard to the drilling of the wells in Petrotrin, we are exploring those options and those will have a little longer gestation period. But the major project is the Savonetta booster and therefore, I will expect that the residents of those areas should be seeing improvement in their supply definitely by the end of July.

Sen. Mark: Madam President, as it relates to improvement, are you saying hon. Minister that there will be a regular supply, seven days a week of water supply when you talk about improvement or is it going to be less?

Sen. The Hon. R. Le Hunte: Madam President, no, I did not say, I did not venture to say that it will be taking it to 24/7, but I expect that the present, the regularity of the supply and shortness in the schedule, the present schedule which as I said I will provide you, will improve. But it will not be going to 24/7.

Sen. Mark: Can I ask through the hon. President, when would you be able to supply us with that schedule, please?

Sen. The Hon. R. Le Hunte: Madam President, that could be supplied, probably before the end of the sitting. Definitely by tomorrow it would be able to be

supplied.

**Settlement to Former Employee
(Investigation into)**

160. Sen. Wade Mark asked the hon. Minister of Sport of Youth Affairs:

Has an internal investigation been launched at the Ministry to discover the source of the reports of the \$150,000 settlement made with a former employee?

The Minister of Sport and Youth Affairs (Hon. Shamfa Cudjoe): Thank you, Madam President. Madam President, it is public knowledge that in April 2018, the hon. Prime Minister appointed a three member team of experienced professionals headed by former Permanent Secretary, Jacqui Wilson to thoroughly review the circumstances surrounding the dismissal of and payment of compensation to the former personal member of staff to the former Minister of Sport and Youth Affairs, as stated in the other place last week. The team submitted its report to the Prime Minister on June 04, 2018.

Further, as also stated in the other place, consistent with the principles of natural justice, the persons affected are being given the right to respond to the findings and conclusions in the report. The investigation into this matter is therefore still ongoing and it is therefore not appropriate to comment further until the investigative process is complete. Thank you, Madam President.

Sen. Mark: Can I ask the hon. Minister whether there is—which committee, I should ask, Madam President, would be continuing the investigation into the matters that the hon. Minister mentioned? Would it be the same Committee headed by Mrs. Jacqueline Wilson or is it going to be another committee to give these people, as you said, the right to natural justice to deal with the matters that you have mentioned?

Hon. S. Cudjoe: Thank you, Madam President. Madam President, my information is at this point in time as stated in the answer, the Committee is going through the Office of the Prime Minister, get these answers from the people who were mentioned in the report and the intention later is to pass the report over to the Public Service Commission for further information and action if necessary.

Sen. S. Hosein: Through you, Madam President, can the Minister then confirm that the Minister is saying that the person who was the subject of this investigation was not given the right to be heard during the investigation by the Wilson committee?

Hon. S. Cudjoe: Thank you, Madam President. If the Senator heard clearly what I said earlier, the investigation is still ongoing and we are at the point in the investigation where the people mentioned in the report are being contacted and questioned and provided with the necessary information that is present in the report, so they have that opportunity to respond. I would have said that in the answer. Thank you, Madam President.

Sen. Ameen: Madam President, can the Minister indicate if there is a timeline, a date by which this report is to be completed?

Hon. S. Cudjoe: I am unable to provide that information at this point in time. As I said before, the Committee is reaching out to the subjects in the report and when they provide the necessary answer then the process would continue. But I am unable to give a timeline at this point in time.

Sen. S. Hosein: Madam President, can the Minister indicate to this honourable Senate, the terms of reference for this Committee please?

Madam President: No, I would not allow that question. Next. Any more supplementary? Okay.

CORPORATION TAX (AMDT.) BILL, 2018

UNREVISED

Order for second reading read.

The Minister in the Ministry of Finance (Sen. The Hon. Allyson West): Thank you, Madam President. Madam President, I beg to move:

That a Bill to amend the Corporation Tax Act, Chap. 75:02, be now read a second time.

Madam President, before us is an amendment, simple amendment to the Corporation Tax Act, Chap.75:02, via Corporation Tax (Amdt.) Bill, 2018. And the amendment that the Government is seeking to make today is an amendment to section 6(1) of that Act which is the section that exempts from corporation tax, various sources of income, and we are seeking to amend that section to add to that list of exempt sources of income two additional sources. One is the profits of the National Investment Fund Holding Company Limited, which is a new company that has been created and interest payable on two companies on bonds issued by that company which I will hereafter refer to as NIF, for ease of reference.

Madam President, so to give you a history of what brought this amendment about, we will all in this place remember that in 2009 there was a collapse of the Clico group, the parent company itself and major subsidiaries. And to alleviate the problem that would otherwise be caused from that collapse to policyholders and to investors in that group—investors meaning depositors, the Government provided a bailout to Clico. That bailout over time totalled \$23 billion. This is the money provided to Clico to help alleviate the problem caused by the collapse of that group. So, up to late last year the total recovered from that loan which is nine years later, totalled, \$7 billion.

For various reasons, Madam President, which have been provided to the House previously, the Government was unable to recover the outstanding moneys in the normal course of things under its Memorandum of Understanding with the

Clico group, the Colonial Life Group, sorry, and as a result of which it took action to bring this matter to a halt. The operations of CLF were put into liquidation; Clico was put under the control of the Central Bank and Clico Investment Bank was also put into liquidation.

Arising out of that process, Madam President, the Government has been able to secure assets of Clico, equal to the amount outstanding on that loan in the sum of \$15.6 billion. So the Government is now seeking to monetize because it has received shares and it is now seeking to monetize those shares.

The shares received in settlement of the outstanding debt owed by the Clico group include shares in Republic Finance Holding Company in the amount of 42 million shares in Republic Bank; 305,000 shares in One Caribbean; 61.6 million shares in Angostura Limited; 4.5 million shares in WITCO, West Indies Tobacco Company Limited. Those are the shares, those are some of the shares recovered in settlement of the debt. The Government as I said is now seeking to monetize these shares so that it can get financing to conduct the Government's business.

So, how it is proposing to do that, it has set up a company called the National Investment Fund Holding Company Limited and that company will—the shares that I have identified before will be transferred to that company and it will comprise the assets of that company. The Republic Bank shares will represent 55 per cent of the assets; WITCO shares, 5 per cent; One Caribbean, 2 per cent; Angostura Limited, 12 per cent and in addition to the shares recovered from Clico, the Government proposes to provide more variety and robustness to that company.

It also proposes to transfer shares of Trinidad Generation Unlimited in the amount of \$2 million which will represent 26 per cent of the asset base of that company. All shares that I have previously mentioned will be transferred at

market value and will total \$7.9 billion in value, in assets that that company will hold and own. What the Government then intends to do is to use this company to generate what it has estimated should be \$4 billion in cash for the purpose of providing service to Trinidad and Tobago.

So, in trying to determine how it should go about doing this, monetizing those assets, the Government considered three opinions. One was what is commonly referred to now as the CIF model, the Clico Investment Fund model, which is to transfer assets into the fund and issue units. The second option was to transfer the assets into the fund and issue to the public, shares in that company. And the third option is to transfer assets into the fund and issue bonds.

So, the Government did some research, did some market sounding and determined that the most viable option to generate the kind of interest that it wanted was the last of these three, which is to issue bonds backed by the assets of the company. The reason for this is that if you would look at the performance of the Clico Investment Fund you would see it is as robust as had originally been forecasted and for the same reason, which I will mention shortly, we would expect the receipt of shares, the issue of shares in the new company to be not as interesting to the investing public as the issue of bonds. And I will tell you why.

When public issues of this nature are made a major source of investment in these instruments will tend to be pension fund plans, insurance companies. And these companies are restricted in the types of assets they invest in. There are restrictions on equity-type investments, for example, because the intention is to keep the fund robust and there is always risk in investing in equity. So that a bond tends to be a more solid form of investment because its return is generally guaranteed. There is a specified rate of return that is due on the bond and if you

look at the investment portfolios of most of our pension plans and insurance companies, they tend to be maxed out in terms of equity and they are more interested in buying bonds.

So that the market sounding indicated to the Government that there would be a greater interest by the public at large and these entities, in particular, in a bond type instrument that had a specified return rather than a share that had a varied return and an unguaranteed return. So that is why the Government opted to go with option three.

So it proposes to transfer the assets that I mentioned previously to NIF—the NIF has already been established. It will in exchange for these assets receive a note from NIF that indicates that there is a liability in respect of these assets that would have transferred, \$3.9 billion of that note will be converted to shares in NIF. And so the Government will be the sole shareholder in the company; the value of its shares will start out at \$3.9 billion. And in respect of the balance, NIF will issue bonds to the public at large in nominations of \$1,000 and it is pegged at that level because we want the widest possible involvement by the public in these investments. We want to ensure that the ordinary man can in fact get involved and invest and benefit from these assets.

We have made submissions to the Securities and Exchange Commission, both for approval of NIF as an issuer and for the bond that it will issue. We propose to list the bond on the Stock Exchange to allow for free trading of the bond by whoever invests in the bond originally. We have already submitted draft submissions on the prospectus to the Securities and Exchange Commission to facilitate this because we are hoping to move ahead quite quickly to get this completed. In the normal course of things, Madam President, the transfer of assets

will attract stamp duty and the issue of bonds will also attract stamp duty. So it is the Government's intention to utilize the provisions of section 68(2) of the Stamp Duty Act to exempt these transactions from stamp duty.

The Government has engaged the Caribbean Information and Credit Rating Services Limited, or CariCRIS as it is commonly known, to assign a credit rating to the bond. First Citizens Brokerage Services Limited has been engaged to work with the Ministry of Finance and its Communication Advisory Services to undertake a comprehensive marketing programme in respect to these bonds. So, because we indicated that we are not only targeting sophisticated purchasers but the man in the street, we want to understand that there—we want the public at large to get a clear understanding of what the bonds is about, what is being offered, what his benefits and obligations and so on would be. So we have engaged the First Citizens as I said to do this public campaign together with the Ministry of Finance.

So what do you get from this bond? It gives the citizenry indirect access to the assets that are placed in this company, because the company, NIF, will hold the assets and will be receiving dividend income from the companies in which it holds shares. And if you look at the history of these companies they have all traditionally performed well and all traditionally paid dividends. So the citizens will get an indirect entitlement to the benefits of ownership of those company assets. As I said, we have pitched the value of the bond. Remember I said the value of the bond, the amount of bonds that you can buy at \$1,000 per person, the face value to \$1,000 per bond, so that it is available to the public at large. We are here today to enhance the benefit of the bond by both exempting the NIF from tax so that that will increase the yield of the NIF—the after tax yield of the NIF, and

we are also seeking to exempt the interest on the bond as that interest is earned by companies. You will see that the amendments are only to the Corporation Tax Act.

At the Corporation Tax Act imposes tax on companies only. The reason why there is no need to make a similar amendment to the Income Tax Act which imposes tax on individuals is because resident individuals are already exempt from tax on interest income. So this exemption—

Sen. Dr. Mahabir: Thank you very much, hon. Minister, for giving way, but I am hearing about the bonds, I am not hearing about the interest rate attached to the bonds—

Sen. The Hon. A. West: I will get to that.

Sen. Dr. Mahabir:—and I am also not hearing about the duration, whether they are long or short bonds. Thank you very much.

Sen. The Hon. A. West: So that the exemption, the provision that we are seeking to pass today will exempt, as I said, the NIF and in respect of the bonds which I think the public at large would be more interested in, it will provide to companies exemption from corporation tax and because of the provisions of the business levy, because of the provisions of the business levy legislation, there will be a roll-on exemption of business levy in respect of that income. So you will not pay corporation tax on the interest of income, you will not pay business levy of the income, you will however, if you are a company, pay Green Fund Levy which is .3 per cent, right? The NIF is also not being exempted from the Green Fund Levy, okay.

An additional benefit of the bond is because it is being listed on the Stock Exchange it allows for easy trading in the bond. So that we anticipate an increase

in the value of the bond and therefore people should be able to generate what would normally be a capital gain which is not normally taxable on the sale of those bonds if they decide to sell it before maturity. We are hopeful that we can do the issue and complete it between July 11th and August 8th of this year. And the rates, Sen. Dr. Mahabir to your point, we are proposing a three tranche approach, five-year bonds, at a coupon of 4.5 per cent; 12-year bonds, at a coupon of 5.7 per cent; and 20-year bonds, at a coupon of 6.6 per cent.

Now I have looked, I have done the calculation to determine what the equivalent return would be if the bonds would have to be a taxable bond to give you this kind of return after tax. And it would have to be for a company paying 30 per cent, 6.4 per cent; for a company paying 35 per cent—this is on the five-year bond, the return would have to be 6.9 per cent to be equivalent to what the Government is offering you.

In respect of a 12-year bond the return to a normal company would have to be 8.1 per cent and to a company paying 35 per cent, which would be the banks and the petrochemical companies, the return would have to be 8.7 per cent. On the 20-year bond to generate a 6.6 return, if it was taxable, the return would have to be 9.4 per cent to the normal company and 10.2 per cent to a company paying 35 per cent. So you will see that the rate of return as a tax free return is very attractive indeed. Okay, so that in each year that these bonds are held by the investor, the investor will get an interest return at the rates that I have quoted here depending on the tenor of the bond he has purchased. And at the end of that period he will recover his capital investment.

You will remember that the NIF will retain—the intention is to raise financing in respect essentially of 50 per cent of the assets that the NIF will hold,

so the NIF will then be earning dividend income in respect of the other 50 per cent of the assets that it holds and retaining that income. It will take the income generated from those dividends and invest it to be able to settle in whole or in part the liability as they become due. Yes, so that is the intention; that is how the structure is supposed to operate. At the end of the 20-year period, which is when the last of the bonds would be paid off, the Government through the NIF will continue to be the 100 per cent owner of these bonds. So that, essentially, is how it is intended to operate.

So, Madam President, to get to the Bill itself. The Bill itself is relatively simple. It has two clauses. One is the title clause and the title is, Corporation Tax (Amdt.) Bill, 2018, and the second clause is the clause which introduces the amendments. It makes some consequential amendments in terms of renumbering and that kind of thing, but essentially the meat of the amendment is found in clause 2(c) of the Bill which seeks to insert two new subsections in section 6(1) of the Corporation Tax Act, to exempt:

“(zc) the profits of the National Investment Fund Holding Company Limited...”—that is one.

And two:

“(zd) interest payable on bonds issued by the National Investment Fund Holding Company Limited.”

That is the extent of the amendment.

As I indicated, the intention behind this amendment is to leave—the fund, as I indicated, is intended to invest the dividend income that it received, that it does not have to pay out in interest to its investors. It intends to invest those for the purpose of creating additional income to settle its liability as and when the bonds

mature. And so we are seeking to leave with the fund all of the income that it earns so that it can maximize the return on its investment, so that it can afford to pay out the liabilities as they becomes due or it puts it in a better position to do that and we are also seeking to enhance the return to the investor though. That essentially is the rationale for the amendments that we are seeking to make this afternoon.

And essentially I think that covers the jest of it. I do not think I have anything to add at this point so, Madam President, with that I thank you and I beg to move.

Question proposed.

2.10 p.m.

Sen. Wade Mark: Thank you, Madam President. The hon. Minister has advised that the matter before us is to create or establish a company which has already been established, and the Bill that is before us seeks to amend the Corporation Tax Act, in an effort to ensure that the company would receive exemptions on the payment of corporation tax on its profits, that is, the National Investment Fund Holding Company, and also interest that would accrue and made payable on bonds would also be exempt.

Madam President, you will be aware that the Minister did in fact, allude to this National Investment Fund Holding Company when he spoke in the 2018 Budget. And he also made reference to that NIF, when he also dealt with his mid-term review. I have more to say as I proceed on the situation that we have found ourselves in, as a country, where instead of doing whatever we can to return an institution that was born, bred, raised, grew, expanded, developed in our country, by essentially locals of African descent; Mr. Cyril Duprey and Lawrence Duprey.

It was a pride institution, that is, Clico and CL Financial. But as the Minister alluded, they got into some difficulty over leveraging, overreaching, and a lot of other matters that the Colman report and Commission dealt with, resulting in the company going cap in hand, in 2009, to seek a government bailout.

But I do not know what are the implications for what we are doing here today for future companies, most importantly, indigenous companies who may find themselves in a similar situation in the future, and they come to a government for assistance, only to find that the Government is now taking those very assets that ought to be under the control of Clico and CL Financial and having what is called a National Investment Fund established, so it can raise what it calls the moneys that are owed to it.

Madam President, you know, I would like to ask the Minister in the Ministry of Finance: What are the correct figures? What are the true numbers? How did you arrive at those numbers of \$23 billion? I remember reading from a Central Bank report on the Clico Resolution Plan back in 2015 that that institution called Clico and its holding company CL Financial owed Trinidad and Tobago, at the time, \$17.5 billion. And then all of a sudden, Madam President, we are being told by the Government that has skyrocketed to \$23 billion, and they have offered no real meaningful explanation for that sudden escalation in cost, in terms of debt owed by this company.

Madam President, one thing I can tell you is that under the Clico Resolution Plan that we had established under the Central Bank, it was never the intention of the People's Partnership to liquidate the assets of CL Financial and Clico [*Desk thumping*] and put it in what is called a National Investment Fund. It was the—the idea was always, Madam President, to get the moneys that were loaned to them

returned to the taxpayers of this country and after a period of years, return CL Financial and Clico to its owners. That was the intention.

But, Madam President, what has happened is that we have liquidated, a national treasury, a national prize, a national jewel that the citizens of this country built by their sweat, blood and tears.

So, I would like, Madam President, when the hon. Minister is winding up or concluding this debate, later on this evening or tonight that she would share with us what are the true figures that Clico, CL Financial, owe to the Government and to the people of Trinidad and Tobago? Is it what we had in the Clico Resolution Plan, \$17.5 billion, or is what the Ministry of Finance said, 23?

Madam President, the Government as I said, announced this initiative in its 2018 Budget consolidated in its mid-term review. And I have a document, a paper, it is the *Sunday Express* of Sunday the 17th of June, 2018, and also Sunday the 24th June, 2018, respectively, in which there is an article—in fact it was a series, two part series on explaining Government's NIF backed bonds. And what is interesting here is that when the Minister had presented his Budget, he was looking at the whole issue of units, and as the Minister said they looked at several models: the SIF model, there is another model, the issuance of shares, Madam President, to the public, and then they finally ended up with the third model which is the issuance of bonds.

But, I would have liked to ask the Minister, what was the rationale for dumping SIF, what was the rationale for dumping the issuance of shares to the citizenry of Trinidad and Tobago? And why did the Government turn to option three? Where, Madam President, as we are told at the end of the exercise, where they are looking for budgetary support and they are targeting \$4billion when they

issue all these bonds in the three tranches that we have been advised and the appropriate interest rates that the hon. Minister has submitted to us today.

When they would have finished with that \$8 billion investment in the NIF, we would like to know from the Minister, Madam President, how much money would you have to collect from CL Financial thereafter? Because you got already seven, you now get almost about 10; 17 and you said you are owed 23. So you are going after six more. So when you collect those six more billions, what will happen? What are you going to do? Has the Government, Madam President, worked out what is going to be the end game? Because, I am trying to understand the thinking of the Government, the agenda of the Government on these matters.

Madam President, this fund it going to have a number of strategic Clico assets, placed into it. And, Madam President, according to the article I am reading from which is dated 24th of June in the business *Sunday Express* we are told in this article that:

NIF or the National Investment Fund Holding Company will have in it some 42.5 million shares of Republic Bank which is valued at \$4.3 billion.

And my colleague the Minister of Public Utilities was a senior managing director of this institution not only in Trinidad, but in Barbados and in Ghana before he came back to do national duty in Trinidad. But you had to really abandon your citizenship before you took up duty.

So, Madam President, here it is we have 42.5 million shares representing in value terms \$4.3 billion, then we go to something called One Caribbean Media, \$15.3 million worth of shares. The equivalent, in terms of ownership by the Government of the Republic of T&T, is 23 per cent. So the Government of Trinidad and Tobago, the Cabinet of the PNM, now effectively owns 23 per cent of

the OCM which is made up of the *Trinidad Express* and *TV6*, and why it is the Government does not want to release those shares to the public of Trinidad and Tobago?

Why it is the Government wants to establish an NIF, Madam President, and to hold on to Republic Bank shares of 43 per cent—no 4.3. Madam President, do you know that the Government of this country owns 51 per cent of the shares of the Republic Bank of Trinidad and Tobago or somewhere around there, close to 51 per cent, but it is more than 50 per cent I understand. Maybe when Sen. Le Hunte speaks you will advise me if my figures are wrong.

Madam President, the other strategic asset we are told that will be placed into this NIF is the Angostura shares of 61.7 million representing 29.9 per cent of the rum and bitters producers' shares. So the Government has almost 30 per cent of those shares, Madam President, WITCO is about 4.5 million, Home Construction 19.5 million shares.

So, Madam President, the question I am asking, and the Government needs to clear: Why go the route of the NIF? When you have these sensitive organizations—Madam President, you know the media is very important in our country. And we would like to know from the Government, why it is you want to hold on and not release and liberate the shares of OCM and allow the citizens of this country and others to buy them? So that you could free up the *Trinidad Express* and free up *TV6*. So that they can do their work without an axe hanging over their head. [*Desk thumping*] What is the real intention? That is why I ask the question: Is there a hidden agenda behind this NIF? Why is the Government pursuing this NIF?

And Madam President, we are told by the Minister in the Ministry of

Finance at the end of the day when they would have collected \$4 billion via the issuance of bonds in the tranches that we have identified, the Government would get \$4 billion for budgetary balance, because they have to deal with their deficit; their deficit is about 10 billion or thereabout. They want to close that gap. So they expect to get \$4 billion. It will bring it down to 6 or maybe 4. But, you know what, Madam President, at the end of the day this NIF and all the strategic assets in the NIF will remain fully, totally, comprehensively controlled by the Government of the Republic of Trinidad and Tobago. [*Desk thumping*]

And this is why, Madam President, we would like to have some clarification from the Minister in the Ministry of Finance. You take control of Republic Bank, you take control of OCM, you taking control of Angostura, you taking control of Home Construction, and then you have a new kid on the block, just arrived from nowhere out of space, TGU, and that is placed in the basket of strategic assets. So it now come not one to one now, two to one. Because remember, Madam President, the strategic assets translated into shares, which is the real base of the NIF, is valued at \$8 billion. But, the Government is going to be extracting, according to the Minister through bonds, 4 billion. So it is two to one. What is the hidden agenda of the Government?

So, Madam President, I ask these questions so that we can have some clarification from the Government on this matter of CL Financial and Clico. Because for all intents and purposes, the Government of the PNM has built a coffin and they have literally buried CL Financial and Clico and we are performing the final rites today in this Parliament with the formation of the NIF. That is what we are being called upon to do, Madam President, is to administer final rites on an institution. Because when the Government places these assets into this fund, they

are now going to be investing either in five-year bonds, 12-year bonds or 20-year bonds.

Madam President, the question that has to be asked is this, in an economy that is in deep recession, and all this artificiality and superficiality about turn around, we know it is a methodology that is being employed to mamaguy the population, we know that. So, Madam President, we would like to know from the hon. Minister, because I read somewhere, Moody's is predicting that that \$4 billion that the Government is targeting as revenues for budgetary purposes, Madam President, may not be realized.

So, the question that has to be asked of the Minister in the Ministry of Finance, Madam President, is if the \$4 billion that the Government is seeking to raise through bonds are not realized, what will the Government do? Because the Government has to raise \$4 billion for budgetary support. So we need to know, Madam President, if a shortfall arises or if market conditions become unstable, what will happen to these strategic assets that have been placed in NIF? Would the Government have to go and put more of the assets of Clico or more of the assets of the Republic of T&T owned by the people of T&T into that fund, in order to boost it? In order to stabilize it? We do not know. These are questions that we want, or we would like to have some clarification on, Madam President.

I want to also ask, Madam President, these bonds, which is a normal feature. Government—Madam President, do you know that, I must tell you that this is the third mutual fund investment instrument, mechanism that we have established in our country? The Minister of Finance reminded us of the Clico Trust Investment Holding Company, with 25 per cent of Republic Bank shares are stashed away and it is working well.

There is another company called NEL, the National Enterprises Limited and there is now a third company called NIF, N-I-F, and the question that has to be asked, in terms of efficiency, is this an efficient use of our resources in this country by having the State, having the Government, Madam President, establish three investment funds: Clico Trust Investment Holding Company, the National Enterprises Limited and now the National Investment Fund? I raise the issue about efficiency gains, in terms of scarce resources in this particular context. And that is why, Madam President, you will recall, I had raised a matter on the Motion for the Adjournment on this issue of NEL and why we were creating another fund when there was already one in existence that we could have utilized and have what we are trying to do accomplished. But the Government, Madam President, they know what they are doing, or so they believe. So we have to wait on them to see how this will pan out.

I read in the papers this morning a very interesting article by one Ved Seereeram on page 13 of today's *Express* and he raised several issues surrounding this NIF plan. And I believe that the Minister should look at this particular article and some of the issues that were raised are very interesting. I would like to ask the Minister, Madam President, the Government is fully backing this particular NIF to the—fully. That is what we understand, there is a Government guarantee in this particular exercise. And therefore, if there is a Government guarantee in this exercise, Madam President, then there should not be a problem in realizing the \$4 billion.

So the country would be somewhat taken aback if the Government is unable to raise these moneys. I read also, Madam President, where the Minister of Finance in a newspaper article coming out from a debate elsewhere where he said

that this is a gift, the NIF is a gift to the people of Trinidad and Tobago. And I want to ask the hon. Minister in your allocation methodology, what percentage is being put aside for the ordinary person in this country? And given the state of the economy and the state of play in this country.

Madam President, can ordinary people be in a position to meaningfully participate through purchases of these bonds, or are these bonds going to be completely swallowed up and taken up by those persons who are in the insurance industry, in the banking industry, in the—who hold pension plans, Madam President, who will buy up these bonds?

2.40 p.m.

But we are told it is a gift to the nation; it is a gift to the people of the Republic. What people? Because who will eventually, Madam President—this is what the Minister has to tell us—purchase these bonds? The majority of these bonds would be taken up by the normal suspects on the compound—the normal suspects—and ordinary people will be a small percentage of that make-up. So, Madam President, when they come and tell us that this is a mechanism to put the assets of Clico into the hands of the ordinary people of Trinidad and Tobago, I do not think the Government is being real in terms of what is taking place in this country, Madam President. So these are matters that we believe that the Government should be able to tell us more about.

