THE

PARLIAMENTARY DEBATES

OFFICIAL REPORT

[VOLUME 7]

PROCEEDINGS AND DEBATES OF THE FIRST SESSION OF THE NATIONAL ASSEMBLY OF THE THIRD PARLIAMENT OF GUYANA UNDER THE CONSTITUTION OF GUYANA

17th Sitting	2 p.m.	Friday, 10th December, 1973

MEMBERS OF THE NATIONAL ASSEMBLY

Speaker

His Honour the Speaker, Mr. Sase Narain, J.P.

Members of the Government - People's National Congress (49)

The Hon. L.F.S. Burnham, O.E., S.C.,
Prime Minister **(Absent)**

Dr. the Hon. P.A. Reid,
Deputy Prime Minister and Minister of
National Development and Agriculture

Senior Ministers (7)

The Hon. H.D. Hoyte, S.C.,
Minster of Works and Communications

*The Hon. S.S. Ramphal, S.C.,
Ministers of Foreign Affairs and Justice **(Absent)**

*The Hon. H Green,
Minister of Co-operatives and National Mobilisation

***Non-elected Ministers**

*The Hon. H.O. Jack,
Minister of Energy and Natural Resources

*The Hon. F.E. Hope,
Minister of Finance

*Dr. the Hon. K.F.S. King,
Minister of Economic Development

*The Hon. S.S. Naraine, A.A.,
Minister of Housing

Ministers (6)

The Hon. W.G. Carrington,
Minister of Labour

The Hon. Miss S.M. Field-Ridley,
Minister of Information and Culture

The Hon. B. Ramsaroop,
Minister of Parliamentary Affairs
and Leader of the House

*The Hon. Miss C.L. Baird,
Minister of Education

*Dr. the Hon. O. M. R. Harper,
Minister of Health

*The Hon. G. A. King
Minister of Trade **(Absent)**

Ministers of State (9)

The Hon. M. Kasim, A.A.,
Minister of State for Agriculture

The Hon. O.E. Clarke,
Minister of State – Regional
(East Berbice/Corentyne)

The Hon. P. Duncan, J.P.,
Minister of State – Regional (Rupununi)

***Non-elected Ministers**

The Hon. C. A. Nascimento,
Minister of State, Office of the Prime Minister

Mr. M. Zaheeruddeen, J.P.
Minister of State – Regional (Essequibo
Coast/West Demerara)

*The Hon. C.V. Mingo,
Minister of State for Home Affairs

*The Hon. W. Haynes,
Minister of State – Regional (Mazaruni/Potaro) **(Absent)**

*The Hon. A. Salim,
Minister of State - Regional
(East Demerara/West Coast Berbice) **(Absent)**

*The Hon. F. U. A. Carmichael,
Minister of State – Regional (North West)

Parliamentary Secretaries (8)

Mr. J.R. Thomas
Parliamentary Secretary, Ministry of Housing

Mr. C.E. Wrights, J.P.,
Parliamentary Secretary, Ministry of Works
and Communications

Miss M.M. Ackman,
Parliamentary Secretary, Office of the Prime Minister,
and Government Whip

Mr. E.L. Ambrose
Parliamentary Secretary (Agriculture),
Ministry of National Development and Agriculture

Mr. K. B. Bancroft,
Parliamentary Secretary (Hinterland),
Ministry of National Development and Agriculture

Mr. S. Prashad,
Parliamentary Secretary, Ministry of Co-operatives
and National Mobilisation

***Non-elected Ministers**

Mr. J. P. Chowritmootoo,
Parliamentary Secretary, Ministry of Education

Mr. R. H. O. Corbin,
Parliamentary Secretary, Ministry of
Co-operatives and National Mobilisation

Other Members (18)

Mr. J.N. Aaron
Mrs. L. M. Branco
Mr. M. Corrica
Mr. E.H.A. Fowler
Miss J. Gill
Mr. W. Hussain **(Absent – on leave)**
Miss S. Jaiserrisingh
Mr. K. M. E. Jonas
Mr. M. Nissar
Dr. L. E. Ramsahoye **(Absent – on leave)**
Mr. J. G. Ramson
Mrs. P. A. Rayman **(Absent – on leave)**
Mr. E. M. Stoby, J.P.
Mr. S. H. Sukhu, M.S., J.P.
Mr. C. Sukul, J.P.
Mr. H. A. Taylor
Mr. R.C. Van Sluytman
Mrs. L.E. Willems

Members of the Opposition

Liberty Party (2)

Mr. M. F. Singh, Deputy Speaker
Mrs. E. DaSilva

OFFICERS

Clerk of the National Assembly – Mr. F.A. Narain

Deputy Clerk of the National Assembly – Mr. M. B. Henry, AMBIM.

2.10 p.m.

PRAYERS

ANNOUNCEMENTS BY THE SPEAKER

Leave to Members

Mr. Speaker: Leave has been granted to the following Hon. Members:

a) Mr. Hoyte, Mr. Duncan, Mr. Wrights, Mr. Bancroft, from 11th to 14th December,1973, both days inclusive, and

b) Mr. Stoby for today, and for tomorrow's Sitting.

PRESENTATION OF PAPERS AND REPORTS

The following Papers were laid:

1. Commonwealth Telecommunications Council – Fifth General Report and Statement of Accounts – 1st April, 1972 to 31st March, 1973 **[The Minister of Works and Communications]**

2. (a) Estimates of the Revenues and Expenditure of Guyana for the financial year 1974.

   (b) Purchase Tax (Motor Cars) (Amendment) (No.3) Order 1973 (No. 151), made under section 5A of the Motor Vehicles and Road Traffic Ordinance, Chapter 280, on the 10th of December, 1973, and published in the Gazette on the 10th of December, 1973.