And when we talk about Government, the Government is raising \$4 billion, but that money is not going to the people. The money is going to deal with Government budgetary deficits. So it is not a people's arrangement. [*Desk thumping*] This is a revenue raising mechanism that the Government has thrown up in order to avoid it from going to international banks, the international capital

markets, from borrowing from the domestic markets.

It is a new way of getting money to continue its wastage and mismanagement of the people's resources in the country [*Desk thumping*] but the only difference this time, they are going to the bankers. And I believe, Madam President, it may have been the bankers, it may have been them, who called for more back-up, and they were not prepared to go on a one-on-one arrangement, and hence the arrival on the compound of the TGU, and this is an area I would like the Minister to clear up for us. Why did you bring the TGU into this picture? Is it because of pressures that you got from those who wish to buy and they found this whole enterprise to be very risky, and in order to be attractive you had to do what you did? So you have \$8 billion in strategic assets in the NIF, but you are only going to be extracting, in revenue terms, \$4 billion. We need to get some answers from the Government on this, Madam President.

Madam President, this is a very important matter. It is not as simple and straightforward as we have been advised by our friends on the other side. It is a matter in which the citizens and so on would like to have more clarification. For example, Madam President, my colleague Sen. Taharqa Obika has made a case on several occasions for the introduction of legislation to impose restrictions legally on beneficial owners or beneficial ownership because, Madam President, you know they have a lot of people fronting, they are fronting for others, and when you feel they are buying the shares, they are really buying the shares for somebody else. [*Desk thumping*]

So when the Government comes here, Madam President, in the absence of any legislation to restrict beneficial ownership, just remember, this Government in June or April of this year, they approved a Cabinet Note to sell out 49.9 per cent of

our shares at TGU to their friends who the Prime Minister, when he was Leader of the Opposition, visited in Germany. That is on public record, Ferrostaal. So we want to know, Madam President, in the absence of any legislation to restrict beneficial owners—

Madam President: Sen. Mark, you have five more minutes.

Sen. W. Mark: How much more, Ma'am?

Madam President: Five more.

Sen. W. Mark: Yeah.—how are we to ensure that we are not “buying cat in bag”? How are we to ensure, Madam President, that the national interest will not be served?

Sen. Baptiste-Primus: You sure it is not “skirrel” you want to say?

Sen. W. Mark: No, not today. [*Laughter*] Madam President, so I ask the hon. Minister in the Ministry of Finance to come clean on this thing. [*Desk thumping*] What is the hidden agenda of the Government behind the NIF? [*Desk thumping*] In the absence of legislation to safeguard the interest of the national interest, their friends and their families can put frontmen and frontwomen to buy bonds on their behalf, and at the end of the day, Madam President, what happens?—the ordinary people will not benefit from this exercise.

Madam President, the final point I want to make with your leave, where is the prospectus? Where is the prospectus? [*Desk thumping*] When will it be issued so that the public can have an understanding? We understand you have a draft—you have a draft that you have sent to the Securities and Exchange Commission—but why did you not table that draft here too, Madam President, so we could have an idea of what are the contents of the prospectus? [*Desk thumping*] So you are asking us to support a measure, and we do not have a clue of what the prospectus

contains. How can you take us for granted? Madam President, this is putting the cart before the horse. So I ask the Minister, could you provide this Parliament with a copy of the prospectus for the NIF? [*Desk thumping*]

So, Madam President, in closing, I want the Minister to tell us, what is happening to No Man's Land in Tobago that Sandals was supposed to be located on? That is an asset that belongs to Clico. That is a strategic asset. Where is No Man's Land Tobago today? Because Sandals, according to you—according to the Government, Ma'am—is no longer coming to Trinidad to build its own. The Government of Trinidad and Tobago will be building for Sandals and then giving them a franchise to manage. That is what we are told. So where is the No Man's Land?

Madam President, the Government of this country—the Prime Minister and the Minister of Finance along with the Governor of the Central Bank—broke the law—

Madam President: No, Sen. Mark, no.

Sen. W. Mark: Okay.

Madam President: Please rephrase.

Sen. W. Mark: All right. According to section 44D of the Central Bank Act, when you have assets that are under your control, it must be under the control of the Central Bank to promote the interest of the policyholders, 100,000 of them, and not the interest of the Government [*Desk thumping*] and that is why, Madam President, I raised the question, how come the Government was able to put their hands on No Man's Land without the Governor of the Central Bank having a leading role, when he was assigned the responsibility to protect the interests of the policyholders and one of their strategic assets was No Man's Land? We need

answers on this matter, Madam President. Madam President, how many seconds I have again?

Sen. Baptiste-Primus: None.

Madam President: Fifty-five.

Sen. W. Mark: 55? Yes. Madam President, so I call on the hon. Minister to come clean and to tell this country what is the agenda of the Government behind this. I want to know why you want to put your hands on the *Express*.

Madam President: Sen. Mark, please, please rephrase. Two things you have just said there that I find unparliamentary, you have asked the Minister to come clean and try and rephrase as you now have a few seconds left.

Sen. W. Mark: All right. I will have to rephrase quickly. I asked the Minister, through you, why does the Government wants to put its hands in the Trinidad *Express* and TV6? I say hands off TV6 [*Desk thumping*] and hands off the Trinidad *Express*, [*Desk thumping*] and we will not allow you to close down, as Synergy has been closed down, the *Express*—

Hon. Senator: Who is “you”?

Sen. W. Mark: When I say so, the Government. We will not allow the Government. Thank you very much, Madam President. [*Desk thumping*]

Sen. Taurel Shrikissoon: Thank you, Madam President, for allowing me the opportunity to make a contribution to the Bill before us here today. The Bill before us is a Bill to amend the Corporation Tax Act, Chap. 75:02, where it proposes two clauses and two amendments, one being I think typographical—some being typographical and two other subsections being added to the Bill.

Clause 1 refers to the title of the Bill and clause 2 amends the Corporation Tax Act in section 6(1) by inserting two subsections, subsections (zc) and (zd);

(zc) to provide exemptions from taxation of the profits of the NIF or the National Investment Fund Holding Company and:

“(zd) interest payable on bonds issued by the National Investment Fund Holding Company Limited.”

—would be exempted from taxation. So that there are two forms of exemptions being granted here, the first being on the profits of the company and the second being on the interest payable by the instruments issued by the company. So that those are the two exemptions being sought and in terms of the content of the Bill, that is about the magnitude of the amendments with respect to the Bill. So the Bill is very short and very specific with what it intends to do. However, I think what is creating some element of concern here today is the nature of the fund and the way in which the fund is constructed and the way in which the instrument is being made available or being brought to market.

So, Madam President, if you look at the way with respect to having the hon. Minister piloted the Bill, she gave a backdrop—the hon. Minister gave a backdrop of how this will work—and this instrument has its genesis in the decline of the CL Group where a significant amount of government funds were utilized to bail this company out, and now Trinidad and Tobago is seeking to recover this investment that it made earlier.

So I would like to say, given the cash position of Government or the revenue stream of the Government, at this point in time, if there is a debt outstanding, in my mind, and there is a way to collect it to improve the cash flow position of the country, then I would support it, because if it is any time Trinidad and Tobago needs a stronger income stream, it is now and if this instrument is seeking to do that, then it has my certain attention with respect to it.

However, I would like to issue one element of caution given the way in which the fund is seeking to be mobilized or brought to market. As Sen. Mark was saying earlier, there has been a number of initial offerings to the market in the recent past. We have seen the FCB IPO, and I think that occurred in two tranches. We are seeing the NEL company, we saw the CIF shares and now we are seeing a new company called NIF, and I am raising just a concern here as to whether or not Trinidad and Tobago, the domestic market, has an appetite for raising this element of capital continuously in a very short space of time in Trinidad and Tobago, and I think that is of concern, because it seems to be that these instruments are just coming to market and the domestic economy is expected to absorb it. It is very quick, it is very fast and we are seeing multiple instruments, and I think that is area of concern to me, how the rate at which these instruments are coming to market.

Madam President, we have heard several numbers being thrown about with respect to the debt owed by Clico. The hon. Minister today used a number of \$23 billion. I am in no position to comment on the accuracy of that figure, and I am going to accept the value being given to me. [*Interruption*] Sorry. \$23 billion. Yes, sorry. So I am going to accept the value being given to me today. Of that \$23 billion, it was told to us that approximately \$7 billion has been collected over time from the operations of the assets, which leaves about \$16 billion to be collected.

With respect to the fund today, we are hearing about \$8 billion coming from assets into this fund, but of that \$8 billion, \$2 billion belongs to TGU, so that leaves with really \$6 billion of assets belonging to Clico. If six from 16 leaves us 10, then my question is: Where would the next 10 come from? And that is another concern of mine with respect to the Bill.

At this point in time, what we have is a fund that is being created that is called the NIF where you have assets from the Clico assets being deposited into the fund as well as shareholdings from TGU. The hon. Minister gave a composition of the fund—and just to repeat or just to indicate to strengthen my contribution—she says Republic Bank would contribute about 55 per cent of the fund, WITCO 5 per cent, One Caribbean Media, 2 per cent, Angostura Holdings, 12 per cent and TGU 26 per cent to bring the entire composition of the fund or the portfolio of the fund of 100 per cent over a diverse range.

Now, the company that is going to be holding these funds or where these assets are going to be resident is referred to as NIF, the National Investment Fund Holding Company Limited. And so, today we are being asked to amend this 75:02 with respect to adding two forms of exemptions for a company being referred to as NIF. And I want to join Sen. Mark in saying, as a Member of this House, I have an element of concern where I am being asked to debate or to contribute to a piece of legislation concerning a company for which I really have no factual information. [*Desk thumping*] What is the form of NIF? Is it private limited company? Is it a public limited company? What is it? The Minister may have not indicated such, and I am sure she would be able to do so. But I would have liked to know the form or structure that NIF is taking.

And, in addition, has this form of investment, did it meet the requirements or the approvals of the Securities and Exchange Commission? Or what is the role of the Securities and Exchange Commission in bringing this instrument to market? Did we comply with their rules or guidance? And Sen. Mark raised a very important issue, the prospectus. I would have liked to know that, at least, the prospectus was available.

Now, I am understanding that you are on a timeline and I am understanding that there may be a confidential document at this time, but at least provide me with a little bit more details on the structure of NIF, so I can feel a lil bit more comfortable in giving my support to this Bill, because at this point in time I really have no idea. So what is it am I really supporting? And the answer is I really cannot say, at this point in time, and that is a lil concern of mine.

So, I would have preferred a lil bit more credible information—and when I say “credible”, not via the Minister—but not from the newspaper. I did not want to rely on secondary sources of information, published in the media as the source of my information, because the accuracy of that can leave a lot to be desired and I am unsure. So I would have preferred a lil bit more sound information.

Further, we have demonstrated that a lot of these assets are going to be deposited into the fund. We have spoken about Republic Bank, we have spoken about WITCO, we have spoken about OCM and all of these companies are publicly traded companies. The \$2 billion coming from TGU is also being deposited here, but I am unsure of whether or not TGU has submitted its latest financial statements, what is the performance of its shares, anything like that. For the companies that are publicly listed, we can access their financials quite easily, but for a company like TGU which really represents 25 per cent of this fund, and having been asked to contribute to it and then not having access to that information, I also think is a requirement for me to feel a little bit more comfortable, because I do not know what is the state of TGU and I do not know what is the value of a TGU share, and it is 25 per cent of the fund here.

In addition, Madam President, I read a lot about the CL debacle and I also noted that the assets could have been pledged to more than one creditor, and I am a

little bit concerned as to whether or not the assets chosen for this fund has the sole ownership by the Government of Trinidad and Tobago [*Desk thumping*] because I would not like that we have created a fund and deposited a fund or a composition of the fund has a second claim to ownership, and I would just ask for clarification with respect to whether or not the ownership of the assets that are being deposited into the fund has been certified.

In addition, Madam President, I listened to the hon. Minister and I thought a projected measure of performance of the NIF would have been nice or would have been appreciated. How much is this fund expected to yield annually? What is the payback period with respect to the capital as well as what is the value of the funds—what is the value that the fund would generate? Would it be able to offset the interest expense and over what time would it be able to offset the capital being raised? I missed that bit of information and I thought that that was critical to determine the veracity or the vigour of the fund, and those are critical for me that I would have liked to know.

Madam President, with respect to retained earnings, this Bill, again, is seeking to exempt the NIF from corporation tax. We note that the income to be derived from the assets, which will form the revenue stream of NIF is already tax exempt, because it has been taxed by its source which would be the companies generating it. However, if NIF should undertake any element of investing activities or operations on its own, then it would be liable to corporation tax and this amendment here today (zc) in clause 2, really exempts NIF from paying any element of corporation tax earned from its operations or investing activities.

Now, given that it is exempted from corporation tax, my question is: If this fund performs well and is able to meet its interest obligations as well as repay the

debt owed or to repay the capital values of the bond being issued and there is surplus revenue that this fund is generating through investing activities then, for what purpose would the surplus funds be used? If the fund generates a surplus and it generates a cash flow stream to the Government, being the principal shareholder, after interest and capital repayments—and this sum is now exempt from corporation tax, which would actually have brought it into probably the Consolidated Fund for use—then for what use would these funds be put to? And then, what is the policy with respect to surplus funds?

Madam President, the hon. Minister, when I read the Bill, the issues of the Green Fund levy and business levy did come to mind, and I thank the hon. Minister for raising the issue and addressing it briefly. It was very specific and I thank her for that, because the fund would be exempted from business levy if they are being exempted from corporation tax, but the Green Fund levy would have to be paid. So, I thank the Minister for clarifying that issue in my mind.

The second clause or the second subsection in clause 2, which refers to the interest payable from the instrument being sold, is saying that interest earned from this investment is also being tax exempted or being exempted from taxation. Our Income Tax Act, in section 8(1) of the Income Tax Act, already exempts individuals from paying taxation on interest earned from bonds and similar investments. So this benefit is not specific to the individuals or it does not carry benefits to individuals because the Income Tax Act already covers that.

With respect to corporation tax, however, corporations are not really beneficiaries of that tax exemption. So this clause really benefits the corporations. And as hon. Minister rightly said—and I found this to be a strength of this piece of legislation in terms of making the investment tax free; if you actually had to find

an investment that gives you a 4½ per cent yield on the market after tax, you will have to be looking for an investment that would really yield you about 6.4 per cent, or if it was the 12-year bond you will have to look for an investment of 8.14 per cent.

So while I commend the Government, initially, on my first point for confronting this debt that is owed by Clico, and I offered commendations to you, I also commend you with respect to offering an investment like this with such a high rate of return, because I am not sure on the domestic market if an investment like this could be found anywhere else, and so I really commend you for making that investment available to the citizens of Trinidad and Tobago. And while I commend this investment and I thank you and I applaud your efforts for bringing it to market, I may have one or two concerns about it. So while I commend, I am just raising a flag with respect to a concern or two concerns that I may have and ask that if it could be adequately addressed.

The first point is, Trinidad and Tobago's credit rating has been down for the past three years. It has been on the decline. Both Standard & Poor's and Moody's have indicated a falling credit rating—and this is our international credit rating falling—and I did indicate, in my budget contribution and mid-year review, with a declining credit rating over time, borrowing is going to be more expensive. And so, what we have seen here today is that while the credit rating is falling, we are issuing a domestic instrument where we are actually borrowing from the domestic market.

The hon. Minister indicated that this bond would carry its own credit rating from CariCRIS, but the hon. Minister did not tell me what the credit rating was. And so, I would like to know what the credit rating for this instrument is,

especially in context that the international market is looking at Trinidad and Tobago and seeing a credit rating that is being provided by Standard & Poor's and Moody's. Here it is on our domestic market, we are raising an instrument for domestic borrowing, but I am unsure of what the credit rating is. Is the credit rating of the bond, is it in any way aligned to Standard & Poor's and Moody's credit rating? And I am unsure.

So while I feel a lil bit more comfortable knowing that a credit rating for the bond is being sought, what it is, I have not been told. And so, I would like to know what the credit rating of the bond is, because the credit rating of the bond really demonstrates the attractiveness of the bond and the ability of the owner of the fund to service its obligations. The risk of the fund is really in the credit rating. What is the credit rating? And I am unsure of what it is.

Now, while I commended the Government for having a higher rate of interest on this, I am saying, because the credit rating is down and you need to attract a significant amount of investment—\$4 billion, I do not think that this country has ever sought to borrow \$4 billion from its domestic market at any one point in time, and so that by itself is a shock to Trinidad and Tobago and now we do not know the credit rating of the bond.

The credit rating of Trinidad and Tobago has been falling, and given now that we are trying to attract \$4 billion of investment from an instrument and a country that has a falling credit rating or declining credit rating over time, then the interest rate has to be high. It has to be high. That is the only way in which we can attract the investors to the fund, because the risk profile or what I would call the risk-free rate of Trinidad and Tobago is on the rise. So in order for that \$4 billion to be absorbed by an investor, the rate of return has to be attractive, and that is why

it is pushing it in that direction.

So while we say today that we are offering an investment of a high return, the question is: Are we really offering it, or is it a requirement, at this point in time, in order for the \$4 billion to be absorbed by investors? And that is my concern. So while we are positioning and marketing the fund as a high-yielding fund, is it really a requirement or is it out of necessity that we are doing this to ensure that the \$4 billion could be fully absorbed? I am unsure. I have not been told that.

3.10 p.m.

Madam President, this \$4 billion that is being sought by the NIF, while it is being positioned as an attractive investment, it is nothing short of domestic borrowing. We can call it whatever we would like, we can acclaim whatever interest rate we would like, it is a form of domestic borrowing. And, therefore, no matter what is said and how it is presented, the Government, being the principal shareholder of this company, with this \$4 billion being sought, will increase the debt profile of Trinidad and Tobago. It may not increase net public sector debt because it is not being borrowed by the Trinidad and Tobago Government, but is being sought after through an institution that is owned by the Trinidad and Tobago Government, and therefore the debt profile of Trinidad and Tobago automatically increases with this; \$4 billion, in addition to the net public sector debt. So, as an Independent Senator here, I have always been advocating or asking for a debt management strategy, and I would always say that I would like it detailed in the form of, how are we going to address net public sector debt, contingent liabilities, debt incurred by state enterprises on their own balance sheets, government to government arrangements, and to that I am now going to add outstanding bonds of

the NIF, because it has to be considered a debt of the country; it has to be [*Desk thumping*] especially when the principal shareholder is the Government.

So this in its form here will increase the debt profile. How are we going to address this debt profile? I remember, before I was here, there was a comment being made by others, and I do not want to get into it, where the sale of the Clico assets would be used to reduce debt, and today we are seeing the sale of the assets coming through the NIF being used for budget support. So the debt that was incurred in the past and should have been serviced by the sale of the assets, the debt profile remains the same and the income is going to budget support. And I have another concern with that, because I do not believe that such a significant cash injection at any one point in time is going to be quickly realized in the near future. This may be a unique opportunity for us to attract this form of investment or this form of cash flow at one given time. I do not know of another instrument that can do that for us, and therefore if we do not use it to address the debt profile then we have actually, we have just dug a hole for ourselves; a deeper hole.

Madam President, I am coming to the end of my contribution, so as I have addressed the issue with the debt profile, I would like to raise one more significant point with respect to the liquidity in the economy of Trinidad and Tobago. The liquidity position in Trinidad and Tobago, meaning that available cash that we have at our disposal in the financial system, has been on the decline over the past years. If we follow the information presented by the monetary reports of Central Bank for 2017 and 2018, and if you allow me to quote from the 2017 report; it says here:

“Over May to October 2017, excess liquidity (measured by commercial banks’ holdings of reserves at the Central Bank in excess of statutory

obligations) decreased to a monthly average of”—\$2.8 billion—“relative to an average of”—\$4.1 billion.

So we are seeing a decline in the liquidity in the financial system, moving from \$4 billion in May 2017 to \$2.8 billion in October 2017. And if we follow the 2018 report which gives us an update as at May 2018, April and May, that liquidity further fell to \$2.1 billion and \$2.2 billion, respectively. So it is saying that the financial system is under a little bit of pressure as liquidity is being crowded out.

So, Madam President, this liquidity issue is also addressed in the form of interbank activity where banks are borrowing from each other, and liquidity levels over December 2017 to May 2018 led to a rise in interbank activity. That means the commercial banks are trying to source funding to meet their daily operations from other banks. So the commercial banks are borrowing from other banks, and it is saying here it has reached \$138.9 million, up from \$117.7 million in May 2018. That figure was \$104 million in October 2017. So liquidity here is being crowded out. Now, if we only have \$2 billion here in the financial system or among the commercial banks and we are trying to raise \$4 billion, then what are we really doing with the liquidity position of the commercial banks and the financial system in Trinidad and Tobago? As we crowd liquidity out, it is going to be very difficult for private businesses to operate and to invest in the economy. So we need to be careful that while we are trying to fix one issue, that we are creating another issue simultaneously, and by crowding out private sector investment we can actually be doing something worse than just trying to obtain revenue via \$4 billion. I am very much concerned about that.

So that, you have an increasing debt profile of Trinidad and Tobago, you have a liquidity position that is worsening; it has now reached to about \$2 billion,

the lowest since about 2012, and now we are going to extract \$4 billion out of this equation. How is that going to impact on us? Has any analysis been done? Are we able to assure Trinidad and Tobago, the citizens and the investing public, and corporate Trinidad and Tobago, that we are mindful of what we are doing and give you the assurance or give us the assurance that, “Hey, listen, bear with us, we know what we are about”? I have not received that, and I am very concerned about this, because this has the potential to bring significant negative implications to the financial system, on the economy of Trinidad and Tobago. Its impact on GDP will show, will show. So, I issue a note of caution. Amidst falling liquidity or a worsening liquidity position in Trinidad and Tobago, what we are trying to do is to extract more income from the economy which will put us in an illiquid position. I really issue a note of caution with respect to that.

So, Madam President, I promised not to be long today with respect to this Bill before us, because it is just two clauses, and I do not want to utilize too much time given that the Bill is very short. However, in recapping, I would like to say I commend—as I said earlier, I commend the Government, you have confronted the Clico issue and you are trying to create a revenue stream to recover some of the revenue that the Government of Trinidad and Tobago expended in the past. I commend you for that, because if it is any time Trinidad and Tobago needs a stronger revenue position, it is now. The deficits have been too large, it has been running away from us; 2017, the deficit was actually the largest deficit ever seen probably in the history of Trinidad and Tobago, and in an attempt to restrict that and to ensure that it does not happen again, we are looking at income sources and where we could derive it from. So I commend you for that.

With respect to an instrument that is being offered at a higher interest rate, I

commend you again for it, and I am saying you are providing an opportunity for citizens and investors to yield a higher rate of return. However, I have raised some elements of concern with respect to the manner in which this is done. Now, I would like to say, with respect to the instrument being offered, I really cannot see or find a fault with respect to the instrument itself, a bond issue having three sections, a higher rate of return and tax-free. I am not seeing a problem with that. I have concerns with respect to the way in which it was brought about and the implications for the Trinidad and Tobago economy. With respect to the way in which it is done: What is NIF, how has it been structured, has it been registered? And with respect to the instrument, has it had the approval of the SEC, and where is the prospectus for the fund? What is the proposed return on the fund? And is the return on the fund that is going to be generated, would it be sufficient to meet interest obligations, as well as capital repayments? I did raise the issue of the \$10 billion, and I calculated the \$10 billion as \$23 billion being owed by CLF, or by the CL group, less the \$7 billion that has been achieved, \$16 billion; \$6 billion of Clico's assets in this fund leaving a \$10 billion deficit.

How is the \$10 billion going to be recovered? I am asking for an indication of whether or not Government has the intention of holding on to the \$3.9 billion investment in this fund. Is it that we are going to see, at any point in time, that that \$3.9 billion is now being offered for sale? I am asking for clarity with respect to that. What is the credit rating of this bond that this company will attract? Well, I have heard that CariCRIS is/has been contracted to do so, to provide one; I have not been told what it is, and I am concerned that given our decline in our international credit ratings, what this credit rating would be. And, finally, Madam President, I have indicated that this fund and this bond issue is nothing short—

while it is an attractive investment—is nothing short of domestic borrowing. This has the implication of increasing the debt profile of Trinidad and Tobago. While it does not increase directly, increase the net public sector debt, it does increase the debt owed by the Trinidad and Tobago Government, especially given the fact that the Government of Trinidad and Tobago is the primary shareholder in this company.

Given that it is increasing our domestic debt, I am also saying that there is a liquidity situation that could be brought about given that we have falling levels of liquidity and we are now down to about \$2.1 billion among the commercial banks. Commercial banks are borrowing from each other, even to the extent that one of them visited the Central Bank for funding from their repurchase agreement, and now we are trying to extract \$4 billion additional from it. There will be an implication on the local economy. There will be an implication with respect to private sector investment. There will be an implication on interest rates, because Central Bank has been trying to hold on to interest rates by trying to manage it and keep it at a certain level. Here it is we are bringing an instrument onto the market with the highest interest rate of an investment that will ever be seen, or that has been seen in the recent past. What will happen? How come it is that Central Bank is trying to keep interest rates at a certain level, but the Government of Trinidad and Tobago is producing an investment with a high rate of interest? I am confused as to why we are doing that. And what will happen is that now competing financial institutions will now bring to other investments to try to lure the limited liquidity in the system to them by offering interest rates, offering investments at higher interest rates to attract the funding their way. What will that do? That will increase interest rates, and the cost of borrowing will also go up because that has to

be funded.

Madam President, as I take my seat, I commend the Government for its investment, its initiative and its instrument, however, as a concerned citizen of Trinidad and Tobago and as an Independent Senator, I am concerned about the process by which this was being done, and the implications on the Trinidad and Tobago economy, and I ask for these to be considered and probably addressed by other speakers. I thank you, Madam President. [*Desk thumping*]

Madam President: Minister of Public Utilities. [*Desk thumping*]

The Minister of Public Utilities (Sen. The Hon. Robert Le Hunte): Madam President, I, once again, am honoured to stand before this Senate, this time in defence of a Bill that seeks to secure the financial interest of the Government of Trinidad and Tobago, and, more importantly, the people of Trinidad and Tobago. Madam President, the amendment that is brought before us now in this Senate, relates to the corporation tax. It is a very simple, straightforward amendment, and it seeks to facilitate the exemption of the National Investment Fund Holding Company Limited from the payment of corporation tax on the profits from its interest payable on bonds from the company in the hands of bondholders in Trinidad and Tobago.

Madam President, I have heard certain comments, and let me take some time to address some of the concerns that I have heard coming out from Sen. Mark and Sen. Taurel Shrikissoon. Regarding Sen. Shrikissoon, I mean, I hear what you are saying with regard to the possible impact, but I do not share your concerns as it relates to the possible impact as it relates to liquidity on this particular item. One, yes, I do acknowledge that present access liquidity in the system is in the vicinity of about \$2.8billion. That is what my figures are saying. However, the money that

is being brought in, the money that is being raised by this bond, it is all known that this money is going to be used to supplement Government's spending and to meet Government's deficit. As a result, this money is not going to be sterilized, this money is going to find its way back into the system. So, therefore, the impact of liquidity and interest rates, and so forth, that was being projected, I do not see that happening. In addition to that—in addition to the \$2.8 billion, there is, additionally, over \$10 billion in Treasury Bills that is also aware, that is short-term in nature, and I am confident that therefore the impact that you are talking about on interest rates will not result, as a result, because the funds are not going to be sterilized.

Finally, whether this will lead to other investors raising their interest rates on deposits—well, I think this is a \$4 billion investment. It is a very closed-ended, one-off transaction, and the reality is, if banks start to pay a little bit more money for interest, other than the zero per cent and the 1 per cent that they are presently paying depositors, and this spurs them on a little bit to do that, I am not going to object to that outcome. But I do not necessarily believe that this will have the benefit of an add-on effect on interest rates going forward. You know, Sen. Mark made a comment and he said, you know, what are the implications of this to companies that find themselves in trouble, or find themselves in problems, like CL Financial, and come to the Government for assistance? And the reality, what I will like to say—it is very clear—the implications are when you borrow money, or when the people, or when a Government takes taxpayers' money and gives it to a company to help them through whatever financial problems that they are having, at the end of the day we expect to get it back. It is not a gift. It is the people's money that was given.

In the case of this particular transaction let us understand how we got here. We had a situation whereby we had money, we had cash; cash is the lifeline of any business, and the people of Trinidad and Tobago gave CL Financial assistance to the tune of \$23 billion of our hard-earned money. This situation, as you heard, started way back in 2009. As I heard, as the Minister of Communications made mention in the other place, this matter went on and on. When the governments changed there were 15 extensions; 15 extensions to CL Financial, resulting in this matter and this money, these taxpayers' money being outstanding there for a very long time. When this Government came into being we started our measures to try to collect on this money that is outstanding. And, as such, as part of the repayment for the money—we would have loved Sen. Mark to be able to get back our cash, but after nine years of waiting we did not get back cash, and what we got in exchange were some assets. We got some assets. We did not ask for them. This is what we would have been able—so that we will be able to get back the people's money.

So we got these assets, but assets, you know, as I told you, cash is like blood, a blood of an economy. We cannot eat assets, we need to get cash, so the Government needed to find a mechanism of how do we monetize these assets, how do we turn some of these assets into cash, and, really, this is where this particular transaction was borne out of. We needed to get back the cash which, by the way, is what we started with. We started with cash and we want to end back with cash. So we got the assets, so what were the options that were available to us; yes, we could have taken these assets and sold them. Yes, you could have sold them, right, you sold the assets and you would have gotten cash, or we could have done what we are doing now and created this particular instrument that allows us to get this

cash. But let us talk a little bit about the first option, because, you know, Sen. Mark, when I heard your contribution I went backward and forward about, well, who has the money and what will happen, who will end up with the bonds, because limited people have the cash in the first place, et cetera, et cetera. So, if we had gone the route of selling the assets—sell the assets—we recognize that these assets were strategic assets to the country. If we had sold the assets what would have happened is that the assets would have then ended up—if I have to follow Sen. Mark's conclusion, the assets themselves, and, by extension, the ownership of these assets would have then fallen in the hands of the limited few that he is speaking about. And that in itself—and, by the way, the Opposition made a lot of points. They made a lot of acquisitions saying that that is exactly what the Government was intending to do. They were on record as saying that what the Government plans to do with the assets of Clico is to sell it to their friends.

So one way I am hearing criticism as to what we proposed to do under this structure, but then the other way I am also hearing, whereby, well, you know, we want to keep the assets—we want to keep the assets, and what we want to do with these assets, and like if there is some sort of sinister motive behind what the Government is doing. So, what did we choose to do? We decided, in a very, I must say, innovative way—and I want to congratulate the Minister of Finance for that level of innovation. [*Desk thumping*] It was a fantastic idea. It was a fantastic read of the market, and, clearly, the Opposition, expecting that that is what we were going to do, just sell the assets, they are now wondering, well, what could I find wrong with this, what could I say. Because what we have done is decide to say, okay, let us create an instrument backed by these assets and leverage them and raise some funds, raise bonds on it. These bonds are not Government guaranteed,

they are fully backed by the assets, and because of the income that these assets generate, these income from these assets are the ones that are going to pay the principal and pay the interest on these bonds going forward. So Government, from a perspective of increasing Government's debt, there is no Government guarantee, very clear. So we have created this instrument that allows that to happen.

And why are we going down this road? Because, as Sen. Mark mentioned, we have the CIF, we have the NIF, we have other avenues, we have NEL which could have been options that were possible. But, what we did realize very early based on the market forces, is that what the country wants—the country is concerned about two things; the country is concerned, or citizens, investors are concerned about a return. They want to get an adequate and a secured rate of return. That is critical. And, therefore, Sen. Shrikissoon mentioned about other instruments coming on the market; yes, shares that came on the market from First Citizens, all right, that again is a share. That is a share that could go up, that is a share that could go down. That was not a secured rate of return which is what the people of Trinidad and Tobago want. That is what the small investor could understand. He wants something that, "I know I am getting this rate of return". And, therefore, when we did our market survey as to what investors are really looking for, and what investors are also looking for is asset preservation. You want to make sure that when you put your money you are going to get it back. You do not want to buy a share today and then the value drops for whatever reason, and when I want back my money and I sell it, because I bought it at price A, and the price is now A minus, I now have lost my capital, and therefore that becomes very important.

So those are two considerations that we are always warring in our mind as to

what to do, hence, this innovative, fantastic product that solves all investors' problems. And I say innovative and fantastic, because now investors have a chance of taking their money, all right, they could buy it in small amounts up to \$1,000, all right, and up to \$1,000 you could invest in this particular instrument, and with it you are getting a guaranteed rate of return. Guaranteed rate of return, you know exactly what you are going to be getting for the life of the investment; people like that. Secondly, you are also now going to look at the assets backing this bond, and what do you have, because you want to make sure, "I am going to get back my money", and these bonds are backed by One Caribbean, fantastic company, if I might dare say so myself, all right. Republic Bank—[*Crosstalk*] I should not say more, the name speaks for itself, and the type of people that they produce, all right; Witco. So, you are talking about gilt-edged securities. If you have to buy a portfolio of investments on the stock market, those shares are the ones that you will buy. And therefore, you are almost then guaranteed by the assets that are backing the bonds that your money will be—I mean, I will always, as a trained financial person, I always want say, everything is 100 per cent secured. I would not go down that road, but this is really as secured as you could get from a capital preservation perspective.

So when you take all of these factors into consideration, as I said, this is a fantastic return. It is fantastic, so let us spend a little time and talk about the return. Now, again, there is the concept—you know, there is a saying, "damned if you do, damned if you don't", we have decided that, listen, this is the people's money, all right, let us create an instrument that gives people a fantastic rate of return, because we are giving back to the people, and therefore we created an instrument and we gave different time frames for different investors, in different investment horizons.

So you have a short-term investment, five years; you have a long-term investment for looking at people with that investment horizon, as far as 20 years, and you have something in the middle. So we have tried to cater for all in this particular environment. In addition to that, what this amendment is attempting to do here, we have gone the route of making this investment, the return, making the income on this investment tax-free in the hands of the people who get them, the bondholders, and that has resulted—that one stroke of brilliance by the Minister of Finance—if I might dare say myself—has made this investment even more attractive. [*Desk thumping*] And, why? When you look at what is presently—what are the alternatives when you are trying to look at the attractiveness of investments you ask, what is the next best alternative? Well, in the case of individuals who want to be on the shorter end, all right, you are presently going to be getting 4½ per cent return; 4½ per cent, what is your next best alternative? Your next best alternative right now is to leave your money in the banks and you are leaving your money in Republic Bank. By the way, this fund is backed by 55 per cent of the same Republic Bank, assets that you are talking about, but when you leave your money in Republic Bank you will only get—what are we getting now?—half of 1 per cent, 1 per cent, at best, as a return.

In addition to that, if you have a mere—we all know, if you have a mere \$1,000, all right, you will get basically quarter of 1 per cent, and if you have \$1million, all right, then you might get closer to the three-quarter of 1 per cent. In this regard, if you have a mere \$1,000 and you buy your bond, you are getting 4½ per cent, all right? If you want to buy more you are getting 4½ per cent. So, therefore, you talk about something to help the small man, again, as always, this Government is always interested. You see, we are always interested about the

small man in everything that we do. We do not just talk it, we put it into action in every single thing that we do. So, again, from an alternative investment for an individual, it is very attractive. [*Desk thumping*]

3.40 p.m.

Now, let us go to corporations. Again, by virtue of what we are being asked upon here to do about the tax exemption and that is, again, Madam President, trying to relate it back to the Bill, the tax amendment. All right? What is going to happen is that you are now going to have a rate, the more medium to long-term investment 12 years, at 5.7 per cent for a bank who has liquidity and wants to invest in this, the effective rate of that investment for a bank that is presently paying 35 per cent tax is that they are going to get an effective rate of 8.76 per cent, and for the 20-year investment 10.2 per cent.

Now let me, again, show you some of the equivalents of how or why that is so attractive, because a bank presently has cash and what does a bank do with it? A bank makes money by lending it out to other customers. If a bank wants to lend money right now, right now to a good corporate person, the person will probably get a rate, will get a return of about 7 per cent. They get a rate of about 7 per cent and then that income at 7 per cent interest is taxed, so what they are in effect getting is a lot less than 7 per cent because, again, 7 per cent is before tax.

Right now a bank in its long term they lend money to mortgages, the mortgage portfolio, mortgage portfolio in a bank is probably about 5 per cent. So, again, you give money long term and you have 5 per cent; that is the return. Compare that now to, as I said, the after tax return on this is going to be close to over 10 per cent on the long end.

So at the end of the day, this is an attractive investment for the small man,

and it is also an attractive investment for the banks and for the institutional investors.

In addition to that, what this market has been starved of over the years is really long-term investments giving an appropriate return for your pension funds. The type of return that you need in pension fund for a long-term investment is a rate of return, and an instrument gives you over 5 per cent, because the actuaries work out potential inflation, et cetera, et cetera, and they are looking for instruments that are over 5 per cent. And if you speak to anyone managing pension funds, they will tell you that they are starved for investment opportunities. There is a very limited amount of investment opportunities especially in this market and those pension funds are also restricted by the fact that they cannot take their funds and invest it overseas, only a percentage of that money could find its investment overseas.

So what you are finding is that a number of pension funds have to then take the money and put them into T-bills at very small, small rates of interest, and by virtue of those pension funds not being able to make the required rate of return, they are also then asking people to increase their contributions because they are not being able to make the investment income that they expect.

Again, this particular instrument allows, it is like gold to the pension funds, because it gives them a long-term investment, and granted they might not be the ones because they do not pay taxes, but they are getting an investment that is going to be giving them a return of .6 per cent, that is 160 basis points above what it is they need to be able to meet the actuarial requirements; again, a very attractive investment for them.

So when you look at this investment, so this tax that we are—the

amendments that we are asking to pass here are going to make this investment very attractive. And therefore, based on the market researches that we have done, we are confident that our ability and, yes, recognizing that we have not seen in the market an instrument raising as much as \$4 billion, but I could tell you there has never been in this market an instrument like this particular fund, and like this one created by that innovative Minister of Finance.

And therefore, we are confident that because of the innovate nature of this particular investment, that the money that is being called upon to raise, that it will happen. I dare say that the innovate, the approach that is being put forward by this fund by it being an asset-backed fund using income on or using shares that are traded in the stock market and against a bond and mitigating against fluctuations and giving you a rate of return, basically this is really the first time that an instrument of this nature, very common throughout in other developed countries, very common, but there has not been anyone like this in this market.

And therefore, I am also sure that what will come out of this particular structure is, again, some more innovation and creativity to our very thin capital markets. So once again, another benefit of this particular structure bringing, at least, innovation and diversification to what long-term investors have as an option.

Madam President, there is no secret that this Government or one of the reasons for raising this bond is because it is going to be used to help the Government finance its deficit. The money is not coming to individuals, it is going to be used to help finance this Government's deficit. And that is fine, but I do not want to go too much there, but I mean, as I delve into that because, yes, people want to know what is this going to be used for? We have to understand that the fact that we have reached in this country where \$4 billion is about all we need to

help close the gap between income and expenditure is something that we should be jumping and feeling very proud of. And, again, commending the Minister of Finance for his astute management of this economy to reach to the point that we only need \$4 billion and a little bit more to bring this country back into a balance situation.

You have to understand, I mean, people seem to not, or forget where we came from. Where we came from, we came from a situation, we came from a situation, do not forget because as I told you my African proverb, “to forget is to throw away”, and at the end of the day we must always remember, we came from a situation with an expenditure of \$63 billion at a time when our income has fallen close to \$27 billion, \$37 billion. Right? You are talking there of close to \$26 billion in deficit. That is what it is that we had to manage.

So you have managed a \$27 billion deficit to come down where we have to do this to raise and four and a little bit in some other means; that is a fantastic feat.

You know, I heard my Prime Minister talk last week Friday and when asked a question based on what he saw what was happening in Barbados, a question was asked to him: “Based on what is going on in Barbados, what is going to happen to Trinidad and Tobago? All right? Are we going to the IMF?” And he proudly said, “That is not where we are going”. And you know why that is so? That is so because we are not going to the IMF, and we could stand here now and say we are not going to the IMF because we have been able under the astute management of this Minister of Finance and a People’s National Movement Government to reduce that deficit from the \$26 billion that it was, to now where we only need to make this \$4 billion plus a little bit more and we should be all right.

We have brought expenditure down, as was said in the mid-year review, we

are now looking at an expenditure of close to about \$48 billion, and we are now able to get income coming up to about \$40 million, a little bit over \$40 million, so therefore, we have closed that gap significantly.

What I could assure you, Madam President, is if it was not for that type of astute management by the People's National Movement, where we were before, if we had continued with that type of \$63 billion-type of expenditure, expenditure which we got no value for, you would have then ended up where we were on a slippery road, based on what we inherited and what was left for us to manage in an economy that was headed head-on speed towards the IMF. That is what we inherited, and it is that type of reckless spending and that type of over expenditure is what gets you there.

I lived in Barbados. I am aware of how beautiful that country was when it managed its affairs, and I have seen what successive governments were able to do, and as a result of the actions taken by them where that country has reached. And I am saying, we take for granted the fact and we sit here and we talk about well, it is—we are now in a position where we could say what we are saying and we proud about it, that we are not going there; but that did not happen like that. That happened as a result of prudent action. The fact that we were able to get some of these assets back and be in a position to monetize them now, is because of the actions, again, not just old talk, it is because of the decisions and the hard decisions that this Government was prepared to take for the people of Trinidad and Tobago, nobody else, no one else. We take all these actions for the people of Trinidad and Tobago, and you know why we do that?—because it is the right thing to do.

So, we got here, Madam President, by a number of deliberate actions dealing with a number of things all at once. This particular Clico matter which was

labouring there, outstanding there, is how many times did I say?—15 times? Fifteen times this thing was extended and extended and extended, because no one wants to act. It is same situation that happened with regard to the oil sector. All right? A lot of the things were left there, the contracts were left there. No one wants to act—

Madam President: Minister, if I could just intervene and ask you to—you are starting to stray a little bit from the remit of the matter before us. Okay? Thanks.

Sen. The Hon. R. Le Hunte: Thank you, Madam President, for the guidance, so I turn the corner and I come back immediately. All right? Yes. This is—we are here today to talk about this particular instrument. All right? The genesis of this instrument and we are able in a position to even be able to speak about it and have assets that we want to monetize is because of the actions and the prudent actions of this particular Government; check.

The instruments that were created, all the fears of a few people getting these assets or these strategic assets falling in the hands of a few individuals; that will not happen. The assets are placed now at the end of this bond when it is issued, it is going to be in the hands of the people of Trinidad and Tobago, the Government, and by extension the people of Trinidad and Tobago; check.

The particular structure as Sen. Shrikissoon mentioned, there is no argument, it is a fantastic structure, it gives you adequate returns and it gives you the protection of your assets. So put another check. This is, again, a fantastic instrument.

And if I can quote, if I can take the opportunity to quote a statement made by the President of the Bankers Association, Mr. Nigel Baptiste, in a recent article when he was commenting when he heard about the NIF, his comments on it were:

“A positive development from a national perspective.”

And said that it:

“...gives all a chance to share in the wealth.”

Sen. Richards: Minister, could you give way? Through you, Madam President, just a quick question. And I think it is a great idea, but as with Sen. Shrikissoon and others, could you just share the mechanism by which the Government will ensure that, as you indicated, the shares are able to be optioned by the widest possible cadre of the society, and not proxies acting on behalf of others? So that your indication a while ago will come to pass. What mechanisms are in place to ensure that? If you can or the Minister when she is wrapping up. [*Desk thumping*]

Sen. The Hon. R. Le Hunte: Well, I am sure that the Minister will elaborate, but let me first say— [*Laughter*] No. And the Minister will elaborate, but I will also help, I will also let you know. First to begin, we are talking here about bonds and not shares, that is an important deliberation, and therefore, at the end of day the shares for these companies are not going anywhere, they are going to remain in the hands of the Government and the people of Trinidad and Tobago.

Now, whether or not, there are \$4 billion worth of bonds. I am almost positive that anyone who wants these bonds is going to be able to get them. I mean, there are concerns people have been raising of whether or not we could raise \$4 billion. All right? But even if, what I am saying, even if, I am sure there are going to be mechanisms if they are oversubscribed, I am not fully 100 per cent aware and I am sure we will be able to tell you, if they are oversubscribed, how we are going to do the allocations.

But in this case, remember you are raising money from individuals. Even if more than one individual gets the bond or buys more of the bonds that is required,

at the end of the day, he does not have the rights and the ownership—

Madam President: Minister, you have five minutes remaining.

Sen. The Hon. R. Le Hunte: He does not have the rights and ownership of the shares. So he will benefit from the higher return, I agree, he will benefit and we would like a lot of the population to benefit, but it is not like the First Citizens, when the person got shares and therefore, got actual ownership rights to go and vote and make decisions, and change the board of directors of the companies. That ability is not going to be opened to bond holders. So, that part, again, the actual mechanism to ensure that oversubscription would be in place, I am sure that the Minister will be able to elaborate in her closing off requirements. So, Madam President, a fantastic instrument, a very innovative instrument.

And before I close, you know, there was one particular—I heard a comment in another place, where one was mentioning about, why are we bringing or why are we putting into this one of the crown jewels, TGU? And my only comment on that is, well why not? If it is a crown jewel and it is owned by the people of Trinidad and Tobago, and the returns of that crown jewel via giving people a return on a bond, an attractive bond, could be given back to the people of Trinidad and Tobago, I have no objection. So if we are being accused of that, of taking our crown jewels and giving back the benefit of our crown jewels to the people of Trinidad and Tobago, again, it shows the type of Government that you have; another fantastic idea.

So, Madam President, this again in closing is a fantastic instrument, it allows for the Government innovatively to be able to manage some strategic assets and not pass them out, and not give them out to a lot of other individuals, it allows for the returns to be very attractive, and therefore, I ask all of my colleagues in this

Corporation Tax (Amdt.) Bill, 2018 (cont'd)
 Sen. The Hon. R. Le Hunte (cont'd)

2018.06.27

House, to let us put aside all of whatever differences that we may have, and let us support something that is good for the people of Trinidad and Tobago. And if in so doing, by supporting this particular amendment that makes an already good instrument better, we are doing work, we are doing that. So, I so move, not so move, I thank you. [*Desk thumping*]

Madam President: Sen. Obika.

Sen. Taharqa Obika: [*Desk thumping*] Thank you, Madam President, for acknowledging me as I contribute to this Bill after the Freudian slip from the Minister of Public Utilities. [*Crosstalk*] I did not say Minister of Finance as yet.

Now, I want to correct the record because the first statistic that I am sure the media will pick up is “\$4 billion deficit”, but really and truly, even the Minister of Finance, unfortunately, agrees with me, when the deficit is \$10 billion. [*Desk thumping*] So, please, let us correct the record.

Now, to ensure that persons on the opposite side do not think that I am misrepresenting the hon. Minister of Finance, Madam President, permit me to quote the hon. Minister himself when he spoke on Monday this week regarding this same Bill. And I may say from the *Hansard*:

As time goes by and as other assets become available, if these are high value, high income—sorry. I made a mistake.

“This \$4 billion from this National Investment Fund, these bonds will go a long way to dealing with that \$10 billion deficit.”

So that puts this notion of a \$4 billion deficit to rest.

Hon. Senator: Who say that?

Sen. T. Obika: Now, this is the Minister of Finance on the *Hansard* and he continues:

“We are still expectant that our fiscal deficit will be in order of \$4 billion.”

So he is wishing, that is wishful thinking or wishing economics.

“So we expect to get \$4 billion in capital revenue from the National Investment Fund Company asset-backed bonds and another \$2 billion from other sources, dividends from state enterprises, and so on.”

Madam President: Sen. Obika, if I could just make an intervention here, please. You are quoting from the *Hansard* from the other place. Now, you can do that, but the quotes must not be lengthy, and then you must then incorporate it into your contribution. So, you understand what I saying? So try not to be quoting as extensively as you are.

Sen. T. Obika: Thank you, Madam President, but that actually was the full stop on the quote. What I want to continue by stating, that this begs the question where this \$2 billion will come from? Because the Minister of Finance speaks of \$4 billion, and then which we know as he hopes to get from this NIF and \$2 billion from other sources.

But in the same presentation, Madam President, the Minister of Finance went on and he said regarding the other assets that they are looking at, that they are eyeballing, to see if they can capitalize on to bridge the gap with expenditure, not to diversify, not to develop the economy. And as other assets become available, if these are high value, high income yielding assets in stable companies, we may give consideration in the future. For example, there is a company called Methanol Holdings International which the shares in that company are owned by Colonial Life.

Madam President, if we are to be guided by the thinking of the Minister of Finance, then one can only presume that there is a big question that we have to ask

in that this whole recipe that was cooked on the say so of some institutional investors who are taxing us, the citizens hard, to pay the difference to them in these bonds, meaning, they want to balance their books because the Government has raised taxes from 25 per cent when we left office to 35 per cent in the case of commercial banks and they want to get back their pound of flesh, and the pound of flesh is the people's \$4 billion. Because we the people of Trinidad and Tobago are being asked to sacrifice for as long as, in some instances 20 years, the crown jewel TGU, Republic Bank and the other assets that were taken by virtue of the Clico fallout, Madam President, with no prospectus, with not even the respect of a bond memorandum. That, to me, is untenable and unacceptable in this modern age. [*Desk thumping*]

Now, Madam President, I want to continue to shed light wherever there may be darkness on the contributions by hon. Ministers who preceded me. Now, in referring to liquidity, we know that liquidity given the report of the Central Bank, the monetary policy report for 2018 which they looked at, the first five months of 2018 saying that liquidity is at just over \$2.6 billion, so it is not a great situation, because we are accustomed with liquidity levels being around \$3½ billion approaching \$4 billion.

But the hon. Minister who preceded indicated that there will be no impact because the use of these funds are not for sterilization purposes. And for the layman who is not a finance person, that is to say, that they are not being used just to mop-up excess liquidity and take it out of the system so that there is not too much money chasing too few goods. What in effect he saying is that, because the Government will be spending this money on recurrent expenditure, it will find its way back in the system.

However, because we have no prospectus, no memorandum, no indication as to what exactly will be the expected timeline, because if we have all the information, we can make our own assessment as to whether or not this entire bond issue will be successful in the time frame prescribed or not. Therefore, we may well find that the liquidity, the non-issue may actually become an issue because there may be some challenges with the money working its way back into the system, and by working its way, we mean via the appropriation Bill and releases from the Ministry of Finance. So, I put that one of rest.

Now, another point raised by the hon. Minister, it regards the issue of investors, you know, and a market survey was done. I want to ask the question: How wide was this market survey done, and was it done over drinks at Westmoorings? Or was it really done with a wide cross-section of people? Or was the prior survey that informed the decision-making regarding the interest rates, would be the substantive issue at hand?

And I will get to the interest rate because we have a yield curve at the Central Bank for Trinidad and Tobago, and I want to get to that. However, I really need to get into my contribution, but the hon. Minister made so many points that require me to clarify for the public regarding the national interest.

Now, what I want to also say is that what we have here is really and truly for all intents and purposes to put it in simple language: the Government is borrowing \$4 billion from the people of Trinidad and Tobago, as well as other investors, because the hon. Ministers who preceded spoke mainly of investors not people. So, one has to assume that their target market is really institutional investors; big companies. Okay.

What we really want to look at is let us start with the issue of the NIF itself.

Now, the hon. Minister in the Ministry of Finance—there are so many things I have to say, I do not think 40 minutes will be enough for me, but I will try to get through the key points that I have.

So, Madam President, now the hon. Minister of Finance in piloting the Bill made some comments regarding the Green Fund and business levy, and if you read the hon. Minister's presentation in the other place, you will get the sense, and I just want to quote one line:

“...the dividend income received by the National Investment Holding Fund Company will be subject to the Green Fund levy.”

He said he ruled out, yeah, any other levy, so the Green Fund levy. Now, he also said it may also be subject to the business levy, but I am not certain about that. However, when I listened to the hon. Minister in the Ministry of Finance, and I stand to be corrected, the hon. Minister in the Ministry stated that it will not be susceptible to the Green Fund.

Hon. Senator: It will be.

Sen. T. Obika: So it will be susceptible; not business levy. Okay. So my apologies. So that they are in one accord in that regard. So, we know that it will be susceptible to the Green Fund, but not business levy. Okay. So, let us go forward, Madam President. I thank the hon. Minister for that clarification.

Now, let us look at exemption from profit tax regarding dividends and so on. Now, there are persons to come after, so all I will say is, this whole issue of exemption of the income from interest from tax begs many questions as to whom are we trying to woo and who are we trying to target? I will delve no further so that the Members on this side coming after will not run afoul of the Standing Order regarding tedious repetition, Madam President.

Now, I want to give another response for the public record regarding the hon. Minister of Finance in the other place. Well, the hon. Minister of Finance—

Madam President: Sen. Obika, let me just point out to you, you can make reference to the *Hansard* of the other place, what you cannot do is debate the speakers in the other place. You understand? You can make a reference, but you cannot be doing as if you are debating that particular statement in the other place? Okay? So, try and understand what I am saying, and try and now make your contribution accordingly.

Sen. T. Obika: Thank you very much. I am just deeply—I was hoping the Minister would have come, but okay. So, I will phrase my language accordingly.

4.10 p.m.

Now, effectively what we have done as a responsible Opposition, Madam President, as the guardians of democracy, is alerted the people of Trinidad and Tobago [*Desk thumping*] to a plot to sell TGU to Ferrostaal, and as a result of that the Government had no choice but to back-pedal, to rescind [*Desk thumping*] and cease and desist from that line of action.

Now, Madam President, for those persons who are students of the social sciences, and in particular economics and finance, they would know that Government bond is an instrument used by governments to borrow money. So, let us be very clear here if we are to debate the merits and principles of this proposed Bill which we have. The parent legislation is very voluminous, but we are only seeking to change two small parts, one, the title and another part regarding the exemptions. But, if we are to be debating the merits and principles of this Bill, one must get into the whole concept of how do you communicate and articulate to the people?

Now, if anyone ventures on to the Securities and Exchange Commission of the Republic of Trinidad and Tobago—on their website—and they do appropriate searches, they would find guidelines for prospectus. Now, while this is a bond, you may find that the terminology may be different, but the essence would be the same. So, I want to stick a pin on the guidelines for the prospectus, and I want to speak to the difference between—as we are speaking on the merits and principles—bonds and shareholding, because it seems that persons are confused, because I am hearing persons saying “selling”, and “the company”, and that type of thing. But, in effect they are two different principles at play here. What you have is, and I have to break it down in as simple language as I can. So, pardon me, Madam President, if I am taking my time to find the words, because I do not want to be too technical. Okay?

Sen. Rambharat: Or irrelevant.

Sen. T. Obika: Now, what we have is—I would never be irrelevant on matters of finance, to the hon. Minister of Agriculture, Land and Fisheries, through you, Madam President.

Now, what we have is persons will be lending the Government, through a vehicle in the name of the National Investment Fund Holding Company Limited, and this vehicle will be holding shares of varying percentages—of which I have here and I wish to share—26 per cent, Republic Bank; 23 per cent OCM; 29 to 30 per cent Angostura; 5-point something per cent WITCO. So, that level. That type of thing. Sorry, not WITCO. The actual percentage quoted. So, you do not have a controlling stake. Okay? So you are lending money to a state agency, newly created, of which we do not know anything regarding the operations. I will leave that for persons to come after, as I want to stick to the core principles of the

transaction. And this entity, their stock-in-trade are entities of which they have no control over, of which there is no plan for control over in the near or the distant future.

So therefore, what you have really and truly is a situation of great risk, which must be quantified for the public's interest. And it gives me great displeasure to be—because I enjoy reading financial statements. To me that is the most beautiful literature for me. However, it gives me no pleasure to say that we do not have the information at hand to make a decision. Yes, you can venture and get the information through your own means, but really and truly that should have been placed before us in the package with this Bill. However, notwithstanding that it has been done in that regard, this point that I am raising would have been made clear to all persons involved had they seen the financial statements, seen the controlling interest, the related parties, et cetera. So you are making an investment in an entity of which you have no control, because—not an investment. Sorry. So, you are a lending entity, whose stock-in-trade are businesses of which they have no control over.

So what is to say, Madam President, that the Government may decide in the future, they may have a good opportunity, a better opportunity than this to sell the remaining stake in Republic Bank to another investor, and the ownership of Republic Bank changes, Republic Financial Holding Company Limited, which is the parent company of Republic Bank Global based in Port of Spain. Now suppose that happens, then you could be left holding the raw end of the stick. You could take your life savings—if you are a public servant, you get your \$100 to \$300,000 gratuity after you have made your 33 and a third years, and you put it in, you have encouraged your children to so do, and when you wake up one morning to realize

that the shareholding of 55 per cent of the assets vested in the NIF, in a company that has changed its shareholding, its ownership, and now you are left rueing the day you made that investment.

Madam President, I hear the hon. Minister of Trade and Industry saying I am pessimistic, but—

Madam President: Senator, please, address me!

Sen. T. Obika: Okay, okay, I apologize. I raise a point to say this, my stock-in-trade is risk analysis. My stock-in-trade is not necessarily being pessimistic but being critical of financial decision-making.

So, Madam President, I wish to continue. There is so much to say but I have to watch the time. Now, I want to move on to the purpose. The purpose of this, which should again have been in front of us, because we can debate it. And as I go to purpose, before I give my understanding of what is the purpose of what we are doing here today, I want to go to continue reading part—perhaps not the entire thing. It is short so I cannot brand it. It is a short bullet point thing regarding the contents, just the summary of the contents of a prospectus from the Securities and Exchange Commission. And this short paragraph states:

“A prospectus shall contain such information as investors and their professional advisers would reasonably require...”—

I would wish to add, ‘that individuals’, but okay—

“...and reasonably expect to find there, for the purpose of making an informed assessment of the following:—

- (a) the financial position, assets and liabilities, profits and loses, and prospects of the issuer of the securities.”

Madam President, if I were to speak on this line item alone, I could take us until

tomorrow, regarding these companies under the NIF. I will not do so because I do not have the time. The other point is:

“(b) the rights attaching to those securities;”

And the last point is the

“(c) Merits of investing in the securities, and the extent of the risk involved in so doing.”

If we have a WITCO, for example, if we have to see the merits, and someone, let us say, is not interested in investing in particular types of organizations, because I have to come here to the way you include citizens, when persons make investment decisions. That is the next point after the purpose.

If you have to include persons you must understand what would be their motivations to invest or to remove themselves from particular types of investments. For example, some persons will not be associated with alcohol because of their personal ethics. As a result of that, you want to ensure that all persons who are lending moneys, understand what the underlying assets, what is their stock-in-trade. That is an ethical argument, but it is an argument that finds its way, from my interpretation, on the prospectus guidelines of the Securities and Exchange Commission.

So, Madam President, let us move on to my understanding of the purpose for this. And I want to put it in one line, a panacea for the fiscal deficit. That \$10 billion that the Government is dreaming down to \$4 billion, I say dreaming down because we have not seen the pragmatic approach. This NIF is the first step in that.

Now, however, I want to say this, that what we are doing, and I said it before, and the hon. Minister of Public Utilities, in the hon. Minister's

contribution, mentioned the fact that we said on this side that by selling the Clico subsidiaries you are selling away the patrimony of the people, and because they are not, in this instance, for these few companies, they are not selling, we do not know how to couch our arguments. I am saying that the argument is the same and here is why. Because, what you are in effect doing is tying up \$8 billion in blue-chip assets for 20 years in the longest instance, for \$4 billion today. This \$4 billion will be spent today, the interest income accrued to the Government will be sent into a sinking fund which would be used to repay those bonds upon maturity. That process will take a total of 20 years. So, what you are doing is you are tying up for 20 years \$8 billion in these companies, which really and truly could have been used—could have been put to better use. That \$4 billion could have been put to revenue creating uses. [*Desk thumping*] But we know for this Government diversification is on paper, but in practice we find challenges to see any plan for diversification.

So, Madam President, I want to address the myth about including citizens in this proposal. Now, the hon. Minister said that this plan is for the people. However, that was only at the tail end of the presentation. Throughout, it was about the investors, the investors, the investors, and that is big business. Now we would want to, of course, use creative language to say that when I put a \$1,000 in “meh” credit union, I am an investor. You know, but however, we know that is not me we are speaking of.

So, Madam President, the core principles of this Bill speaks to how one choses to use the resources of a country to govern and to develop for its citizens. We, in the United National Congress, have espoused and believed in a shareholding democracy [*Desk thumping*] meaning that the people of Trinidad and

Tobago should own the commanding heights of the economy, and have the cake, not the crumbs that fall. What is proposed here has nothing to do with shareholding. It is actually the Government borrowing money, using the people's \$8 billion. It is our \$8 billion that is there in those companies, and it will find its way in the main, without restrictions, as there have been no proposed restrictions to protect the small man so he can get a percentage. I would not go further, because persons will go beyond on that. So, the point I want to make is that this really speaks specifically to we giving up our \$8 billion so that the investors could have access to \$4 billion in terms of the returns over a period of time. The Government will be taking that \$4 billion and generating returns to those people on the backs of our \$8 billion. I find serious problems with that.

Now, Madam President, if you have to look at protecting the public's interest, you would want to understand how individuals, families, make decisions to invest, because that is what this whole Bill today seeks to address on one side, apart from Government revenue shortfall on the other. Risk tolerance, the risk profile of persons, and the goals persons have. Many persons may not be able to hold for long-term. They may wish to hold for shorter term. They may wish a flexible type investment, and I understand that there are no penalties for selling bonds, for disposing of bonds. I do not know if the hon. Minister in the Ministry of Finance could clarify if I am correct in my assumption. If that be so, so be it.

So, let us go on to justifying participation outright and the quantum of investment. Now, why these companies? Why not other companies? Sen. Mark spoke about One Caribbean Media, I would not need to add my voice to that. But, there are other companies that would have been seized by the Government, why not those companies? Why not use this opportunity to inform the population as to

whether or not those companies, in particular, even if by way of an annex, have been making their contributions to the Consolidated Fund, to the State. This, to me, would have been an ideal opportunity for the hon. Minister of Finance to educate the country as to what is the status regarding the repayment from the Clico issues.

Now, there is one issue that was alluded to regarding the size of the returns and the paucity of information on the underlying assets. Yes, we know that there is trade, however once you offer a loan, a key component is the controlling stake as a growing concern. So, whilst the returns may sound great now, we want to ensure that those returns, and the NIF, does not become, by virtue of its rosy returns, a charge on the State. Because, if you have a five year risen and the returns become a charge on the State because the companies may have some challenges, how can you then adjust? I want to give a short explanation of that. For example, one may have an institution that gives bonds of a similar nature but they may not call it bonds, but it is backed by similar underlying assets of companies and their performance.

And in Trinidad and Tobago we have many companies that purchase these through different means. There is a company in St. James—I would not call the name because it is not relevant to this today—that is their stock-in-trade. So, you may have a contractor, they have an existing contract with the HDC, a receivable due, and the company would change its receivables, reengineer into a bond for all intents and purposes, and we resell this to smaller financial institutions, et cetera, who have excess liquidity. However, those are much shorter time arisen. So if the company's performance is somewhat challenged—

Sen. Khan: Obika, you are sounding like Dookeran, boy, we “cyar” understand

you.

Sen. T. Obika: I “doh” want to call the name of the company. [*Laughter*] “I doh want to call the name of the company, so dah is why”—Madam President, I am being accused of being too technical. So, I will try to be more simple in my language. Effectively—

Sen. Khan: You are sounding like the old Dooks, man.

Sen. Gopee-Scoon: We hope you know what you are saying.

Sen. T. Obika: Well, this is my stock-in-trade. So, effectively, Madam President—

Madam President: I try to allow the crosstalk a little bit, but it is interfering with the debates. So, Sen. Obika, continue, please.

Sen. T. Obika: Thank you, Madam President, but I really would like to know that I am reaching persons, because if I cannot reach persons here I know I would not reach anyone outside of these halls.

So, let me go over in a very—as short as I can. Effectively, if—and just stick to this bond in particular. The Government will not be able to come back to the market and say, “Here is what, the companies that we are holding shares for in the NIF are doing badly and we cannot pay 4.5 per cent over five years, geh we a bligh, leh we offer you 3 per cent.” That is not possible because the time rise is five years. They have to wait for five years, and ride it out, for those five-year bonds, to see if they can offer lower rates.

So, that really raises the question as to the going concern of those companies, and the strength of those companies going forward because, this was one of the main reasons, Madam President, why the population—the economy—had problems with Clico. They were offering rosy returns that the underlying

assets that supported Clico could not support. So, we really hope—and again, it is sad that I have to be using words like “hope” when it comes to financial analysis. I should be saying, based on a probability of X or Y, they should be able to make these returns in the future. Certainly, I find that once we have these types of—

Madam President: Sen. Obika. Hon. Senators, at this stage we will suspend the sitting and we will return at 5.00 p.m.

4.30 p.m.: *Sitting suspended.*

5.00 p.m.: *Sitting resumed.*

[MR. VICE-PRESIDENT *in the Chair*]

Mr. Vice-President: Sen. Obika, you have eight more minutes. [*Desk thumping*]

Sen. T. Obika: Thank you very much, Mr. Vice-President. Now, in the time allotted to me to complete my contribution I want to bring some issues to bear, and to help also with public education as well in brief. Not in full.

Mr. Vice-President, and I only say this to really just to correct the public record for the citizenry in Trinidad and Tobago. There was an article in the *Trinidad Express* newspaper where this matter that we are debating today was referred to as an IPO, and I wish for the media fraternity to not refer to it as an IPO, but really, truly, words that may be more practicable, a bond issue. Because, it is not IPO. An IPO would suggest that we will be owning shares in the NIF, and when I myself read it I was confused, because an IPO is not what we are talking about today. So, I hope the media would definitely take note of that, because we really want the public to clear on what we are talking about.

As I go forward, I want to respond to some issues raised by the hon. Minister in the Ministry of Finance when the hon. Minister piloted this Bill here today. And, one of the issues regarding the risk profile of institutional investors

being near risk free and not equity, and, of course, there is no way you can disagree with that in terms of criteria. When one looks to the yield curve of Trinidad and Tobago, as published by the Central Bank of the Republic of Trinidad and Tobago, the latest statistics for May 2018 shows that for securities maturing in one year, the rates ascribed is 2.65 per cent. But more relevant to what we are discussing today, five years, they expect 3.53 per cent, 12 years 4.66 per cent, and 20 years 5.55 per cent, in that as you are required to surrender your cash or money over a longer period of time, you receive a higher return. That is one aspect of yield curve, but it also is linked to an expected improvement in the long term, technically although persons may differ in their opinion where that is concerned, but the more important aspect would be the time you have to surrender your assets for.

Mr. Vice-President: Senator, you have 5 more minutes.

Sen. T. Obika: Thank you very much. What we are proposing—what the Government is proposing today, we would see a premium on the yield curve of on average 1 per cent across the board. So, where it is five years, 3.5, they are offering 4.5 per cent; where it is 4.66, they are offers 5.7; and where it is 5.55, they are offering 6.6 per cent. And we already went through the tax break benefits to investors, which is clear, because if you—

[Sen. Dr. Mahabir leaves Chamber]

Mr. Vice-President: Senator, if you just permit me. We are, unfortunately without a quorum at this time, so you will just have to hold on until one more Senator—

[Sen. Dr. Mahabir returns]

Mr. Vice-President: Oh, you may now continue.

Sen. T. Obika: Okay, thank you very much. Sorry, I did not recognize that. So,

what we really have to ask ourselves, Mr. Vice-President, is: Without information, can we be sure that this premium of 1 per cent is sufficient regarding the risk? I am saying that if you give someone sufficient time, I can go beyond the numbers and so on, but, of course, if the information was made available to us it may have been easier to come to one's own conclusion regarding the riskiness of the underlying assets of the NIF, which we do not have the opportunity to do so, and I am saying that this debate would have been richer, and it would have really helped to inform public opinion in a better way, in a more robust way, regarding the proposals of the Government. And I hope that in future we would try to get this part right.

Now, as we go on to the sinking fund concept, I want to look at the proposal in its unmasked version. Now, the hon. Minister in the Ministry of Finance basically spoke to investors in essence. I am hoping that in the wind up, some level of articulation could be given to individuals, that is one, in terms of—because I do not have time in my contribution to so do—the dollar for dollar benefit that they would derive. For example, a simple one which we know, if you put in a \$1,000 or \$10,000, you get \$450 at the end of the year; if you put in \$50,000 or \$100,000, you get \$4,500 in interest at the end of the year. How that works out as a tax break? Would you add that to your allowable tax income, so as you have annuities, as you have—or does it fall within the tax break for annuities which I believe is \$50,000 in surplus of the regular tax breaks up to \$72,000. The practical dynamics of the equation—so if, for example, Mr. Vice-President, someone comes to me and say, okay, you know something about finance, help me understand this tax return form, whilst I would not be able to fill it for them, I may be able to point them in the right direction as to what tax breaks they may get, et cetera. And that

is a very important point, because all of us have to fill out that, and once you pay taxes in Trinidad and Tobago you know that that is very important process.

Now, this Bill, and I hope the Government would revisit the way they look at it, because it provides unfettered access to blue-chip assets, and the returns for big business. There should be something for the small man. There are persons coming forward to specifically itemize what we mean by the small man, so I would not go there. It presents rosy returns. We are worried about the underlying assets. And, also, the Government, which is the taxpayer, is backing the investments. So, once you are speaking about the money of the people of Trinidad and Tobago, I think we should always be very careful. We should exercise as much caution, and should not throw caution to the wind when we are going about the people's business.

So, in wrapping up, I sought for this to be a teaching opportunity. As for me it was a learning opportunity in building my contribution today, and I hope that I have brought forward certain points. For example, we believe that this Bill, though it may have well-intentioned by the Government, we are worried about the speed at which they are rushing it through, because one month may not be sufficient time in the July month to do justice to public education. Taxpayers are backing this transaction, so I am really concerned about the public purse, and taxpayers in Trinidad and Tobago. There is no prospectus, no memoranda. If we have not been given the courtesy of a prospectus, Mr. Vice-President, how can we expect the population to get so in sufficient time? And, I thank you very much.

5.10 p.m.

Sen. Dr. Dhanayshar Mahabir: Thank you very much, Mr. Vice-President. Mr. Vice-President, I rise to give to the Government my support for the legislation.

[*Desk thumping*] I give support but I do have concerns that I know the Government will address, because I have come to learn that the Government does listen and they implement eventually. So let me focus first. We would not be having this debate this afternoon if we were not in our tenth year of deficit. And the Government has to raise revenue. Of course, if we are somehow fortunate, Mr. Vice-President, to increase our oil output from an estimated 70,000 barrels per day today to around 80,000 barrels per day, I am sure the arithmetic will tell us we will be able to balance.

So we are still a ways from balancing and we know over the last decade the Government has had to finance its deficits. That is the nature of the deficit, we have to find resources somewhere. We have borrowed and we reached perilously close to our borrowing limits on a number of occasions and we have had to return to this Chamber to expand the borrowing limits. We have sold assets; we actually sold equity, FCB IPO was one of those. There was another one last year or the year before with the gas company. So we have been selling assets and now what we are doing is we are finding a way to finance the deficit which would really not breach our borrowing limits and not sell assets. And the fact that the Government has assets means that it could sell the various shares that the hon. Minister indicated to us, the Republic Bank and WITCO, et cetera.

But we know, Mr. Vice-President, that this sale, and I agree completely with the Government on this, the sale of such a large block of securities simply cannot be absorbed within Trinidad and Tobago. Though I suspect since our exchanges are now linked to the Caribbean, Jamaica and Barbados, we perhaps may find buyers in the rest of the Caribbean it is going to be very problematic for such a large volume to be placed on the market without in some way depressing share

prices significantly which can cause problems for the valuation of companies.

So, the Government has found a way and it is offering these bonds which are backed by the assets that it currently holds on account of the Clico transaction and incidentally the deficits to which I alluded to since 2009 were to some extent contributed by the Clico fiasco. So it is good that the Clico assets in some way is assisting to finance the deficits at this time. What I find very attractive about the proposal is that the Government is now creating the bond instruments and the bond instruments are going to be available to the general market.

When therefore I look at the Bill before me, I see that the profits of the National Investment Fund would be exempt from corporate tax and I ask myself, should not this be self-evident, because you see, the holding company holds shares in companies which have already paid or which will pay the corporate income tax. So that if you were to then tax the profits of the holding company we would have a semblance of double taxation there which in my mind is not going to be equitable.

The second is that the interest payable on bonds issued by the National Investment Fund Holding Companies, a bit more tricky, I will come to that. But the fact is that there is in this Bill little that I find contentious. The issues which arise, however, are that we have the payment of the interest payable on bonds issued by the company on corporations which will purchase these bonds, it means that the corporations will have an incentive to purchase these bonds as opposed to other bonds on which they would be liable to taxation. And therefore, we know that these bonds will be saleable.

So if I am a portfolio manager and I have the option of a 12-year bond of 5.7 per cent offered by some issuer on which I have to pay taxes and I have the option of this 5.7 per cent offered by this new company whose bonds are backed by an

income flow and I pay no taxes, automatically my 5.7 bonds, the one that is going to be sold by the NIF, is in fact much more attractive, so that they should be an incentive to market these bonds. But the issue which has arisen is, how will the small person benefit?

So I can see, independent of liquidity concerns, I can see that insurance companies will have a good appetite for these instruments, the long instruments, the 20-year, the 12-year and we did pass the Insurance Bill recently and I see the Insurance Bill as a prelude to what is before us because in, I think, one of the clauses in the Insurance Bill, it did indicate that a large chunk of the investment should be with securities of a local denomination. And these securities naturally will find a ready market from the insurance company especially those portfolio managers in the insurance company which are involved in say, investing for the long-term annuities, et cetera.

So I do not see a concern with respect to the liquidity. I see there is a demand already in there. The concern I have really is this, how will—and it was raised by my colleague, Sen. Richards, it was raised by Sen. Obika—how will the regular investor, the small investor, benefit from this instrument? This is my proposal. In one of my budget contributions I had indicated that currently for the small investor in Trinidad and Tobago, the holder of a small quantity of capital, there are not many bond instruments available to him or her. We do have the normal fixed deposits, we do have the mutual funds, we have an equity fund at the Unit Trust and my recommendation was, why not utilize the Unit Trust Corporation—and let me indicate quite clearly, I have no affiliation with the Unit Trust Corporation except holding a couple of accounts with them. But I think it is one of the finer institutions, indigenous institutions, together with the national

insurance of course that was developed in Trinidad and Tobago by the State for the benefit of the low income earner.

And my recommendation to the Government is this—and they will need to bring legislation, because we currently need legislation to amend any of the funds offered by the Unit Trust Corporation. Unit Trust has a first scheme which is money market, a second scheme which is equity, that is shares, but I had recommended a scheme in the middle there where the Unit Trust can invest in bonds. And my recommendation is as follows, if we were to amend that law and allow the Unit Trust to offer a bond fund, a bond fund along the following lines and this is where I will address Sen. Obika's concern, Sen. Richard's concern of how the small guy with as small as a \$100, not even the \$1,000 will be able to participate from the bond offering of this new company, the NIF.

Mr. Vice-President, we have, according to the Minister of Finance denominations of five years, 12 years and 20 years. The five-year bond will carry 4.5 per cent; the 12-year bond 5.7 per cent; the 20-year bond, 6.6 per cent. So we have a duration of medium and long bonds. I think if we were to permit and if we are really committed to developing the interest of the small asset holder we will do two things, one is really look at bank fees and consider the recommendations I made earlier on in amending the Central Bank Act so that the Central Bank can regulate these fees. But that is for the Government and its policy to determine.

The second is looking at how we can use the indigenous institution, the Unit Trust Corporation. Why, for example, we cannot have a fund made up of one-third five-year bonds; one-third 12-year bonds; one-third 20-year bonds. So all the moneys, one-third, one-third, one-third, the average interest rate on that would be an average of 4.5, 5.7, 6.6. It means that annually the Unit Trust Corporation will

earn 5.6 per cent on this holdings bond portfolio of which it can easily pay for the next 20 years, every depositor with \$100 or so a 5 per cent rate of return and still have a 0.6 per cent left for its expenses. And I think if we were to do that we will address the concerns that the Bill before us is one that is targeted only to the financial institutions, the commercial banks, the insurance companies and other financial organization which have an interest. And I think that we do need, Mr. Vice-President, to tailor the offerings, and it would have been beneficial you see if we had the prospectus, but we do not.

So I do not know if in that way there is some kind of window—you see when the Central Bank is auctioning T bills it had in the past a small window and the window was that it reserved a certain amount, \$100,000 and less for the simple individuals. If we were to reserve a certain amount for the Unit Trust Corporation then we say they can then have their bond fund and we can then cater to the needs and encourage all the small depositors in Trinidad and Tobago with a small sum. Instead of buying the bonds themselves simply place your money into the bond fund and let the Unit Trust Corporation buy the bond. That is what it was established for. Let us used the institutions for our benefit.

But, Mr. Vice-President, that is for the Government to consider. I know they will consider it and hopefully they will assess the merits and make a determination one way or the other. But I think if we were to simply ask small investors to participate in this activity they may not have the time or the inclination to fill the necessary forms and to apply for a \$1,000 worth of bonds. It is a—transactions would be time demanding, but if we were to allow the UTC to do it and then they simply make deposits that will make life a little bit easier for the depositors, the small people in Trinidad and Tobago.

But, Mr. Vice-President, there are issues with respect to what is before us. What is before us is not entirely free of risk. Bonds are very tricky items. They come in all guises. The problem with the financial meltdown in 2009 arose not out of the equity market, it arose out of the bond market and in the bond market you had things which are called bonds but they were backed by non-existing assets. We called them toxic assets but they were assets when you try to liquidate them they turned out to be nothing. And when you look at the amount of things that can be considered as bonds you find that the level of risk associated with bonds is simply phenomenal, if one is not careful about what type of bond one is buying.

Let us see what are the types of risks which could exist with the issues before us today? First, there is the risk to the NIF of how is it going to service its bond obligation. We have, Mr. Vice-President, five-year bonds at 4.5 per cent, 12-year bond at 5.7 per cent; 20-year at 6.6. These are going to be interest payments which come due, usually on an annual basis, sometimes they are semi-annual, I do not know, according to the prospectus how often payments will be made. But according to the Minister they carry a reasonably attractive rate of interest. They must be met and if they are not met then of course there is a risk of default, so that the NIF will have to find resources from somewhere to meet these charges. These resources are going to come from the dividend flows. The question I have, and that is to the hon. Minister is this: To what extent can the NIF guarantee to bond holders that it will receive the dividends that are due and use the dividends to pay the bond holders? Because unless the NIF actually is in control of the companies, the normal practice is this, dividends are declared by the board of directors at their quarterly meetings after they look at the quarterly intervals or usually on a timely basis and the declaration of the dividend is based upon what occurs at the

directors' meeting.

So is the NIF in control of all the companies? Is the NIF—will it be in control of Republic Bank? So that it can, at directors' meetings, determine that the dividend will be X, and that at the next quarter the dividend will be X plus Y or is it that it is simply selling the bonds hoping that the dividend flow will continue. Dividends of course are not guaranteed, dividends are based upon the performance of the companies. Dividends are based upon the decisions of the board of directors with respect to the reinvestment into the companies of what it has earned in the quarter, what its capital requirements are, what its investment requirements are and after they have met all of that they will declare their quarterly dividend. So let us not for a moment think that the dividends declared today by any of the companies, the WITCO, the Angostura, One Caribbean Media, TGU, that these dividends are guaranteed. They are not. There is a risk there and it is quite possible that the NIF may experience a dividend cut or dividend suppression and if it does there is going to be some difficulty on the part of the NIF to honour its obligations to servicing its bonds and this will, of course, have to be then a charge to the Government. Because this is going to be a Government controlled corporation investment vehicle and so the Government will have to be prepared to bear some of this risk. This is not fiction, Mr. Vice-President. I know of many, many companies, well-established companies that slash this dividend. General Electric, one of the blue-chip companies, had to slash its dividend last year and it may do it again this year. So let us consider the dividend risk associated with the instruments before us.

There is also a rating risk. We were told that CariCRIS is rating the bonds. What is of concern to me is this, we have already established the interest rates, 4.5, 5.7, 6.6, but we have not yet rated the bonds. Normally, you rate first and then

once the bonds are rated there is an auctioning system and the market will say, so based upon our international credit rating, Trinidad and Tobago will recruit some firm in Wall Street to float Trinidad's paper. Based upon our rating, they will say, well, the lowest rate you can raise 100million US is at 4 per cent. But that is based upon our credit rating which already exists. We do not tell the companies on Wall Street that we would like to borrow at 4.5 per cent. First, they will ask you, is your rating—what is your rating? Or how is your paper rated? And you always want your paper to be rated as investment grade.

So there is going to be a rating risk. One hopes, of course, that CariCRIS will rate these bonds as investment grade and therefore there will be no surprises because if they rate the investments at less than investment grade it may very well be that once these bonds are now on the market the individuals who have them and who wish to sell them on the open market, may find that \$1,000 bond may sell for \$800 simply because, the rating was less what they had thought when they purchased. You see, when you purchase now, you think it is investment grade. It may very well be that CariCRIS might rate it speculative. I do not know. You see, I do not know. I would have liked to see the rating now and having seen the rating then I would say, okay, the bonds are rated, these interest rates will of course reflect the rating and it will, Mr. Vice-President, then be in equilibrium. But without that rating we would very well find the risk of capital loss. So I am hoping that the rating is what the Government expects it to be.

There might also be some foreign exchange concerns because while these bonds are going to be marketed domestically, once they are rated by CariCRIS I have no doubt that there will be interest, Mr. Vice-President, in the Caribbean or maybe even internationally because they are now rated and given globalization. I

see no reason why portfolio managers from across the world will not have an interest in these instruments. But again I would have liked to see the prospectus to see whether these instruments are available only to Trinidad and Tobago corporate citizens and citizens or Caricom or whether we are going out. If it is outside Trinidad and Tobago then we know that we will have to find the foreign exchange at some time to service the bonds which are going to mature and also the annual interest payments.

So that is one risk that exists and as usual, Mr. Vice-President, the traditional risks with bonds. The number one enemy of a bond is the interest rate. Because you see, once you have a five-year bond at 4½ per cent, if the interest rate in Trinidad and Tobago were to rise significantly—and let me inform the honourable House as to when we rose. In 1982, the interest rate rose dramatically because we had to tighten. In 1987, it rose again. In 2005 because of inflation—interest rates rise on account of inflation when you want to tighten the money supply to bring the rate of price escalation down and it arises whenever we need to conserve our foreign exchanges. We tighten the money supply again and any structural adjustment will cause the rate of interest to rise. Prime rate in 2005 almost reached 13 per cent.

Let us assume that there is an interest rate shock to the Trinidad and Tobago economy. The point is, bonds and—there is no such thing as a safe investment vehicle. All investment vehicles carry an element of risk and investors, I think, ought to know that there are some risks, are you prepared to take the risk? And this would be particularly important for small investors. A small investor who cannot take the risk may not be encouraged to purchase a 20-year bond because he would say I have to wait 20 years and if I need to sell that bond in the interim then

it means that I paid \$15,000 for the bond. The most I may be able to get for it now is 10,000 if I am not holding it to term. Because my 20-year bond is going for 6.6 per cent, but the interest rate on the market is 12 per cent, my bond has just halved in value. That is just the nature of the being. So there are interest risks which can seriously undermine capital value.

Mr. Vice-President, we do need to get the prospectus. I would like to see exactly what really is contained in this particular document, how we are going to organize the affairs of this NIF and in that context I come to what the hon. Minister of Public Utilities indicated. And I like his quotation, the African proverb: To forget is to throw away.

We should not forget that we are here today because there were certain actors in Clico who took a very good company, founded—I cannot imagine what the founder, the original Mr. Duprey would think about how people managed his company 50 years later, you know. Because really, you took a very, very, good company, stable, growing and you did a lot of mischief inside there which caused untold grieve and misery first to the people who invested with you and second now to the people of Trinidad and Tobago. So let us not forget and I would like to raise the following, because I do not have the prospectus before me, the following concerns.

We are creating a company, the National Investment Fund Holding Company Limited, limited liability company, and the purpose of this company is to use its assets that it has acquired, it belongs to the State because the State, of course, did bail a company out and the purpose of the company now is not to sell its assets but rather to use its assets as the basis upon which to earn some money. So it is really raising money, it is getting a loan, that is a bond. A bond is really a

loan. When I buy the bond I gave the issuer a loan and I know this particular bond is not a mortgage backed security, it is not a collateralized debt obligation, it is really an equity backed bond. Hence it is an interesting instrument. It is a bond that is backed by equity. So it is very interesting. I have seen it only on a few occasions, you normally get a bond backed by mortgages, you get a bond backed by account receivables. This is an equity backed bond and we are asking ourselves, what are we going to do with the billions raised? I think \$4 billion. Well, we will use it to ensure that from between now and the end of the year we can pay our bills and the deficit projected for the current fiscal year can be financed. So, we have a company which will enable the Government to raise some additional financing and really ensure that we pay our bills at the level of the State for 2018 up to at least September.

The concern I have is this, we are creating a permanent company and after we have raised the \$4 billion, what? Because the company remains. The company is not going to disappear. It is going to be a permanent feature of the Trinidad and Tobago economy. We have here the interest payable on bonds issued by the National Investment Fund Holding Company Limited will be exempted from corporate taxes. But do we have a limit on the amount of bonds that this company will issue? Is it that this company—again, the prospectus. Is it that this company will issue bonds in 2018 and then not again? Is it that it is going to issue bond year after year? Since I do not know and I do not have the documentation before me, I am sure the Minister in her winding up will address that concern, I think we at least should be assured that the bonds issued by the company should not exceed the equity owned by the company.

So let the bond issue be fully backed by equity so we have a fully backed

bond. Because if it is that we are giving the company the opportunity to sell bonds without giving them a limit on how much they can issue, I have a suspicion that sometimes some kind of things could happen there and that we have forgotten. Because, Mr. Vice-President, we are dealing with Clico. We never thought what they did could have been done. But what they did was done and it caused trouble.

So in addition to limiting the amount of bond that this company could issue, because it is going to be part of the legislation and the law of Trinidad and Tobago until we come back to the Parliament to change it or to liquidate or wind up this company. We are going to have it on our books. And in this particular company we are going to have, Mr. Vice-President, a board of directors, we are going to have people who are managing the company, we are going to have individuals there who are at all levels, junior and senior people. I have heard nothing about a critical variable; that is the management expense ratio. How much on an annual basis will it cost to run this National Investment Fund? It should not cost a lot, because you see, what a holding company does is that it does not manage the enterprises, it simply owns enough assets to exercise some control.

5.40 p.m.

And I will come towards the conclusion on a holding company that I think we should be looking at as a model. But holding companies are not really doing a great deal of work. They are simply sitting apart from the companies that they own or have an interest in, and they are therefore going to make strategic investments in those companies. They may sell some assets here; they may buy some assets there; they may change their portfolio. The objective at the end of a period is to ensure that their targeted rate of return is somehow realized. And so, the holding company is really a mutual fund; it just holds. Instead of a lot of

people holding that mutual fund, the holding company itself holds various assets. And in our situation, our holding company has some, I think—one, two, three—about five or six companies in there in varying proportions.

So that I would like to know, have we set a limit on the management expense ratio of how much on an annual basis this holding company should cost when it is running its affairs? And we need to verify that. We simply do not want another state agency with huge salaries and perks for people who are doing practically very little, because holding companies—the important job of a holding company is research. You research, you find out, you track the market and you make the decisions. So I would like to know what the MER is and what the remuneration of the managers would be like. Who are they? How are they going to be appointed and so on?

But, Mr. Vice-President, I do have a concern, and the concern is as follows: Clico got itself into problems because its investment strategy was questionable. It borrowed at high rates of interest that it guaranteed through one of its affiliates and it invested in assets which, maybe it would have paid too much for, or the price of which the revenue stream could not have been forecast. How are we going to prevent this particular entity from falling into that trap?—because this is a concern. You see, this National Investment Fund has the power to issue bonds. First, we know that it is going to issue bonds which will then be used by the Government to finance the deficit. But after it has financed the deficit, we are still giving the power to the company to issue bonds. Hence I spoke about the limits earlier.

Now I would like to know, the price of oil internationally has risen to over \$80, quite likely. The Minister of Energy and Energy Industries, by his actions, is able to get output per day at 80,000 barrels. Budget is balanced. This company

has the power to issue bonds. It decides to issue bonds because it has a mandate as one of these holding companies to really look at the investment community out there and decide how it is going to maximize its own return. Is it that we are telling these investment companies that they can then float bonds? The Government has no longer any budgetary issues and they are free to invest in whatever instrument they wish as long as they can get a rate of return? Are we telling them that they are free to invest in derivative securities?

We told the insurance companies in the Insurance Bill that there is a limit to the type of instruments that they will be allowed to purchase. We told them where they can purchase. But in the prospectus of this company, are we placing similar limits?—because the investment world is wide, Mr. Vice-President.

Mr. Vice-President: Senator, you have five minutes.

Sen. Dr. D. Mahabir: Thank you very much, Mr. Vice-President. Mr. Vice-President, we need to ensure that this company, which is going to be a permanent feature of the economic landscape, operates under rules. I come back to the Unit Trust Corporation. The Unit Trust Corporation, by law, must distribute some 90 per cent of what it has earned, and it is limited also, by law, on what it could invest in.

Is it that this particular company can invest in derivatives? That can be risky. Can it invest in options? Call and put options? Can it invest in currencies, in that it sees an opportunity in the British pound and it says, “We could invest in some currencies based upon our view of where the pound is going to go”? Can it invest in metals, steels? Can it invest in the futures market? Can it invest in commodities? Can it sell bonds at 6 per cent and buy bonds at 10 per cent? So it sells bonds at 6 per cent and it goes out in the market and it buys bonds at 10 per

cent, but these bonds that it buys are really speculative grade, sometimes known as junk bonds.

We need to ensure that the company does not have the incentive or the legal authority to so do. Because, you see, Mr. Vice-President, where there is an incentive to earn, and the incentive of a manager is based upon the earnings of his company, we have seen in the investment community practices where risks are taken which ought not to be undertaken. And we do have an example to follow. People in the investment community would be quite familiar with a company known as Berkshire Hathaway. Berkshire Hathaway is, beyond doubt, the most successful holding company in the world. It is run by no other than Warren Buffett. Warren Buffett—it is a good company to look at. They have been earning 20 per cent per annum since 1965. If I could afford to buy one of their shares, I would, but that is beyond the reach of a lot of us in this Chamber. But how much does Warren Buffett pay himself for running that—for giving technical—\$100,000 a year. That is how much he pays.

So that is a company, their investment style is conservative. They value investors. We have a lot to learn and we could see the limits that they have imposed upon themselves. And if we are able to do that, it may very well be that, looking at the Buffett/Berkshire Hathaway model, we may, after we have provided funds for financing the deficit of Trinidad and Tobago, it may very well be that if this is run very well, along lines of a Hathaway model, this particular—the National Investment Fund can contribute to the revenue of Trinidad and Tobago in a manner similar to the Heritage Fund.

So I would say, let us look at the Heritage Fund and build it up, and let us look at this National Investment Fund as an opportunity. If managed well, it is an

opportunity. If managed badly, it is a liability. Mr. Vice-President, let there be financial intermediation in Trinidad and Tobago. I look forward to how the small people are going to benefit. The opportunities are there. But more than that, I look forward to us balancing our budget so that the deficits that have been with us for the past decade, will be history and we will have other things to do. Mr. Vice-President, I thank you. [*Desk thumping*]

Mr. Vice-President: Sen. Henry. [*Desk thumping*]

Sen. Dr. Lester Henry: Thank you, Mr. Vice-President, for allowing me to make an intervention in this debate which I know will probably go on for a while longer, and I will just take a little time to make a few points that I think might be of interest to all present and, perhaps, in the national community. Now, we are here once again, to discuss matters not directly relating to Clico, but a tax release to make the bonds tax-free, a simple piece of legislation that I think, most of us really have no problem supporting.

I think it passed in the Lower House without much fanfare, so I am not sure what is the big song and dance going on here, because we generally agree with—that this is something really pedestrian and the plan by the Government in terms of setting up the NIF is widely accepted. And as we have heard, it was well-explained. It was well-thought-out by our Minister of Finance and it is just going to the implementation stage which I will touch on briefly.

Now, one of the issues that was raised before by the speakers on the Opposition side was, basically, the concern over what is the Government doing with the assets. We are always accused of potentially running a fire sale to get rid of Clico assets and so on, just to fill the Government's budget deficit. But we are not doing that, and we are still having the same complaints. We are not doing that.

We are doing the complete opposite, keeping the patrimony of the company in the hands of the Government and putting it out there that the citizens can benefit from, by buying into the bonds and earning a relatively decent rate of interest, according to Sen. Shrikissoon. He liked the interest rate. Right?

So we have an outstanding bill of \$16 billion to be collected by the Government, based on the Clico assets and so on. Now, one of the things that is often missed—although a lot of people know—is that Clico had a lot of companies. People know about the popular ones, like Republic Bank and Angostura, and so on. The average person knows about that. But when you dig deep, it was over 100 different enterprises—

Sen. Ramdeen: One seventy-five.

Sen. Dr. L. Henry: One seventy-five, right. Okay. Look, I cannot argue with you on that one. It was a lot. So, people hear about the popular ones that make the media all the time. But Mr. Duprey, at the peak of his prowess, apparently had a penchant for buying into a lot of stuff, and he really did. He was courageous in terms of making some very bold moves. But, of course, with great rewards come great risks, usually, and that is what has us in this problem. And this problem has been going on for—soon it will be 10 years, and we have to bring some kind of closure to this. And I think, this move by the Government here now is a step in that direction because we cannot continue along the same line, just procrastinating making a major move on the CL Financial on this issue.

And, of course, I was here, basically, in the full five years of the Partnership Government and this Clico issue came up numerous times, and I was also the main spokesman for the Opposition on issues pertaining to Clico, so I am very familiar with the issues. And also, I supervised two Masters theses on the same topic as

well, and I am actually working on something else pertaining to Clico right now, but I would not divulge that—academic work, eh, not— [*Laughter*]

So, I am familiar with the issues and I think it is a classic case of, what we call, you know, they are “too big to fail”; put the country under stress. And I went into some of the issues pertaining to Clico in one of the previous Bills in terms of how we ended up where we were back in 2009, with the company being under pressure and unable to pay its bills and turned to the Government for help. Now, what was the alternative to what we are proposing here, as some have pointed to? What would the Government do with the assets of Clico?

Some people implied that, well, maybe we should just take some money and then turn the company back over to the rightful owners. Some people take that view, that you should, you know, Government should not be involved in owning all these companies. In fact, in Jamaica, they took a different approach when they found the FINSAC, a kind of holding company for the assets taken over by the Government when they had their financial crisis, and they proceeded to sell off the assets to different private entities, some of it at bargain basement prices. Now, that was close to a fire sale. We did not do that in this country, neither the PP nor the PNM.

We took over the company, paid out a lot of money to depositors. We bailed out our citizens, and as I have said before on this topic, unlike the Americans, who bailed out the companies. They did not bail out their citizens. So that is one thing I think we should be proud of as a country. I fully support that approach.

Sen. Ramdeen: It started with the PP. [*Desk thumping*]

Sen. Dr. L. Henry: Yes, the PNM too. And we have decided to take a route that should not be that controversial, in terms of how we handle the assets. And also,

making the bonds tax-free, I thought, as was alluded to by my colleague before, was making it very attractive to investors and the average person.

So holding on to the company, or turning over the company back to the people who got us into trouble in the first place, I do not think was a viable option. And it is still not, because simple logic will have it that, suppose you turn the company back over to the same people, what guarantees they would not do the same thing all over again? You know, you slap them on the wrist; you fiddle around with a few—you ask them to come up with some money, and which they have tried. I know they have also tried that, to say, well, they have assets and they could cover their liability to the Government, and so on. But that was really pipe-dreaming. That really was not of any substance at all. It was not a serious plan.

So when I talk about what were the options, I mean, this is clearly one of the best, if not the best, way forward. It covers all the bases. And when we talk about the distribution of the bonds, and so on, the bonds are open to the public. All of us, as private citizens, could participate in the bond sales, just like anybody else. I mean, remember, in a certain IPO we had a big fiasco where a lot of it ended up in the hands of one or two people. I do not think we expect to see anything like that again. And that issue, of course, has still never been fully resolved or ventilated, at least in the public domain. We still have Sen. Small who comes here very frequently and asks, why is the report not made public into that issue of the FCB/IPO. He comes here—I have heard him raise it at least five times, if not more.

So, in terms of the way forward and getting something out of Clico, when the Government goes with this plan, and if we are successful and raise \$4 billion,

which is quite possible, and according to Sen. Shrikissoon, the interest rate is attractive, and so on, so why should people not? And as my colleague to my left here alluded to, there is a serious lack of investment opportunities in the country. And, traditionally, that is why we have had a tremendous amount of excess liquidity. At one point excess liquidity in this country used to be \$5 billion, \$6 billion, \$7 billion on a daily basis—excess liquidity.

In fact, when I had discussions with people at Central Bank and even the Ministry of Finance, five, six years ago, they estimated that excess liquidity, really, could have been as much as \$15 billion to \$20 billion in the system. And that is coming from people in the Ministry. But the official figures were always around \$5 billion, \$6 billion, \$7 billion.

We average—2017, the average excess liquidity was around \$3 billion in the system, and that partly illustrates a lack of investment opportunities. And when the question was asked as to why create this new instrument, new company, whatever, that is the simple answer—simple and straightforward. There is no hidden agenda. And when we talk about the companies, amusingly, Sen. Obika was saying that he questions the quality of the companies in one sentence, and then a few minutes later he was calling them “blue chip”. Which one is it? In your contribution you said both. [*Interruption*] So, you have to be a little consistent.

Because, of course, the banking system as a whole—look at Republic Bank. I mean, could you consider Republic Bank anything but blue chip? But the banking system as a whole, in this country generated over \$4 billion in profit last year—\$4 billion, the banking system. I mean, is there any chance that that will just disappear? No. That is the kind of banking system we have. So Republic Bank, like all other banks, is very solid. You could read it in all the Central Bank

Corporation Tax (Amdt.) Bill, 2018 (cont'd)
Sen. Dr. L. Henry (cont'd)

2018.06.27

reports. So why would anyone question—

Sen. Obika: So they are too big to fail.

Sen. Dr. L. Henry: No. Why would anyone question investing on an instrument that is based on a Royal Bank share?

Sen. Obika: That is too big to fail.

Hon. Senator: Republic.

Sen. Dr. L. Henry: Sorry, I misspoke, Republic Bank. So why would anybody question? And, of course, we also know about Angostura and the traditional profitability of that company. So the question about the quality of the investment and investing in these bonds is really just trying to be mischievous, because I am sure most of you already know this. But to pretend that somehow you are taking this big risk by getting involved in an instrument based on Angostura, primarily, and Republic Bank, and so on, is just, really plain “dotishness”, really. I am trying to not be unparliamentary.

Sen. Ameen: Use another word.

Sen. Dr. L. Henry: I am trying to stay within the parliamentary parameters. But seriously—so there is no question about the quality of the assets that the bonds will be backed or based on, and so on. And the whole question of the rating as one of the other speakers raised, about whether CariCRIS would give it a—

Sen. Obika: Sorry to interrupt. But 46(4), if he could rephrase “dotishness”, please.

Mr. Vice-President: Continue, Senator. He already apologized for that and moved on. So continue, Senator.

Sen. Dr. L. Henry: Someone talked about the rating, and so on. Of course, one would reasonably expect, given what I just said for the past five minutes or so, that

whether it is CariCRIS or any other rating agency, would give a proper investment grade rating to the bond. Okay? There is absolutely no question about it. And that is one of the reasons why there is no need for a Government guarantee. That would not drive up the debt profile of the country, because these are, as Sen. Obika himself said, blue chip companies, primarily, so there is no need for that. So the average investor would not necessarily require a—thing. And that is one of the skilful things about this approach to dealing with this issue.

And our Minister in the Ministry of Finance explained it quite eloquently. I know sometimes the Opposition is not listening, but she covered all the bases, and sometimes maybe they think because her presentation is short, somehow she missed something. But, as she said in her own winding up, “I think I covered everything”. And she did, in terms of most of the questions that people had.

Now, I was just going to make the point earlier about the sale of Clico assets and all this hullabaloo about selling off assets, fire sale, and the Government is going to use this to finance budget deficits, and so on. Let me just call two companies that were sold under CL World Brands: Burn Stewart and Thomas Hine Cognac. They were part of the CL World Brands Holdings. And the money raised from that alone was £124 million—not TT dollars, eh, pounds. And what happened to it? That is almost TT \$1 billion. What happened to it? No questions were raised. We never heard the Opposition saying: Where did this \$1 billion go, that CLF—not Clico, CLF—raised by selling just these two entities? They sold off a lot more. I have the list. And, where did those funds go?

Sen. West: Not to the Government.

Sen. Dr. L. Henry: Certainly, as the Minister reminds me. Yes, certainly it did not come to the Government, during the UNC time in office, nor us. So you

should go and check and see what happened. Just in this instance, the sale of those two companies was over \$1 billion. And they also sold Lascelles Distributors, Lawrence Burke Distillers. These are some of the stuff that were sold under CL World Brands. And you hear the kind of money?

So that is why I was making the point earlier that people only hear about Republic Rank and Angostura, and so on, but they do not realize the extent of holdings that came under the overall CLF umbrella. And it is a very complicated relationship between CLF, Angostura, HCL, Clico Investment Bank. There is a lot of shifting around of assets and each one owing the other money, and so on, very complicated story that is very difficult to explain in a short space of time.

So what I am saying is that that money was taken into the company and hardly anybody in the public even knew about it, much less benefitted from it. So we are not doing that. We put together a serious proposal and we also put it so that citizens of the country can benefit on a large scale. I promised I would not delay the House too long. I think Clico Investment and the Clico issue has been with us for too long. We handled it in a very difficult and different way to what pertained in Jamaica and the US, and so on, as a country, and it is time we move on, try to get this thing resolved.

Keep the assets in the hands of the people until further notice. Let the people benefit from it through bonds, and even later on, increasing the public shareholdings. That could be another option, but not now. And we will not engage in the sell-off that took place in some instances under the Government before, and that was never really reported in the press so people had no chance to make a fuss about it.

[MADAM PRESIDENT *in the Chair*]

And on the issue of CLF, just one final point in terms of the \$7 billion that was misused from the \$23 billion and we ended up with the \$16 billion outstanding. Most of that was from one source, the sale of the Methanol Holdings when the Government lost the arbitration and had to sell it to the Germans, and we got roughly US \$1.1 billion which was deposited at the Central Bank. So that is equivalent to about TT \$7 billion. That is where that \$7 billion comes from. But what we gave up by losing was a reliable source of foreign exchange earnings. That is what we lost in the process. And I think I mentioned before in one contribution, that in some instances, the Methanol plant used to bring in as much as US \$225 million/US \$240 million into our system, so that would have helped ease the foreign exchange burden. [*Interruption*] It happened under your government watch.

Sen. Ramdeen: Under our government?

Sen. Dr. L. Henry: Yes, it happened under the UNC, when you lost the arbitration.

Sen. Ramdeen: The arbitration?

Sen. Dr. L. Henry: Yes. [*Crosstalk*] So, Madam President, I am finishing anyway. So that was the price we paid for that \$7 billion that we got to help pay off that bill, and we still have to move in and collect as much of that \$16 billion that is outstanding to the people of Trinidad and Tobago.

Madam President, I thank you. [*Desk thumping*]

6.10 p.m.

Sen. Saddam Hosein: Thank you very much, Madam President, for allowing me to contribute to this debate on an Act to amend the Corporation Tax Act, Chap. 75:02. Madam President, the Bill before us is just two clauses long, but when we

look at the policy behind this Bill and we look at the framework behind the Bill and the implications, they are very large. What the Government has sought to do with this Bill, is to exempt the profits of the National Investment Fund Holding Company Limited and the interest payable on bonds issued by the National Investment Fund Holding Company Limited to be exempted from corporation tax that are payable in Trinidad and Tobago. And the reason why the Government is doing this is, so that this will operate as a revenue raising venture for the Government, but we have seen over and over again that the Government, their prime or their only form of revenue raising is through taxation and borrowing.

There is a lack of diversification and that is why we are here today in order to borrow from the people of Trinidad and Tobago, because the word “diversification” is an annoying word for this Government. [*Desk thumping*] The reason why the Government has to come and offer such high interest rates, an exemption from corporate taxes, is because there is a lack of confidence in the system and, therefore, they need to take measures in order to make the economy and investing more attractive to persons in Trinidad and Tobago.

But, Madam President, even if this tax is removed from the profits and the bonds of the National Investment Fund Holding Company Limited, it is not directly benefiting the people of the Trinidad and Tobago, because at the end of the day we would expect that taxes and moneys collected through taxation would benefit the people of Trinidad and Tobago in terms of proper infrastructure, health and other various sectors in Trinidad and Tobago. But for the benefit for those who would be listening, and for those who do not have an economic mind like myself—I am not trained in finance or the economy—I had to research what a bond is, and basically a bond is an instrument that is used by the government for

borrowing, and the government guarantees the principal that is on the bond and an interest rate is returned to the persons who would have acquired the bond. And again, the bond is borrowing from the people of Trinidad and Tobago because you are offering this to the citizens, and also to an extent foreigners because there is no restriction on who can acquire these bonds through this new initiative by the Government.

The Minister of Public Utilities would have said that this is a very innovative idea in terms of the construct and the structure of this bond mechanism, and he thanked the Minister of Finance, but I want to go on record by saying that we should not thank the Minister of Finance alone, but we should thank the public servants that were behind this initiative. You should give public servants the credit because at the end of day we know they are the ones who do the majority of the work at the Ministries. So we must give credit to the public servants.

I know the Minister of Agriculture, Land and Fisheries has a different view from that, Madam President, but we must also look at the reason why the Government is at this time raising the revenue. They are raising \$4 billion on these bonds, but we did not hear from the Minister in the Ministry of Finance, when piloting this Bill, what is the purpose of the \$4 billion. Is it going towards agriculture, works and transport, local government? We do not know what this money is going to be used for, and Sen. Obika made the point that when you acquire a bond it can be for a period of five years, for a period of 12 years, or a period of 20 years. So Government is borrowing \$4 billion from the people of Trinidad and Tobago, and then they would now have to be liable to these bondholders for a period of 20 years. So is it that we are going to just take this \$4 billion for debt servicing, or is it more prudent for the Government and the

Ministry to actually take this \$4 billion and put it towards some sort of mechanism for diversification, so thereby that money can now be used as an investment to get more revenue for the Government? [*Desk thumping*] It should not be used as recurrent expenditure, because previously in this Senate, and also in the other place, we saw that Government would have taken out moneys from the National Infrastructure Fund in order to finance recurrent expenditure. So this is a trend that is developing by this Government.

Yes, we understand that the interest rate is extremely high. It is 4.5 per cent for the five-year bond and it goes up when we look at the length of the bonds, but each bond will cost the person who is interested \$1,000, Madam President. Now, \$1,000 is a lot of money to be investing at this point in time, so we have to look at who are the target persons, or the target groups, who would be benefiting from these bonds. Clearly, it cannot be the ordinary man who cannot pay his HDC rent; it cannot be the ordinary man who does not have a job in CEPEP or URP anymore; it cannot be the ordinary man who has been retrenched by this Government. It clearly cannot be the average citizen. It has to be those who have the money in disposable—they have cash on hand that they can just say, “Okay I will invest \$50,000, \$100,000”. Because when we break down this, \$1,000 only gives you \$45 of return per year—\$45. Perhaps you take 45 multiply by 5 and I think it is—

Sen. Obika: Two hundred and twenty-five dollars.

Sen. S. Hosein:—\$225 for the 5 years. That is what you get back on one bond, Madam President. Forty-five dollars per year, \$45 cannot even buy a proper bag of flour and some rice. So we are saying that we are going to give back the people of Trinidad and Tobago what they deserve and what they own, but this is what they are getting.

Sen. Khan: We will give them 10 per cent.

Sen. S. Hosein: So, Madam President, the assets here will only—and the point that the Minister of Energy and Energy Industries is raising, well we will give them 10 per cent, but no, the point here is that these bonds will only fall into the hands of a select few. [*Desk thumping*]

Sen. Ramdeen: Less than 1 per cent.

Sen. S. Hosein: Yes, it might very well be not the 1 per cent, but less than that 1 per cent. This is a 1 per cent fund, Madam President, because no ordinary person can purchase any of these bonds. I myself might have some problems if I am interested also in this.

Sen. Gopee-Scoon: You want? Come, definitely.

Sen. S. Hosein: I said if. I know the interest rate is high, 4.5 per cent. If I go to First Citizens Bank, the Abercrombie Fund is about .9 per cent I believe, and it is not as high as UTC, but at the end of the day we must look at how this is going to benefit the people of Trinidad and Tobago, the \$4 billion. So those who cannot directly acquire the interest from the bonds, that \$4 billion that is being used to raise that revenue must go back as a benefit to those persons.

So I do expect that after the revenue is collected that we see some more involvement in terms of citizens getting more jobs in the government sector, in the public sector, that there are more projects being undertaken, so that they can actually feel that what we are doing in this Parliament benefits them. But I also want to go to a very important point with respect to the corporate governance of this company, this company called the National Investment Fund Holding Company Limited.

When we look at the assets that would be transferred towards this fund, there

would be the Republic Bank which Government holds 26 per cent, Government holds 23 per cent of One Caribbean Media valued at \$2 billion, 29.9 per cent of Angostura valued \$1.07 billion, and 5.4 per cent of WITCO valued at \$4.02 million and, Madam President, I got these figures from an article published in the *Trinidad and Tobago Guardian* by Gail Alexander, May 11, 2018, “Public offering of Clico firms coming in June”.

When we look at the companies that would comprise the fund—now Government does not have full control of these companies, so I am asking the question: What if in any instance that there is some mismanagement with these companies? Then there would be a shortfall in terms of revenue and the profits being generated from these companies which might make it more difficult for Government now, through this fund, to actually pay out the interest on the bonds. So these are very pertinent questions that the Government should consider when we have these structures and mechanisms set up in order the raise revenue.

Madam President, when we look at the company documents on this company, the National Investment Fund Holding Company Limited, this company was incorporated on the 29th of May, 2018, and when I looked at the company it is limited by shares and it is not incorporated as a public company. This company, the National Investment Fund Holding Company Limited, is incorporated as a private company and not a public company. So I ask the reason if the Minister in her winding up can give us the reason for that. I want to also ask is it because there are less obligations under this company now, under the Companies Act, [*Desk thumping*] is it that the company would not be always subject to the Central Tenders Board Act under the manual for the operations of state enterprises?

Interestingly enough, the directors on the company seem to all be persons

from the Ministry of Finance: Mr. Vishnu Dhanpaul; Mrs. Jennifer Latchman, Deputy Permanent Secretary; Ms. Nadira Lyder, Technical Advisor and Head Public Private Partnership Unit; Mr. Dexter Jaggernaut, Programme Manager, Strategic Management and Execution Office; Mr. Hayden Manzano, Executive Director Investment Division; and Ms. Nnika Watson, Senior Legal Officer; but interestingly enough, Madam President, on the 22nd of June, 2018, there is notice of Change of Secretary in the company, and the change is that Ms. Nnika Watson who was the Senior Legal Officer of the company was then changed to C. Frank and Associates Limited of No. 6 Lloyd Street, San Juan.

So, Madam President, I do not know who is this, I do not know whose company is this, and I do not know why that person was now named as the new corporate secretary of this company. And the point that this underscores is that at the end of the day Government will have 100 per cent shareholding of this company so they can appoint which director they want, which corporate secretary they want, and they can do what they want because the citizens of Trinidad and Tobago are not owning the shares of this company. All they are doing is that they lending Government the money and getting back some sort of interest from that lending.

Now also, I would have expected that the Minister of Finance would have given us some indication as to the by-laws of this company to know the remits under which this company has to operate in terms of the operation of the National Investment Fund. I did not see any. Also, Sen. Mahabir would have raised a very important point that the Government at this point in time is offering bonds up to \$4 billion, but nothing here prevents the Government from issuing additional bonds up to \$7.9 billion I believe, and at the end of day, we do not see the checks, the

balances, the accountability in terms of the offerings, who would be the ones benefiting from these offerings, how the offerings are going to take place. Because every Senator, I believe, on this side of the Senate, would have indicated that there is a lack of prospectus in terms of the fund and its management.

Also, I looked at the Central Bank Act and it dealt with the Deposit Insurance Fund, and this fund what it does for financial institutions such as credit unions, it would protect the investment being made by these persons through insurance. I know that the Minister in the Ministry of Finance, the Minister of Public Utilities, would have alluded to the security of the bonds that are being issued here, but the point is that nothing in life is certain. Sen. Dr. Henry, he raised the point that Clico was too big to fall, so at the end of the day, Madam President, I think that we should also offer some additional protection to these bondholders if through insurance in a structure just like the Deposit Insurance Fund.

Now I raised the point earlier and I just want to reemphasize the point in terms of there are no restrictions on who these bonds will be issued to, because if we are saying that this is for the benefit of the people of Trinidad and Tobago because this is the assets that they own, nothing prevents any foreign entity or foreign individual from coming here and usurping the majority of the bonds and benefiting from the majority of the interest payments. So I hope that the Minister addresses this concern in her winding up in terms of, again, the persons who the fund will be targeted to and who will be able to access the funds. Also, as I said earlier on I am not a financial mind, but I did some research and I know there are several models that the Government would have chosen from and this was one, but there is also the model where they could have invested in the stock market because—*[Interruption]*

Madam President: Sen. Hosein, you are starting now to go far from what is before us. So I think we understand what has been said before and it cannot be that we now talk about everything that this is not. I need you to tie in—make a tighter contribution, please.

Sen. S. Hosein: Sure. Sure, Madam President. So what the point is that right now the economic climate is flatlined. So therefore, if we use the other mechanisms in terms of the injection of the assets in terms of stock market, we can revitalize the system so that we could actually generate more income based on the very asset rich companies that will be forming part of the National Insurance Fund. And as I said, Madam President, this is not my area of expertise. So the concerns that I wish to raise on this Bill, as I said the Bill is not long, I would like to congratulate my colleagues on this side of the Bench that would have contributed, and I thank you very much. [*Desk thumping*]

Madam President: Sen. Ramdeen.

Sen. Ameen: No.

Madam President: Sen. Ramdeen, I have recognized him. His light was on before. That is who I saw.

Sen. Gerald Ramdeen: Thank you, Madam President, for giving me the opportunity to contribute to this debate this evening, which is of some vintage now and leaves a few issues that I hope that I can make a meaningful contribution to.

Madam President, I want to start off by answering—I know, Madam President, you were not here for most of the contribution of the hon. Sen. Lester Henry, but there are a number of points that he made that I would like to just correct for the record. Madam President, before doing that, many speakers before have indicated that what the Government is doing by pursuing this particular piece of legislation which is quite simple, and the hon. Minister in the Ministry of

Finance has indicated to us, seeks to achieve the goals that have been set out, both by the hon. Minister and the Minister of Finance, of constituting this fund and placing the shares of these particular companies into this fund. The reason why we are here is to ensure that the provisions in the Corporation Tax Act does not apply to the fund that is being set up by the Government, but many of the speakers that have gone before have said that what the Government is doing now, with this particular step, is bringing an end to the Clico matter, or should I say, I do not think it is unparliamentary, but the Clico fiasco that started in 2009.

I think it is very important for us to just cast our minds back for a short time to understand how it is that the people of Trinidad and Tobago, through successive Governments, have been put in a position where if you take the information that comes from the Minister in the Ministry of Finance and the Minister of Finance as being credible, that the Government of Trinidad and Tobago has invested \$23 billion, which is no small sum of money into a private company. And while we are, to use the words of some of the Members who spoke before, at the end of that journey, that journey was one that started in 2009. In particular, on the 13th of January, 2009, was the date upon which Mr. Lawrence Duprey wrote to the Governor of the Central Bank and indicated, Madam President—and it is very, very important for us to understand this—that the CL Financial Group was on the verge of falling apart, and to use the exact words, there was a “systemic risk to the financial system of Trinidad and Tobago”, because many people have concentrated on the fact that there is \$23 billion involved that belongs to the people of Trinidad and Tobago.

Sen. Lester Henry indicated that the CL Financial Group constituted more than 100 companies, but not many people have referred to the fact that this

particular conglomerate controlled more than \$100 billion of assets and, therefore, if the CL Financial Group had failed there was a serious systemic risk to the entire financial system of Trinidad and Tobago. The Government at the time—the People’s National Movement was in power in January of 2009, on the 13th of January, 2009, in particular, and the Minister of the Finance at that time was the hon. Karen Nunez-Tesheira, and it is very, very important because Sen. Henry made some very, very pointed remarks about the way in which this happened. But, Madam President, many people in the Parliament and outside of the Parliament have indicated that this \$23 billion that the Government seeks to recover by this particular measure and other measures that they have taken in the past few months—this particular Government—somehow is as a result of actions on the part of the People’s Partnership when in Government, but let me put it as a fact—
[Interruption]

Madam President: Sen. Ramdeen, I do not want you to continue on this line, reason being this is not about all that started this issue. We are at a certain point in time. I do not think we need to go back as you are going back now. I really do not, and I think, therefore, you should try and confine your contribution more to what is at hand now. Okay?

Sen. G. Ramdeen: I am obliged, Madam President.

Sen. Khan: You come prepared to talk “bout” Nunez-Tesheira? *[Laughter]*

Sen. G. Ramdeen: No, I come here prepared to talk about the Sen. Lester Henry, but he had his chance. The position that we find ourselves in with this \$23 billion that the Government has embarked upon by this particular measure in order to say that they are going to place these assets into this fund, is part of the Government’s plan for fiscal budget support.

Now, what is very clear about that is that the reason why the Government has to embark upon this particular measure is because the Government has fallen short in its revenue earning plans over the last two years and nine months, and the seriousness of this measure is that since 2009—2018, or at least let me put it up to 2015, the Government spent \$23 billion. There was absolutely no step taken during that period of time, despite what was said by the hon. Minister of Public Utilities that the agreement was renewed almost 15 times during that time. There was absolutely no step taken to liquidate those assets of the CL Financial Group to repay that debt. That is an admitted fact. But you know the other side of that, is that what transpired during that period of time represented on the one hand borrowing by a private company from the State, but represented a serious savings that was put there, that was untouched during that period of time, and it is because it was managed in a particular way that this Government now has virtually a fattened calf and a ripened fruit to pick and to be able to say now that they can use this money to prop up the deficit that has been created over the last two years and nine months.

Now, there is a follow up on to that. When we do this now and we take the assets from all of these very blue chip—we all call them blue chip—companies and place it into this fund, and we have this money, and the Government is able when we pass this legislation to borrow the \$4 billion against the \$8 billion that is put into the fund, what is going to happen next year when you do not have the opportunity to do that, when you do not have the opportunity to dip into and take out this \$4 billion? Where are we going to get it? [*Desk thumping*] The Minister of Public Utilities said, and it is a shocking statement. I have it written right here. The Minister of Public Utilities said that all we have to do is because of the

prudent management—it is right here—and I quote:

We just need \$4 billion and we will be all right.

Well, I do not know. I am perhaps reading the wrong documents from the Ministry of Finance, listening to the wrong budget statement, listening to the wrong mid-year term review, but there is absolutely no way that someone can stand and say that all we need is \$4 billion and we will be all right. So once we put this in place, this company has been formed, the bond will be issued, the bond will be subscribed, and once the Government gets this \$4 billion it is all hunky-dory after that. We are back on a balanced budget and we happy, and we are going to happy-go-lucky from there in. That is the way the Government has gone.

Sen. Khan: Senator, you want to give me a little—[*Interruption*]

Sen. G. Ramdeen: Sure.

Sen. Khan: The Government never said that will eliminate the entire deficit this year and, secondly, this was never articulated as a sustainable source of income. We have always said it is a one-off. What is the meaning of one-off? It will happen one time and finish. Okay. So “doh” try to say that, where it will become sustainable next year, or 2020, or 2021. We know it is a one-off situation of an asset sale.

Sen. G. Ramdeen: Madam President, through you, if I could just reply to the hon. Minister of Energy and Energy Industries, who always makes a very meaningful point. But Minister, the point I was making was not just simply—I am agreeing with you that it is a one-off. The problem that we find ourselves in is that since 2015, in every budget presentation that we have made, while the Government has said they are trying to bring down the expenditure, the deficit has remained and, therefore, if we are saying this is a one-off—because it could never be anything

else but a one-off. When the next two budgets come, where are you going to get the money that you raised in this one-off to finance the budget? Because despite the efforts of the Government to continue saying we are making efforts to bring the deficit down, the fact is the deficit is not coming down. The expenditure is coming down, but the deficit is not coming down.

Sen. Khan: I do not want to join this debate, but I will just make one more response. We are reducing the expenditure. It is at the revenue side that we are having challenges. This is one-off to bring additional revenue into the coffin. It lies with the Minister of Energy and Energy Industries. We are in very sensitive negotiations now with both bp and Shell, and if those talks grow successful, we will be in a better position on the revenue side.

Sen. G. Ramdeen: Minister, I do not think there is anyone in this Parliament that does not hope that the revenue position of the country, for all of Trinidad and Tobago, will improve and that you will succeed in whatever efforts you are making. The problem is that thus far, up to this point the problem has been, despite the reduction in expenditure the deficit continues to remain there and it cannot be a prudent position.

While one understands why the Government is saying they need to do this, and you need to raise revenue, and you need to bridge the deficit, it cannot be a prudent position that a one-off opportunity for you to get—as Sen. Shrikissoon said, there is going to be no other opportunity like this, and it has been only as a result of the fact that there has been prudent management of this particular way in which this money was lent to this particular company, and the company had good companies in it. So when people say that the financial crisis of 2009 caused this, it was not this you know. And one of the points that I want to come to is this, while

we talk about the borrowing and the repayment by CL Financial to the Government and the people of Trinidad and Tobago is important, and the Government is taking steps to ensure that that money is repaid because it belongs to the people of this country and this particular measure, is one that will ensure that, we cannot expect that the only thing that is going to come out of this entire fiasco called CL Financial and what it caused this country is going to end when the \$23 billion, in whatever form it comes, whether it is in this form or the other, is going to come to an end when that money is repaid, you know.

Because there are people who are responsible for what happened to that \$23 billion, that up to today as we speak, in 2018, nine years after this company collapsed, nine years after the Government intervened, nine years after \$23 billion was put in, not one single person has been held accountable for what took place in CL Financial, as speak today, after nine years.

6.40 p.m.

And to add to that nine years, let the people of Trinidad and Tobago know, and it is fact, that under the last administration and under this administration and the one before that as well, three administrations, while we talk about recovering the \$23 billion, the people of this country, the people of Trinidad and Tobago, have spent over \$400 million to \$500 million to hold people accountable and not one person has been held accountable up to now, and that cannot be right. [*Desk thumping*]

And the Clico fiasco, and what we are doing here, while one understands that this is a part of bringing closure to it for the people, you cannot have complete closure in this matter without people who did wrong being held accountable for what they are doing. So that the mistakes that were made then will not happen

now because Sen. Lester Henry spoke about these companies, Republic Bank, TGU, all of the companies you are putting in here, Angostura Holdings—
[*Interruption*] No, I know that. I know it is TGU still. But the point I am making is this, at some point in time Minister, through you, Madam President, everybody thought that CL Financial and Clico were in the same position, you know. It was a blue-chip company. Nobody thought it could ever fail. And, therefore, the same optimistic position that we have with respect to these particular companies, we have to be careful. Like Sen. Mahabir said and Sen. Shrikissoon said, we must never take the position that even though these companies are doing so well now, the time will not come when we must not be cautious about what we do. Placing the shares in a fund that is controlled by the Government might be a very good thing, but we must ensure that the people who are put in charge of these shares, the directors who are appointed in this company as its stands now—

Because Sen. Saddam Hosein read out the names of the people who are presently on the register of the company as being the directors of the companies, this particular company. There is no shareholding issued in the company as of now. But I would like to think, for the people of Trinidad and Tobago to be comfortable, that the National Investment Fund Holding Company Limited is going to be a company that will be secure and secure these shares that you propose to put in it, that those directors are going to change at some point in time and we are going to have people who we can confidence in, that can pass the test of prudence, to go in there and have the ability. Because these things only work—like Sen. Mahabir raised the point about Warren Buffett. But you know, those companies do well because people have confidence in the people who run them.

I heard the hon. Minister in the Ministry of Finance mutter when I said the

CL Financial group at some point in time was a blue-chip company. Clico/CL as we know it, before Lawrence Duprey got involved, was a cash cow. The insurance company was what caused, or was able to allow Lawrence Duprey to do what he did, which was to spread his wings and buy 175 companies and expand. And, therefore, no one can doubt, like Sen. Mark said in opening the debate, that Clico was once, perhaps, the gem of Trinidad and Tobago.

And the point that was made about this MHTL and the arbitration that was lost, Madam President, this occurred, do you know why? This occurred because while the Government was securing the money that was being lent to CL Financial in 2009, Lawrence Duprey picked up the shares that belonged to MHTL, and in breach of the pre-emptive rights agreement, went and sold the shares. “It happened, not under no UNC. It had no UNC or PNM in that.” It was an individual who breached his rights. And do you know what that caused? That caused us to, perhaps, lose one of the most valuable companies that will ever touch the face of Trinidad and Tobago, MHTL Holdings. And we have lost it. And the money that went in, that was paid for that, as part of the CL group, was because of the London Court of International Arbitration finding that what Lawrence Duprey did was wrong. And like I said, up to today, there is nobody accountable for that.

Madam President, it has been said over and over that there is a lack of information with respect to we asked debate here today. And I join that chorus and in the contribution, I take your guidance from what you said, Madam President, with respect to Sen. Obika when he was making his contribution. I just want to refer shortly to what was said in the other place and to just, perhaps, quote a line:

“...Ernst & Young and First Citizens”—mortgage—“Advisory Services have been engaged, and in collaboration with the Ministry of—”

Madam President: Sen. Ramdeen, who are you quoting?

Sen. G. Ramdeen: I am sorry. I am guided, Madam President. I am quoting from the *Hansard* of the 25th of June, 2018, from the contribution of hon. Minister Imbert in piloting this Bill in other place. In his contribution, the hon. Minister said:

“To that end, Ernst & Young, the First Citizens Brokerage Advisory Services have been engaged, and in collaboration with the Ministry of Finance, would undertake the comprehensive marketing effort to ensure that the national community understands the attribute of the instrument which we believe would certainly redound to the improvement of the investment portfolios of individuals, corporations and institutions.”

Again, Madam President, I do not think there is anyone who does not hope Ernst & Young, First Citizens Brokerage Advisory Services will not succeed in the task that the Ministry of Finance has engaged them to do. But we have been told today that we pass this legislation today and the dates upon which the Government proposes for this to take effect, in terms of the bond, is between the 11th of July 2018, and the 8th of August, 2018.

Madam President, throughout the contribution of most of the speakers on the Government side and most of the speakers on the Independent and the Opposition side, the point has been made over and over again, the Government has said this is a matter that will spread its wings wide to all the citizens of Trinidad and Tobago. The concerns have been raised on the Opposition and Independent Benches as to how this is going to happen, because we have not been told how it is going to happen. The only direction that we have been given is that a private firm has been engaged to do a comprehensive marketing strategy.

But, Madam President, when you look at the timeline, today is the 27th of June and the 27th of June to the 11th of July leaves about three weeks or a little bit more than three weeks for this task to be accomplished. And while one hears the Government saying that the poor man, to use words of the Minister of Public Utilities, is who the Government is targeting, well, Madam President, respectfully, I cannot understand how, if anyone understands the poor man or the middle-class person in Trinidad and Tobago.

Our culture is not one where we have grown up or our society has developed where people invest in stocks and bonds and shares. This is just not our society. And, therefore, one has to actually change and educate persons to understand why this is a good investment and why they should participate in what is being offered by the Government and why it will be of benefit to them in the future to themselves, their children and those that come after them for the next 20 years. And I find it quite difficult to understand and comprehend how this is a task that is going to be accomplished in about three weeks' time. It seems to be quite an ambitious aim by the Government, if I can put it like that.

So, I would have thought, Madam President, while one understands the need for fiscal budgetary support on the part of the Government and with the financial year of 2019 approaching and the elections coming shortly after that, and local government coming after that, we need to take some time, if the Government is true to its word, to understand that the education drive that needs to take place to ensure that at the end of the day, not only persons in certain parts of the country will participate in this but you can have as wide an investment portfolio as you want, on the part of the people of Trinidad and Tobago. Let us just take the time and get it right. There always seems to be a position with this Government of

"mashing de X" to be able to accomplish what they want to do. [*Desk thumping*]

And so, I want to suggest that we should pause for a cause and be able to—while one understands that the fiscal position of the country is not what the Government wants it to be, we may end up “rushing the brush” as they say and you end up “dabbing the whole paint”.

There is a serious concern, Madam President, that even in that education drive, the point has been made before. The Minister of Finance said, in his contribution in the other place, that a draft prospectus was issued in this matter. He said:

“The bonds would be listed on the Trinidad and Tobago Stock Exchange. Draft submissions of a prospectus offering fixed income asset-backed bonds have been made to the Securities and Exchange Commission.”

It is not a pleasant experience, Madam President. In every debate that we have here. Yesterday we repeated the same thing. Why is it so difficult for the Government to come clean with the population? Respect the intelligence of everyone, and if it is that you have good intentions in what you propose to do, how difficult is it to do the right thing? [*Desk thumping*] How difficult is it, Madam President, if you have a draft prospectus that you have sent to the Securities and Exchange Commission and you have already—you only have three weeks before you are going to start the process of advertising and selling this bond on the open market, for you to tell the population this is what it is about? We just simply do not know. And it is a very unfortunate and unpleasant position to be, where you are called upon to debate legislation in a vacuum [*Desk thumping*] and you keep asking questions over and over of the Government to please, share with the population—not share with the Opposition or share with the Independent Bench—

share with the people of Trinidad and Tobago what your plan is, so that we will know, so that everyone will be able to make an intelligent decision as to whether to invest or not.

But, you see, those persons who would, perhaps, have the ability financially and the wherewithal to provide the investment in this particular fund for the Government to have to be able to raise this \$4 billion, they may have already had the prospectus. They will already know what the position is. So they are not in the position as us, or the common man or the middleclass man. The people who the Government targets to raise this \$4 billion, they already know who they are and they already have the information.

And therefore, at the end of the day, Madam President, while it is dressed up as a mechanism that is being set up—congratulations were given to the Minister of Finance for coming up with such an ingenious mechanism to monetize the debt that is owed to the people of Trinidad and Tobago. I, perhaps being pessimistic, see it a different way. Some call it pessimism. Some call it reality. But the truth about it, this Bill is really a piece of legislation that is designed to give back to a few. It is designed to allow a limited few to get the opportunity to benefit from what belongs to the people of Trinidad and Tobago. [*Desk thumping*] And I do not think, Madam President, that at the end of the day, it is fair that when the hard times come, the public servants and the ordinary man is called upon to put his shoulder to the wheel on behalf of Trinidad and Tobago, and when the time comes for the benefits to be reaped, the poor man who has put his shoulder to the wheel is not going to be the person, at the end of the day, who is going to be benefiting from the mechanism that we are asked to pass today.

And I cannot stand here and be confident that those who ought to have

benefited from the \$23 billion that belong to the people of Trinidad and Tobago are going to be because every Tom, Dick and Harry contributed to that \$23 billion. What I can be sure about is that every Tom, Dick and Harry is not going to be able to invest in this particular fund and that, Madam President, is quite unfortunate.

So, at the end of the day, Madam President, I wish the Government well in what they are doing, in trying to recover the money that belongs to the people of Trinidad and Tobago. I hope that the fund will be successful, so that those who invest, as few and far between as they might be, will be able to raise the \$4 billion. Because again, Madam President, we were told that the budget support that is going to be raised by this is \$4 billion.

As I stand here to speak again, today, we are not told what the Government plans to do with that \$4 billion. They said it is for the people of Trinidad and Tobago. Well how? When? Why? How is that money going to be spent? It is worse than buying cat in bag, because it is a bag that we do know what in it, cat or otherwise.

And, Madam President, it is quite unsatisfactory, to be generous to the Government, to come to the Parliament, ask the Parliament to pass legislation to raise the sum. As Sen. Shrikissoon said, never before has there been a mechanism to raise the kind of funding that we are being asked to raise here today; just like when we were asked to raise the borrowing ceiling in this same Parliament.

And I remember when we were debating the Andean Bank, that piece of legislation. I remember the words of the Minister of Finance when he said: "That money belongs to the people of Trinidad and Tobago. What you want us to do, leave it there? We want to spend it." Just like how you come today and tell the country you want \$4 billion more.

Sen. Shrikissoon and Sen. Mahabir warned us about the debt position. Notwithstanding the fact that at the end of the day it is a private company, at the end of the day, it is a company that is borrowing money from the people of Trinidad and Tobago, sucking up the liquidity that is available in the economy. And at the end of the day, Madam President, we are given absolutely not one; we have not been told one thing that the Government is going to use that \$4 billion for, absolutely. We do not know if it is going to build Sandals. We do not know if it is going to buy the 200 buses. We do not know if it is going to fix roads. We have absolutely no idea, but we are asked, like putting blinkers on and saying go forward. That is how we are asked to do it. It is not the best way for things to be done, Madam President. Not only the people of Trinidad and Tobago deserve better, we as parliamentarians deserve better from the Government. And, therefore, I ask the Government to cease and desist from this way in which the parliamentary agenda is being brought about.

I do not think anyone has raised the issue before, Madam President. I want to end by saying, bringing legislation yesterday to ask us to debate it today does not allow us, as best as we can, with the best intention, with all the ability that we have, it is simply unfair to do that to us and it is not something that should be encouraged. And, therefore, at the end of the day, with those few words, Madam President, I thank you.

Sen. Stephen Creese: Thank you, Madam President. I wish to begin by saying that, from a theoretical standpoint, I have no objection to this initiative, in terms of the Government seeking to balance its budget. Because I see the measure as having two basic goals, the question of balancing the budget and the question of making a funding opportunity available or an investment opportunity available to

the average Trinidadian.

Where I have a problem is with the method that is being pursued. The very short notice is a concern. It is a concern from two platforms. One, there is the question of due diligence. Where I come from in the Credit Union Movement there is legislation proposed. And one of the critical aspects of it is the question of members of the board being competent to the task, and that carries the perspective of being able to conduct the kind of analyses that are necessary for an average person in business.

So that bringing these amendments at such short notice and without the supporting information—the critical supporting information is that investment machinery that is at the back of this, that is being facilitated by these amendments. Because, at the end of the day, John Public is assuming, and rightfully so, that the goodly Members of the Senate and of the other place where this amendment was proposed, are in fact representing their best interest in analyzing what has come before us thoroughly and efficiently. And there is no way that that could have been conducted in the time afforded. So due diligence is a critical aspect of the conduct of business and I am not satisfied that we are in a position to pursue that at such short notice.

The other critical issue, with regard to endorsing this amendment, has to do with the question of the exploration of best options. And I think it was the hon. Senator and Minister of Public Utilities who—in an attempt to satisfy possible concerns that the investment opportunities at the back of this amendment will not be monopolized by what we have grown to call the 1 percenters now—was making the point that unlike share options in the investment company, purchase of bonds would ensure that you get a return on your investment without coming into

overriding control of the facility. So I could not, as a credit unionist say to the hon. Senator and Minister of Public Utilities say that the credit union approach deals with that. You could buy any number of shares in a credit union. You only have one vote. So control is still contained. But that was just in passing. But, you know, the State could always, at times, pursue that option as a means of reinvesting surplus funds and ensuring that there is sharing.

We seem to think that the only way we can—and it goes back to the days of the NAR administration back in the mid-80s—deal with channeling the proceeds of national investment is through an investment company. And there is the danger with that because it tends to create a structure with rewards and almost a neocolonial-type arrangement, where we impose a structure and a body of funds and there is a little oligarchic group that presides over that and in the interest of protecting the national interest, we create a new interest or body of interest. So we have to be careful as to how effective a tool, an egalitarian tool, that is.

So, Madam President, I close by asking the State to review the pace at which they are attempting this initiative, because it is not in the national interest to have the Senate appear to be railroaded on something as critical as how we are to, not only raise money, but like as I said, at the back of this is that investment funding company. So, therefore, there needs to be more debate on how we are to marshal funds in our new financial arrangements. I thank you, Madam President.

The Minister of Trade and Industry (Sen. The Hon. Paula Gopee-Scoon):
Madam President, I am not going to be long. I think much has been said already. But the point is I think I know a good thing when I see it and therefore, it is for that reason that I must support this instrument, which we are talking about, this investment opportunity which is going to be made available. And contrary to what

Members of the Opposition have said, and in particular Sen. Ramdeen, this would be made available to corporations. It would be made available to all of the people of Trinidad and Tobago. [*Desk thumping*]

The Bill is short. We have said it before. It is two clauses, a short title and then clause 2 of the Bill says exactly what it is going to do. It will amend section 6(1) by inserting two new paragraphs that will make provision for exemption of payment of corporation tax and interest payable on bonds issued by the National Investment Fund Holding Company Limited.

Previous speakers would have detailed the nature of the bonds, the fact that they are five-, 12- and 20-year bonds, and with the respective interest rates of 4.5 per cent, 5.5 per cent and 6.5 per cent.

Madam President, the reason why we are here, and I am not going to spend anything more than two minutes on the history because enough has been said about Clico and it is absolutely not necessary, but just to say that the Central Bank was doing its work and would have found the CLF group to be in a state of near collapse, financial distress and had the Government of the day not intervened, we would certainly have seen systemic collapse in all of the financial institutions. And that is something we agree on, on all sides. That was a difficult time for many people and I think there are many people in this room who would have had investments in Clico. And why? Because of the double-digit returns. Depending on the amount of money that you had in there and the kind of instrument that you had, the returns, in some cases, were in the double-digit arena 10 per cent, 11 per cent, 12 per cent, 13 per cent. They were lifelong savings of many people. They were pension funds. They were investments that you created for your next generation. It was really a sad thing. And as I said, there are people in here who

were affected, live savings lost, at that time thought lost. But much has been done since then. But, at the end of the day, it was never really fully dealt with. The last Government would have been in office for more than five years and they were never able to bring this Clico matter to an end. This Government is committed to doing that.

So here we are, another \$15 billion outstanding to the population, that is owed to the population originally something like \$23 billion; a lot of money. But taxpayers' money which was taken to avoid what would have happened in terms of the likely systemic collapse on the financial system.

And, indeed, the Government saw, when we came into office, that there would have been some difficulties. Over time, there were several agreements, which would have benefited the population that sought to benefit the population in the long run, because this money had to be repaid to the population. The assurances were within that agreement.

And those agreements were renewed. I am hearing 15 times or so, or maybe more, they would have extended. There came a time when the private owners of the investments were refusing to actually renew the agreement, and that meant, of course, that there was every likelihood that taxpayers would not have been repaid. And that would have been sad. I think there were also threats that the Government members on the board would have been removed.

And that is a situation, as a caring and concerned Government, as a responsible Government that we could not have allowed to happen. So, we went to the courts and a liquidator was appointed. And here we are, speaking to the recovery of moneys that belonged to the people.

7.10 p.m.

There were two things that we could have done: We could have sold the assets, and then we would have been accused, and I am sure there would have been talk unending, that we would have sold it to party hacks, and I want to give the assurance that this Government would never have done that, to sell to particular individuals or particular companies, or so, who were connected to us. That was never going to happen to us.

But then the assumption, and I really want to commend the Ministry of Finance, who came up with this very creative option, and I think they would have worked with, I think it may have been, Ernst & Young, who came up with this very, very, creative option. I think Sen. Dr. Mahabir calls it an “equity-backed bond”, which really has turned out to be a win-win for all.

And what has happened is that a fund has been created that will allow us to repay the required revenue while ensuring that the assets remained under the ownership of the people of Trinidad and Tobago. And again, I really want to commend the Government for the very visionary approach in the decision that we finally took. It is an instrument that is novel, and perhaps the first of its kind in Trinidad and Tobago, but you cannot expect anything less from a Government like ours.

Where we are, I think what has been raised, I was missing from a few of the contributions. But I know that Sen. Obika raised the point about the strength of the companies, whose shares are backing this bond. And these companies have been described as blue-chip companies, first grade companies they are. I can tell you that I am familiar with many of them: Republic Finance Holdings, West Indian Tobacco Company Limited, One Caribbean Media Limited, Angostura Holdings Limited, Trinidad Generation Unlimited, which is 100 per cent owned by the

Government of Trinidad and Tobago. And I want to make the point that all of these companies year on year, for the most part, have been successful and have had increased earnings.

I can say, save and except for the last year, and I do recall, in the case of West Indian Tobacco Company Limited, and I think perhaps Angostura Holdings Limited, there may have been a decline in profits. But these are very strong companies and their performance this year would have been on account of the downturn and the recessionary times. But I have no doubt in my mind that all of these companies are under strong management, and with a focus on success and I have every confidence that all of these companies will be performing. And as the economy turns around, and as we take this economy forward in the direction of growth, I can tell you that all of these businesses will be participating in the success of the economy, and I have absolutely 100 per cent in the companies whose shares are backing these bonds.

Again, we note that the bond is fully guaranteed, the rate of returns, the interest is guaranteed, it is available to all corporations and, again, to citizens as well. I do not have details, the prospectuses are not with us, but we know that they will soon be out, and all of the information which the Opposition has been longing for, would soon come to the fore.

But the point about it is, if not this guaranteed investment, you have to ask yourself what else? What are the other options that are available to you at this time? What would you say? Cash in the bank? And you know what the rate of return is—minimal. In the stock market, it pays off for some, those who have the appetite, but for many, they do not trust the stock market—many, many, persons, especially the average person out there. And there is good reason for that, because

of the volatility of the stocks and shares, and unless you are following it closely, you are at risk, and therefore, you would find yourself having to use a financial advisor and so on.

Therefore, the stock market is not attractive to the average investor out there. As I said, the banks, you will only make a very small return. Perhaps you would think about property, but then again, that calls for large sums of money; you would need to qualify and ask for mortgage financing, and I mean, if it is your second property, again, you would have had to save substantial amounts and the average person out there really does not have the wherewithal to invest in a second property and so on, so that is going to be a tall order for them.

What else do you do? There are all kinds of bonds: junk bonds, I would not advise that at all, so that there is the possibility of losing your money with bonds as well. And sometimes—and it is a feature with this particular bond—you cannot sell it before it matures. But in this case, you can in fact sell the bond before maturity and that is what I understand it to be.

So what I see this equity and I am going to coin it on the basis of Dr. Dhanayshar Mahabir's word—[*Interruption*—I am going to patent it, an equity-backed bond—

Sen. Dr. Mahabir: That is what it is.

Sen. The Hon. P. Gopee-Scoon: That is what it is. Okay, that is what you tell me. As I said, I have every confidence in the diversified investment portfolio that it presents, especially for the unseasoned investor, and that is who the average man in the street is, an unseasoned investor.

Absolutely no risk, as I said, full guarantees. And at the end of the day, this is a total success, and it is going to be a success for those who do in fact invest in

it; at the end of the day, it is a risk-free investment. And it has been lauded as a positive measure by many in the national newspapers. I can only think of the Managing Director of Republic Bank, Nigel Baptiste, who is quoted as saying that it is a:

“positive development from a national perspective”

—and it really—gives, and these are his words: that it—

“...gives”—us—“all a chance to”—participate—“in the wealth”.

The question has been asked, just my final point, the question has been asked what will we do with the money? And it is that again we will be reducing our debt. This Government met with a high debt of about \$62 billion and we were successful in bringing it down to \$48 billion. And we are going to in fact reduce further; that deficit will be closing as we reduce our debt and we increase our revenue streams. And as it is, our revenue streams are already improving and primarily so from the gains of the energy sector and we hope that the non-energy sector will be able to contribute to increase revenue streams with all of the initiatives that are in place, not only by the Ministry of Trade and Industry, but by the Government. But certainly we will be closing the gap between revenue and expenditure; this is all about fiscal consolidation and nothing else.

Madam President, I am not going to spend much time on this again. But to say that it is an opportunity for everyone in Trinidad and Tobago, and I would recommend their participation. There is nothing else that will give you the kind of return that this is giving you with the kind of security that this is giving you, in terms of the guaranteed nature of the instrument.

Madam President, this Government has taken its responsibility very seriously and we have set to turn this ship around and that we are doing, we are

putting this economy—placing this economy in the right direction. And what it is, to nothing more than a better, and a safer, and more a sustainable future for the population of Trinidad and Tobago. And this opportunity is just one of the ways in which the public can participate in our economic growth and development. Madam President, with those few words, I thank you. [*Desk thumping*]

Sen. Anita Haynes: Thank you, Madam President, for recognizing me to participate in this debate. I would just frame what my contribution would look like here today, because I think a lot has been said, and a lot of the issues have been ventilated. But I have two main areas of concern: one being a process argument, and the final just being some questions born out of the contribution of Minister Le Hunte.

And so, Madam President, what we have heard here today by the Government speakers, time and time again, is that this Bill is simple, and that it is a short Bill and it is a simple Bill. But the length of the Bill is not a reflection of what we are actually dealing. What we are dealing with is a billion-dollar matter. So the length of the Bill should not determine the seriousness with which we treat with it. The Government, Madam President, and this is why I said it is a process argument in the first instance. The Government is bringing before us this National Investment Fund and by way of an amendment to the Corporation Tax Act, and we have heard a lot about the assets of our people and the people's money, Madam President. But the way that this could have been rolled out, I think, could have been more reflective of the seriousness of the matter before us. And you had the speaker before me, the Minister of Trade and Industry, say in her contribution, I do not have all the details and the information that the Opposition is asking for will come soon.

And Madam President, that was the summary of my main issue with what is before us today. Because that is [*Desk thumping*] very reflective of a poor process and of poor implementation strategy of putting the cart well before the horse. So, Madam President, between you and I, should not the details come before asking us to participate in this decision making here today? And I think that, in and of itself, that question answers itself.

You see, Madam President, I also take issue with this oversimplification strategy where almost everything coming before us is we are being told, “it is simple”, if you look the clauses, “they are reasonable”, almost as a deflection or a cop-out from ventilating the issues.

Madam President, if indeed what the Government is presenting to us is fact, then once the issues are ventilated they would be proven to be right. So there is no need to come and say this is simple, we can wrap this up quickly, few short clauses. So you know, Madam President, and Sen. Ramdeen raised the point, and I will not belabour it. But, asking us to make decisions absent of all the available facts is asking me to be negligent in my duty here and that is something I am very, very uncomfortable with, Madam President.

And with that, I will move on to Minister Le Hunte’s contribution, which I think, and I had waited towards the end of the bench to see if anyone would raise the questions that I had, so I would negate my participation here but no one has done that so far. Minister Le Hunte—

Madam President: Minister of Public Utilities.

Sen. A. Haynes: Sorry, Minister of Public Utilities, my apologies. The Minister of Public Utilities said that this is a fantastic and innovative product, the brainchild of the Minister of Finance and there was a lot of congratulations, Madam

President, going that way. The Minister of Trade and Industry somewhat corrected that and said the Ministry of Finance.

But prior to that, this idea was housed in the person of the Minister of Finance, so then I had a question: Where was the technical expertise? Right? What qualifies the Minister of Finance to earn my confidence, as a citizen, as being the brainchild and creator of this innovative and fantastic product? You see, you have to come—when you are coming to the Parliament with an argument—you have to really make sure it is a sustainable argument and, Madam President, you cannot just call it innovative and fantastic and repeat that and then say, well, the Minister of Finance created it. So it is all well and good.

So, I know Minister West—sorry, Minister in the Ministry of Finance, yes—would, I think, seek to elucidate for us or advise us on what technical expertise was used to create this. And you see, that would add a little more comfort to the persons sitting in this House and to the people looking on.

And so, Madam President, in this complex procedure what professional firms were involved in the creation of this idea. And the Minister of Public Utilities had an important line in his contribution that this is the people's money—agreed. This is indeed the people's money and I am glad that the Minister raised that point because the following questions that I have—I think, given that this is the people's money—Government should be very willing and I think able, at the very least should be able to answer. So in crosstalk, Madam President, the Minister of Energy and Energy Industries raised that TGU is not a Clico asset. And so that leads me to my very first question, why would we—so, the Minister of Public Utilities sought to answer the questions earlier on, but it left me with more questions. So, the Minister said “Why TGU?” and responded with “Why not?”

So, now I would like to know, well really. TGU is a wholly or state-owned profitable asset that is vital to our energy security. And the question I have is, was TGU randomly selected? What were the criteria being used by the Government to choose these assets that would back this bond? How was the 26 per cent of the NIF that TGU will contribute to be arrived at? Walk us through the steps so, again, that we can be a little more comfortable with what we are being asked to do here today. What is the cash value, Madam President, of the 26 per cent? You see, these things are important when we are being asked to make decisions as a Parliament, as a responsible Parliament.

Madam President, when we look at—the assets of TGU being used in this pot of assets, can we now as a Parliament get a definitive response as to what this means as to the ownership at now and for the future of TGU? I do not know if the Government is willing or able to answer that question, right now.

Madam President, Sen. Mark raised a very important point as he concluded his contribution to the debate. And that is this question of Government's ownership in media. And my question becomes, why is the Government so interested in maintaining some form of control in—

Madam President: No, Sen. Haynes, in raising that issue, you are now venturing into tedious repetition. So let me just caution you.

Sen. A. Haynes: No problem, Madam President. And my concern here as Sen. Mark raised it. We are not doing anything in a vacuum or ignorant as to what our current situation is. We are in 2018, this is the cusp of an election year; 2019 is indeed an election year and so that when Sen. Ramdeen raised the—of why do it correctly, or take the time to flesh out the issues properly, we must be aware of the timing of things.

So, I just draw that to the attention of the public, of the listening public, Madam President. And as we seek, I think today, looking at the—everything that is presented before us, there is merit to some type of remedy being applied. No one is denying that and I understand but my hope is, Madam President, that in seeking to apply a remedy, in seeking to fix a problem, that we do not in haste, or for the sake of expedience create a bigger ill or a bigger problem.

So, the problems being solved from this Clico fallout. Madam President, I think this recipe of the—and it seems to be almost a Frankenstein approach of taking pieces of a monster that has fallen apart and trying to put it back together and call it something new. And I would urge caution because despite what has been said this is not a simple matter, it is a billion-dollar matter and it affects the citizens of Trinidad and Tobago where it matters most, in their pockets, Madam President. [*Desk thumping*] And with those few words, and I hope that these questions would be answered by the Minister in the wind-up, I thank you. [*Desk thumping*]

Sen. Khadijah Ameen: [*Desk thumping*] Thank you, Madam President. I have a very brief contribution to make. There are some points that I want to endorse. But I think coming up at this stage of the debate, I think it is very clear that this is not a simple Bill, this is not a simple matter and one of the things that, Madam President, I felt too hampered by, in spite of all the healthy debate that we had here, is that unfortunately, you know, we had about 24-hours' notice for this debate. I know mention was made of it, but I just want to endorse that expression, and I feel that it was really a bit of a challenge because those of us on this side who do not have research support and, both Independent and Opposition Members, it would have been very different to a person who is a Government Minister or has

research support.

So, Madam President, that is one thing I think that was unnecessary and maybe from my perspective, maybe the Minister in her wind-up could say why there was the need to get it done today, because had we gone according to the Standing Order 62 with regard to notice—

Madam President: I want of give you the opportunity to make your contribution, but the point you have made has been made already and I think you have made your point; I do not think you need to elaborate on it to any extent. Okay?

Sen. K. Ameen: Madam President, I was just asking if the Minister could give a response, an explanation for me, not that I am being—I am trying to make—you know, just criticize for criticizing sake. I know speakers before me would have criticized the fact of the short notice. But I was just asking if the Minister could give an explanation as to why there was a need to do it today, and for instance not next week Tuesday as when we normally meet on Tuesdays. So if there is something I missed as to what the urgency was, if you could share—just share it with us, I would appreciate it.

Madam President, I want to commend the Minister's indication of a public education initiative with FCB and the Ministry of Finance, and that was to support her point that the Government would make the bonds widely available to citizens. I think at the end of this debate, we will all appreciate that it is not the ordinary citizen who will have access to these bonds, because many people do not have that disposable income.

I just want to skip through so that I do not repeat. Madam President, another point that was raised that I want to add to. We were given the companies belonging to CL Financial which will now become part of the NIF Holding

Company, their shares will go to NIF. I want to express concerns too. I know that some concerns were expressed with regard to One Caribbean Media; TV6 and *Express* newspaper.

Whereas previously the concern was with regard to Government's control of media and influence of the news and so on, the potential for bias or perception of bias. I also want to add that the running of a state media house as a profitable organization is another issue that I want to express concern about. There is an existing state-run media house, CNMG, that has had its share of challenges and with the Government or the State, whether it is this Government or another, now having majority shares in this One Caribbean Media that I want to just register those concerns.

As well, Madam President, the same with Republic Bank, in terms of the Government's influence on the appointment of directors, the decision of directors, the direction of the company, and how that will affect their investment their services and their fees. Republic bank is said to become another FCB, for instance.

I want to correct one thing that the Minister of Trade and Industry said and I think several Government Ministers repeated that this is a risk-free investment. That is very incorrect to say. I know that you want to endorse the Government initiatives; we are not surprised that the Minister of Trade and Industry would want to endorse the Government's initiatives. [*Crosstalk*] But certainly, to say that it is risk free is very, very misleading. And I know she may not have meant that because that is totally incorrect and that is the reason the interest is at the percentage it is and I think the Minister in the Ministry of Finance sort of gave an explanation for that in her opening when she laid the Bill. And so I do not think I need to repeat it, but the calculation for the returns, the calculation for the interest

would have been based on a certain degree of risk. So I just want to correct that for the record.

Madam President, I want to make a suggestion that does not require legislative change, but perhaps the Minister may be in a better position to say how they could incorporate it in terms of policy. Now, we do not have the prospectus before us. But, certainly if the Government's objective is, as they say it is, to ensure that a wide range of citizens have access and that they can in fact purchase bonds, what measures are there in place to secure a certain amount of purchases from individual citizens, ordinary citizens, to have that opportunity? I think if we have to see real inclusion, you must have some policy. So there could be a creation of a bucket or a limit, in terms of the number of shares purchasing. So if they want to say a person, an individual who is purchasing, no more than \$100,000, for example, and this is something that could be included in their policy and it could be tested in the roll-out, and if necessary adjustments could be made to that \$100,000 figure.

The opportunity for, not big companies but, for instance, credit unions and trade unions. I know Sen. Creese, I thought Sen. Creese would have gone a little further into that. Credit unions—

Sen. Gopee-Scoon: He likes that.

Sen. K. Ameen: Yes, he does, he usually does. Credit unions, I feel is one area that we should have some special provisions for. The assets of the credit union movement in Trinidad and Tobago are around \$13 billion and if you consider that around 80 or 85 per cent of that would be for loans and other assets that are not available for investments like buildings and so on, we look at roughly \$2 billion available from them for investment.

7.40 p.m.

And I know they would want to invest in other places. So if you make a calculation and say that okay, from the credit union industry you will have about— a certain amount available for investment, and you create a bucket that is, let us, not in excess of \$100 million for—

Madam President: Sen. Ameen, just one second. Leader of Government Business.

PROCEDURAL MOTION

The Minister of Energy and Energy Industries (Sen. The Hon. Franklin Khan): Thank you very much, Madam President. Madam President, in accordance Standing Order 14(5), I beg to move that the Senate continues to sit until the completion of the business at hand, that is, the completion through all its stages of the Corporation Tax Act (Amdt.) Bill.

Question put and agreed to.

CORPORATION TAX (AMDT.) BILL, 2018

Sen. K. Ameen: [*Desk thumping*] Thank you, Madam President. Also, Madam President, I want to suggest that a bucket be created for the credit union movement to invest, not exceeding about \$100 million, but—whereas that would give them protection and make those bonds available to them, if for some reason the credit union movement collectively invests so much that they surpass that—whatever limit you give them, they should be allowed to go outside of that as well, if they so desire. So those are two recommendations I want to make, for a bucket for private citizens with a very low income in terms of their purchasing; no more than \$100,000 and for the credit union, as well as the trade union movement. Trade unions are organizations that also make investments, and I think provision can be

made for them.

I know that previous speakers made suggestions about the fact that something called “fronting” could take place and that is something that we have to guard against, but I did not hear from the Government side any measures that could protect the interest and allow more persons to invest.

Madam President, while I think that the whole resolution of the Clico matter is something that successive Governments—this matter, the collapse of Clico, started under a PNM administration. They would have started to deal with it. The last Government would have done a number of things to deal with that that allows this Government to continue the work and the treatment. We could not have been at this stage had it not been for what happened under the previous Government.

So I think this is one of those debates where any attempt to try to blame the UNC, as was made by the Minister of Trade and Industry, is really futile. This is something that our country experienced, people from all walks of life had experiences and will benefit from the resolution of this CL Financial and Clico matter. So I just want to urge the Government to hold their horses in that regard.

Madam President, the thing that I have a lot of concern about, while the Bill has two clauses—and I think many Senators expressed the concern about the lack of further information, the information is not even in the public domain—I think that this is something that we could have held off for a couple weeks again until more information was available, until the Securities and Exchange Commission was finished with their work—until the prospectus that is a draft now was actually something firm, so that we would be more informed in making our contributions. So I do not know what the rush with bringing this in less than 24 hours was, and I hope that the Minister would be able to share that with me. Madam President, I

thank you for the opportunity to contribute. [*Desk thumping*]

Sen. David Small: Thank you very much, Madam President, for giving me the opportunity to join in this debate, and I have been here throughout almost all of this debate and it has been very interesting. And, Madam President, I looked at the Bill, and I found it interesting, about why we were here today. I have started to be a veteran of this system. I am never surprised at how long sometimes debates go the simpler the Bill gets, but I was really looking forward today, Madam President, to hear an argument against giving the tax exemption. That is what I was hoping to hear someone craft an argument that went along the lines of saying no, we should not give the exemption. So from based on what I have heard, it seems that no one has any issue with the matter in the Bill, which is giving the tax exemption. So I am very happy to hear that which means that this should pass with a unanimous vote on the basis of what I have listened unless—I have not heard wrong.

Madam President, I will not be detaining this House very long, but I want to say, Madam President, I am on record here in this Chamber on many occasions as being an advocate for trying to see ways in which the small man in this country could get a fair return. The current options available to the regular person in this country are limited so that I sat here and I looked at this Bill and I looked at the effect of this Bill, Madam President, and the effect of this Bill is to give the opportunity to a regular citizen of Trinidad and Tobago to earn a fair return. There is no way for me to oppose that, Madam President. [*Desk thumping*]

And as I have listened to all of the arguments, everyone is entitled to their arguments, and I agree with a lot of the arguments. However, my view on it is a view about what is the effect of it, and the effect of it at least—all I am hopeful, Madam President, there were some bad things that happened when there was

something called the FCB IPO. I would not repeat my comrades' statements. But I would say, Madam President, that some of the things that went wrong with that, I hope that the lessons have been learnt, even though the SEC reports have not come out, because I have not seen it and I keep looking on their website for it. What went wrong with that? Why were people able to gerrymander and jigger the system to favour certain parties? I hope that would not happen. So my concern has to do with the management of the process in making sure that citizens of Trinidad and Tobago have as fair an opportunity as the institutional investors.

One of the concerns I share with Senator—my colleague in front of me—Sen. Ameen, about having the credit unions involved and I would like to even see if it is possible for the credit unions to be sale agents for this, to be able to extend the outreach to the regular person who might be trying to buy a bond for the first time and might not know the process, and may not even be banking with a bank. Is it possible that we could include the credit unions as sale agents to be able to really spread the net wider to allow citizens to have this opportunity? I have thought about saying, listen, you have the same normal awards we give every year for secondary students doing well in terms of the national examinations and the SEA exams. The Government could say, listen give all of the students who attain a certain grade \$500 in bonds.

Madam President, one of the things that I have advocated for in a previous place is that we have assets in this country but we do not have ownership of those assets, and ownership of assets is critical, and I want to deal with that quickly, Madam President. A lot of this has been made about the issue of risk, in terms of the profile of the entities. So that while it is very easy to go on, let us say, Republic Bank's website and see that Republic Bank, in 2008, they were paying

\$3.35 dividend per share; 2010, \$3.38. All the way up to last year it was \$4.40 dividend per share, and the profit after tax has been pretty consistent at over a billion dollars every year. So that you would talk about gilt-edged securities; this is one of the companies in Trinidad and Tobago, through no fault of their own—they just very steady—and you are getting an excellent return. So if this is making up 55 per cent of the portfolio, I would have good confidence.

The other entity that I want to focus on, Madam President, is TGU. I want to explain and help citizens get confidence. Trinidad Generation Limited operates under something called a PPA, a power purchase agreement. What that means, Madam President, whatever they produce, the Government is going to take and pay for. Whether they actually take it or not, the Government is guaranteed to take it and pay for it, which means that the company itself has a guaranteed stream of income for the life of that agreement. It is impossible for them to make a loss—almost. So that it is an extremely stable operation.

So when you have Republic Bank 55 per cent and TGU 26 per cent making up 81 per cent of this fund, I would not say it is risk free, but the risk profile is very low, in my own humble estimation. I would certainly be looking to get some of these bonds. I hope I am more successful than the last time when I tried to get FCB shares. So I am hopeful that the process has improved, and those who gerrymandered the system the last time are not involved in now. I have looked at some of the names and I am seeing some of them there, but I would leave that for the people who are—you have to be careful because people who have engrained bad habits do not change. But I would not be disruptive at this time of the debate.

Madam President, I also want to say that I supported the measure raised by Sen. Mahabir for consideration in terms of the involvement of the Unit Trust. I

think it is innovative and it also allows for a second bite at people being able to invest, because you would always have a small window. People will be all over the place doing different things and it allows people a second bite. These are prime assets, prime, prime assets and I would like our citizens to have the best opportunity to get into it. The corporate guys, they would just be grabbing at this. So I like the idea too of giving an early window for individuals and credit unions to get in and get as much as they can, if it is at all possible. I would support it. I am not sure if it is practical, but it is something I would support.

So, Madam President, I think that almost covers all the things I wanted to say, because I believe that this measure provides—and I want to say this to the people of Trinidad and Tobago—I think that where we are as a country, we have few opportunities to be able to be owners, to be part owners, and when I think about what is available here, I recall when another issue was happening and I gave someone my synopsis of what I felt about that particular company, and every time they get a quarterly reading, he said, but how did he know? I say, well I understand the business. I understand the TGU business and if I could get even a little piece of that that is a guaranteed flow of money going forward.

Republic is almost just as good because their performance over the past 10 years, at least, has been ridiculously robust. So that for me, I looked at it, the Bill is intended to give an exemption for the profits and the interest payable on the bonds. I did not hear anybody say not to give it, so I guess that everybody likes—wants to give it.

So, Madam President, I am here to support this very short Bill. I think that where we are as a country, this is the type of initiative that I think is forward thinking, it is innovative. I have to congratulate the Government on bringing this

[*Desk thumping*] because we will always have different viewpoints, but when something in my view, in my respectful view, is genuine in the interest of the citizens of Trinidad and Tobago, we should support it, and I support it a 100 per cent and with those few words, Madam President, I thank you. [*Desk thumping*]

The Minister in the Ministry of Finance (Sen. The Hon. Allyson West): Thank you, Madam President. Madam President, as I wind up this debate, I will try to address the relevant questions that were raised by my colleagues in Opposition and on the Independent Bench. So let us start with Sen. Mark's challenge of the amount outstanding. I am reading from the affidavit of the PS in the Ministry of Finance which was submitted in support of the successful claim that was made against the CL Group and he indicated that the injections were as follows.

Injections into Clico to protect traditional policyholders, \$5 billion; injections into British American for the same reason, \$872 million; payments to Clico short-term investment products, \$10.8 billion; payment to BATT short-term investment products, \$765 million; payment to CIB depositors, \$1.8 billion; payment to FCIS to protect CMMB investors, \$731 million; payments to liquidator BICO to acquire a promissory note, \$334 million; interest on financing cost to April 2016, \$2.6 billion, totalling the overall debt of \$23.09 billion.

It is in the affidavit. It was accepted by the court. It was on this basis that the matter was decided in the Government's favour. So I hope that puts to rest the query about how much was outstanding. It was \$23 billion that was loaned in all, \$7 billion has already been recovered so we are seeking to now recover the rest, part of it through this measure.

Why OCM shares? The Government is looking to recover the debt from Clico. It came up with the plan to use the assets of Clico because it could not get

the cash. It wants the strongest assets possible because, one, it wants to be successful in its offering and, two, it wants to ensure that the product that it offers to the Republic of Trinidad and Tobago is a sound product. When we look at the list of assets that are available to recover the Government's debt, we chose the strongest assets that Clico has in terms of equity. We are talking Republic Bank, we are talking OCM, we are talking WITCO and we are talking Angostura. All of these companies have a sound history of profit-making and over the last five years, at least, they have paid dividends every year, decent dividends.

So if you want to provide an investment that is not risk free—because no investment is risk free—but it provides the minimum amount of risk. You need to look for the strongest assets and that is what we did. The Government is not about waylaying a press house, because freedom of press is important to us. So the intention was to secure the strongest assets so that we can have a sound dividend return to go into the fund to provide a decent return and that is why we have selected the list of assets.

So having expressed concern that we may exercise too much control over the assets of, at least, one of the companies on one hand, the Members on the other side including Sen. Hosein, in particular, said that the fact that we do not control the companies, the shares of which are going into this fund means that this increases the risk of the investment because we cannot give instructions to say if and when to pay dividends and how much to pay, so we cannot guarantee the return.

If we are talking about companies which we all know, which have historically and consistently provided a sound return to their investors, why would the Government want to get involved in seeking to manage the affairs of these

companies? The companies are doing well on their own. So, we have the ownership. We want the companies to continue doing well and we will take advantage of that by reaping the dividends and paying it over to the investors. It seems to me that is the best approach to take. We should not be getting involved in running a press house or running a bank. That is not our business. So we will continue to let the management do what they have been doing so well for the [*Desk thumping*] the past five years, for the past decade, and the people of Trinidad and Tobago will reap the rewards through its investment in NIF.

Government guarantee: Sen. Mark mentioned that the Government is providing a guarantee. Let me dispel that completely. The Government is not providing a guarantee. What the Government is saying is that it is putting into the investment company twice the value of the assets that are being loaned to the public. That will be the guarantee to the members of the public. So you are borrowing \$4 billion but it is backed by assets of \$8 billion and the security for that will be found in the documents that would be issued in respect of that investment because trust deeds would have to be created and so on and the assets would be kept for the purpose of supporting that investment.

Sen. Mahabir's point as to whether the Government would wake up tomorrow and make another bond issue for the rest of the money, I said to Sen. Mahabir that the intention is that the surplus dividend received would be put into a sinking fund to generate proceeds to settle the debts. So there is no intention to water down the assets of that company. That company will retain the assets to support the bonds in the first instance and as those bonds become paid off, to provide additional funds to the Government.

Access: how do we guarantee that the people of Trinidad and Tobago, by

and large, or what we are popularly calling the “small man” will have access? We are doing that because we have created a bond, the denomination of which is small enough—\$1,000—to allow people to invest. We are embarking on a strong education programme, so that people understand what the bond is about, and maybe I have more faith than my colleagues in the people of Trinidad and Tobago. I have no doubt that when we explain it to them properly—it is a simple thing—they will understand, they will see the merits of it and we are hopeful, based on that, that they will invest.

I remember in the landscape of Trinidad and Tobago, tax-free government bonds were a popular thing, and my recollection is that the people at large invested in the tax-free bonds because they recognized the benefit of these things. It was not only the 1 per cent. [*Crosstalk*] I will get to you. It was not just the 1 per cent that invested in bonds because the common man in the street, the public servants, the teachers and the “whoever”, they understood the benefit of these bonds. When we bring to the attention of the national community the return on this bond, versus the kind of return they are getting generally elsewhere on their money, I have no doubt that there will be a high level of interest—and no pun intended.

Sen. Mark referred to Moody’s questioning the ability of the Government to raise \$4 million and a couple of other contributors were concerned that there is enough liquidity and it would be undersubscribed, let me quote from today’s *Express*, an article by Leah Sorias, where she quoted fairly well-respected economists in the country and their perception of the offering.

“University of the West Indies economist Dr Vaalmikki Arjoon yesterday opined that given the lack of investing alternatives in T&T and attractive rate of returns being offered by the fund, long-term investors would buy-in

to the bonds.

‘The long-term investors would also have a more diversified portfolio by investing in the fund’

‘What we could expect is that there would be somewhat of a reduction in the demand of US dollars, provided that there is significant buy-in to these bonds. Many of those investors who would have ordinarily invested their money abroad could very well choose to instead invest in these bonds offered by the NIF, which is another positive,’ ...”

That is Dr. Arjoon.

“Economist Indera Sagewan-Alli also felt NIF was a good idea because of the excess liquidity in the banking system.

‘The companies that have been placed in this investment...are solid companies and have been performing well. So the return on this investment is likely to be very good. So it’s certainly an alternative for which individuals who simply have their money sitting in a bank and getting less than one per cent returns,’ she said.

‘Let us also remember the extent the First Citizens IPO was over-subscribed, I foresee... (NIF public offering) being absorbed.’”

So that is the view of two of our respected economists.

The allocation policy, to answer the question raised by Sen. Richards and a couple of others, the allocation policy is currently being worked out, but the Government’s commitment is to ensure that the bond is widely available. So I cannot tell you now what they are, but as we start the publicity campaign within the short period, you will get that information.

Now, we are seeking to manage two important objectives: on the one hand,

we need to ensure that we raise the target that we are seeking, which is the \$4 billion and, on the other hand, we want the subscription to be as widespread as possible. So we will draft the allocation policy with that in mind.

In terms of who can invest, yes it would be open to the credit unions, and I am sure that they will subscribe to this, because it will be a significant benefit to their members. It is open to the UTC. Sen. Mahabir—Madam President, sorry, through you, to Sen. Mahabir, when I looked at section 13 of the Unit Trust Corporation of Trinidad and Tobago Act, it seems to me there is no current restriction on the UTC purchasing these shares or seeking to do what you have suggested. I do not think we need an amendment to the Act to allow them to do that. They are free to participate. The Government is hopeful that they will participate and, therefore, their members can benefit from this either directly through investing themselves or investing through the UTC or the credit union. We are also hopeful that members of the public can also benefit indirectly through investment by the NIB, through investment by pension plans, all of whom are generally looking for sound decent return investments and there is no dispute that this is one of those.

On the question of the prospectus which was hammered by so many people, and I would focus in particular on Sen. Ramdeen, we would have loved to have done this thing in a reasonable order and slowly and given you time to assimilate all the information, but remember we came to this House in September of last year and said to you that one of the ways we are financing the deficit budget is through the sale of these assets. If I had come to this House in September of this year—and said to Sen. Shrikissoon, who asked the question—one of the people asking the question—that the deficit was bigger than we had anticipated because we did not

complete this, he would have been the first one to attack me. I have no doubt. So that we had to wait on the courts to determine what assets we were getting before we could design a structure, before we could go to the public, and, therefore, yes it is not ideal to be rushing like we are rushing, but we have a timeline within which to work and the timeline is not only controlled by us. So this is the reason why we are where we are.

In terms of why did we not bring the prospectus, I would have loved to have brought the prospectus, but the people who are attacking us most severely for bringing the prospectus, which are the Members of the Opposition, I would like to remind them that when their Minister of Finance in 2013 brought the Clico Investment Fund—brought the amendments to the Income Tax Act to support the Clico Investment Fund—his contribution was one paragraph long. That was the entire time that he spent on the Bill, because it was a Finance Bill in which was hidden the Clico provision—one paragraph long just indicating that the fund was being set up and they wanted the income tax exemption. That was it. Unlike our prospectus which is still in draft and before the SEC—so before we launch it, we want to ensure that everything is fine—their prospectus had already been issued but, notwithstanding that, that issue was not addressed or raised or explained before the House. So, I would just like to say that one should consider how one behaves before one castigates other people.

A question was raised on the issue on foreign investors, in particular, by Sen. Mahabir. And Sen. Mahabir, while there is nothing in the information that prohibits the investment to foreigners, I would like to draw to your attention, there is nothing that seeks to incentivize foreign investors to come and invest in this. So there is no withholding tax exemption, and the bond is going to be denominated in

TT dollars, paid in TT dollars because we are receiving TT-dollar income to support the bond and, therefore, any foreign exchange risk will be for the investor, if he chooses to invest. It would not be for the Government to find foreign investments so foreign investors could take its money away.

Use of the proceeds: it is not fair to say that the Government has not indicated how the proceeds of the sale of the bond is used. We did not say it in this debate, I grant you, but when we came to you in September, in the budget discussion, we indicated to you that one of the ways that we were financing the budget for 2017/2018 was through the dealing with the Clico assets. We said to you, this is what we are going to spend the money on for the year and among the money that we were going to spend for year is the Clico budget. I cannot say that this formula is going to support this particular highway or whatever, but you know all the things we are doing with the funds that we are raising, and this just forms part of the funds that we are spending in 2018/2019.

8.10 p.m.

A month ago we came to you with the mid-year review and told you how we were addressing our expenditure, so you have a clear impression of how we are spending the money. Sen. Mahabir, just to correct a comment that you made about potential double taxation, there would be no double taxation in respect of the return on the shares, because dividend income coming into a local company is exempt. So that would not be taxed. The reason why we want to give the fund exemption is because, as I indicated, the fund is going to be taking the spare dividend income that is not distributed in interest to the bondholders. It is going to be taking that and investing that, and generating what we assume will be in at least part taxable interest income. That is where we need the exemption. The directors—yes, at the

moment the directors are members of the staff of the Ministry of Finance, but, again, that is not unusual. The directors of CIF were members of staff of the Ministry of Finance; the CIF that was introduced by the People's Partnership, when you all were in power. So I do not know why all of a sudden directors are members of the staff of the Ministry of Finance are not able to be directors of this company. What will the company do, the company will receive funds, hold funds, pay out dividends, and, I have no doubt, will seek a competent investment agent to invest the excess of profits.

So, while we may change the directorship of the company, I do not think that the current directors will cause any difficulty for us, the Government or the people of Trinidad and Tobago. Sen. Ramdeen harped on the fact that for the last two years and nine months we have operated on a deficit budget as though a deficit budget is a PNM invention. I would like remind Sen. Ramdeen that the last non-deficit budget year was under a PNM Government in 2008. So you ran a deficit budget for the five full years from your term in power. [*Desk thumping*] So the deficit budgeting did not start in 2015. [*Crosstalk*]

Sen. Ameen: It started under the PNM.

Sen. The Hon. A. West: It did not start in 2015, it started—

Madam President: All right, Minister, please.

Sen. The Hon. A. West: Yes, Madam President.

Madam President: Members, let us not, at this stage, allow the behaviour to degenerate, okay. Continue, Minister.

Sen. The Hon. A. West: Thank you, Madam President. So I think the point is made. Sen. Ramdeen wants us to thank the People's Partnership for the prudent management of CL under their stewardship which is what gives us the means now

to do what we are seeking to do. I beg to disagree, Sen. Ramdeen, and I will give you—I will repeat the one example that was already raised by my colleague, the sale of Burn Stewart where the asset was sold, and Trinidad and Tobago got no benefit from the sale of the asset. The methanol plant was sold and we did not get the kind of benefit that we ought to have gotten. So that we are here, in my view, in spite of the management under the PP. [*Desk thumping*]

Sen. Small, we will ensure that there is no gerrymandering with this process. We intend to make it transparent and not be a repeat of what happened with the FCB IPO. I give you that assurance.

Sen. Small: I will get my shares.

Sen. The Hon. A. West: And you will get—well, one of the issues with the allocation, because we are kind of swinging to the far ends of the spectrum here; on the one hand we are saying that people in Trinidad and Tobago, the small man will not be able to get the shares because it will go to the big man, and on the other hand we are saying we would not be able to raise the \$4 billion. The issue of the allocation of shares will only really be an issue, in my view, if the shares are oversubscribed. If they are not oversubscribed anybody who applies would get what they applied for—

Hon. Senator: Bonds not shares.

Sen. The Hon. A. West: Bonds. I am sorry. And if the bonds are oversubscribed, yes, then yes, we need a proper allocation, and we will ensure that an appropriate amount goes to the small man, including you, who I do not really consider a small man. But we intend to run the process properly, and we intend to ensure that the ordinary person in Trinidad and Tobago gets a reasonable percentage of these bonds.

So, Madam President, I think those were the main issues raised on the other side, so I will close by just giving a synopsis of what we are doing so that the listening public will get an understanding. We have secured 100 per cent ownership to Sen. Mark's point because he wanted to ensure that there were no conflicting demands on these shares. So we have secured, through the liquidator, 100 per cent ownership of the assets in question. We are going to take these assets, which, as everybody admits, are blue chip assets, shares in Republic Bank, shares in WITCO, shares in OCM, shares in Angostura Limited, shares in TGU, put them in a company called the National Investment Fund Holding Company Limited. That entity is going to issue a bond to the Government in payment for those shares. The Government will convert half of the value of that bond into shares in NIF so it will be the sole shareholder of NIF. And the remaining value of those shares will be recovered in cash from NIF when NIF sells its bonds to the members of the public of Trinidad and Tobago.

Sen. Obika, Madam President, said more than once that we were focusing on investors and not the small man. I do not know what definition of investors Sen. Obika uses, but my definition of investor, as supported by *Webster*, and other people of that ilk, is somebody who invests in a product, whether it is an individual, a company, a larger—so we are covering the full range. So, the Government will recover the \$4 billion in cash from NIFL when it sells the bonds. On an annual basis the bondholders who will buy bonds in denominations of \$1,000 for term periods of five years, on the one hand; 12 years, and 20 years, for each of the years that you hold your bonds you will get interest rate, tax free on those bonds, and at the end of the period when the bond matures you will recover your capital in the bond. We have, one, provided the rate that is higher than the

yield, and we have, two, enhanced that rate. We are seeking to enhance that rate by making the bond return exempt. So, Madam President, and we are also listing the bond—

Sen. Mark: May I, Madam President? Madam President, through you, to the hon. Minister, could you share with us how the TGU was selected? In other words, what criteria was used? And could you tell us also what is the total value of the asset and the percentage that is being invested in the NIF, and the value of that percentage?

Sen. The Hon. A. West: Okay. We were looking for blue chip companies. I told you about the others, and you have the evidence available through the Stock Exchange, and so on. With respect to the others, I think Sen. Small did an excellent job in explaining why we also consider TGU a blue chip, and it is for this reason that it was included. The value of the TGU shares that are going into the fund is \$2 billion, and it represents 26 per cent of the value of the fund.

So, I was winding up in terms of the nature of the investment. Madam President, we have sought to create for the public of Trinidad and Tobago an investment in an instrument where there is a dearth of instruments of that nature; that is one, because investors generally will tell you, I am tired of leaving my money in the bank and getting little return, I want to invest in something but I do not know what. There is a fair majority of people in the Stock Exchange. So not too many people invest in the Stock Exchange. People know about bonds, bonds guarantee a return. You get the return every year and at the end of it you know you are getting your money back. When you invest in the Stock Exchange, you are not sure whether the value of what you invested in, is the value that you will receive. We are listing the bonds on the Stock Exchange which will allow somebody who

comes to a point in his or her life where he needs his money back, he has the opportunity to sell those shares on the Stock Exchange and get his cash back. He may get, if he is fortunate, and if he chose the assets well, and we think we did, he may get a return, a capital return on the sale of that asset. If it is unfortunate that things go south, he has to be aware of the fact that there may be a depreciation in the value of that asset, but we think that the alternative, which is an increase in the value is more likely than the other.

So, Madam President, having regard to the entire picture, I think that the Minister of Public Utilities was right, the Ministry of Finance did an excellent job in coming up with this product. It is a sound product. I highly recommend it to all of the members of the public of Trinidad and Tobago. Let us take the responsibility for ensuring that it does not go to the one per cent. Let us take up the challenge to buy these bonds, and—

Sen. Ameen: Minister?

Sen. The Hon. A. West:—take advantage of this excellent opportunity. [*Desk thumping*]

Madam President: Sen. Ameen.

Sen. Ameen: Thank you. Thank you, Minister, for giving way. I just wanted to ask you in terms of what measures are being put in place to guarantee—I am happy to hear you are encouraging citizens, but to guarantee that protection for citizens that the bonds would not be swallowed up by the bigger companies, and so on.

Sen. The Hon. A. West: Madam President, I think I addressed that issue that we have not yet formalized the allocation policy. As soon as it is done we will make that public. So, Madam President, with those few words, I thank you, and I beg to move. [*Desk thumping*]

Question put and agreed to.

Bill accordingly read a second time.

Madam President: Minister in the Ministry of Finance.

Sen. The Hon. A. West: Madam President, in accordance with Standing Order 57(2), I beg to move that the Bill not be committed to a committee of the whole Senate.

Question put and agreed to.

Question put and agreed to: That the Bill read a third time.

Bill accordingly read the third time and passed.

ADJOURNMENT

Madam President: Leader of Government Business.

The Minister of Energy and Energy Industries (Sen. The Hon. Franklin Khan): Thank you, Madam President. Madam President, I beg to move that this Senate do now adjourn to Monday the 2nd of July at 1.30 p.m. During that sitting we will be doing to court electronic payment Bill, and the other Bill listed on the Order Paper, which is an omnibus Bill that calls for the amendment of a series of legislation. Thank you.

Question put and agreed to.

Senate adjourned accordingly.

Adjourned at 8.24 p.m.