   (c) Consumption Tax (Amendment) (No. 3) Order 1973 (No. 152), made under section 4 of the Consumption Tax Act, 1969 (No. 13), on the 10th of December, 1973, and published in the Gazette on the 10th of December, 1973.

   (d) Customs (Export Duties) Order 1973, (No. 153), made under section 8 of the Customs Ordinance, Chapter 309, on the 10th of December, 1973, and published in the Gazette on the 10th of December, 1973**. [The Minister of Finance]**

INTRODUCTION OF BILLS – FIRST READING

The following Bill was introduced and read the First time:

Tax (Amendment) (No. 2) Bill 1973. *[***The Minister of Finance]**

PUBLIC BUSINESS

The Minister of Parliamentary Affairs and Leader of the House (Mr. Ramsaroop): Your Honour, with the consent of the Opposition, I ask your permission that for item 2 on the Order Paper be done first at today's Sitting, that is, the Budget for 1974.

Mr. Speaker: Hon. Minister, it is agreed that you present the Budget.

MOTIONS

APPROVAL OF THE ESTIMATES OF EXPENDITURE

2.15 p.m.

FOR THE FINANCIAL YEAR 1974

The Minister of Finance (Mr. Hope): In accordance with article 80 (2) of the Constitution of Guyana, I signify that Cabinet has recommended the following Motion for consideration by the National Assembly, a Motion for the approval of the Estimates of Expenditure for the year 1974 totalling $337,303,105.

I now move the Motion for the approval of the Estimates of Expenditure for the financial year 1974.

Mr. Speaker: Hon. Minister of Finance, please proceed.

Minister of Finance (Mr. Hope): Mr. Speaker, it is time once again, to present this National Assembly, and the people of Guyana the expenditure and fiscal proposals of the Government, for the next fiscal year (1974). In the course of the presentation an attempt would be made to review the public finances of the country over the past year, and the economic and monetary trends both national and international-which impinged to those financial flows.

Mr. Speaker, the Government is deeply conscious of the great responsibility which has naturally devolved upon it, as a consequence of its overwhelming success at the polls in July 16th of this year, to give positive directions to the development of the economy. In this Budget therefore a high level of capital investment is proposed, essentially to increase and diversify production as quickly as possible, and create job opportunities for the unemployed. The Government would borrow to finance its capital programmes, but it proposes also to take firm steps to increase the contribution of the Guyanese people to the financing of our development efforts.

Since the last budget was presented to this House in December 1972 the Government has issued a draft development programme for the period 1972 – 1976. That programme identifies full employment by 1976 as one of the major objectives of the Government's development efforts; and sets as a target that by the end of the plan period Guyanese must be able to feed, clothe, and house themselves. Essentially, sir, the programme of development presupposes a tremendous level of self-reliance and discipline leading eventually to a significant measure of self-sufficiency in the domestic economy.

The fiscal proposals that form part of this Budget presentation rest largely on the assumption that the people of this country are serious about development and are prepared to endure a period of austerity in terms of consumption and even social services, in order that the development programme may be implemented and the foundation for self-sustained economic growth established. Substantially, too, the proposals presume that trade unions in both Public and Private Sectors endorse the Proposition that unionised workers have a duty to accept a certain measure of sacrifice and are prepared to exercise some self restraint in terms of pay demands, in order to enable jobs to be created.

SIGNIFICANT WORLD ECONOMIC TRENDS

But, Mr. Speaker, before perusing this line of thought further, I should perhaps describe very briefly the more important world economic trends with which we have had to live over the past year. These trends have exerted, and will continue to exert, substantial influence on our domestic economic experience, and inevitably on the economic and financial policies we pursue.

One of the most disturbing economic problems that has affected most of the economies of the world has been persistent and accelerating inflation. The developed countries of Europe n North America have with few exceptions experienced inflationary price rises that, in some of these countries, have averaged over 12 per cent per annum. Most of the inflation had been the result of the pursuit of full employment policies, the sharp rise in disposal incomes, and a rapidly growing demand for consumption goods, a demand, Mr. Speaker, that in many cases has out stripped immediately productive capacity.

The developing countries of the world - and Guyana is one of these - have been unable so far to isolate themselves from the effects of this inflation in the developed countries, which their own internal prosperity and economic policies generated. This is so because like Guyana, the economies of most of the developing nations are opened. There is a high propensity to import.

We have seen in the inflationary trend in Guyana over the past 12 months in the form of higher food prices and the increased landed cost of raw materials, textiles, spare parts and machinery to name only a few.

These inflationary trends have been accompanied by and in many instances, they have been the cause of, continued monetary instability. The major currencies of the world are still subject to disturbing fluctuations in their exchange rates as the International Monetary Fund continues to grapple with the task of devising a reform system that would both work and last.

In the framework of these trends – inflation and international monetary instability and largely in response to them, interest rates in the money markets of the world have shot-up to record levels. Lending rates for short and medium term money have soared to heights in excess of 13 per cent per annum, while the long term money market, at least for the Governments of small developing countries, has practically vanished, as a country's with available capital try to combat inflation by pushing upwards the cost of money. In a context of exchange rate the uncertain risk of capital lost is too great to make long term lending a valuable proposition for the time being, at even the prevailing high rates of interest. Borrower countries must therefore content themselves with borrowing on terms which include maturities that range from five to nine or ten years.

The significance of these developments for countries like Guyana that must borrow abroad, and purchase their capital goods from external sources, is not difficult to appreciate. External borrowing has become an expensive business; the exchange risk of borrowing in the present period of monetary uncertainty is sobering. But, Mr. Speaker, it is a well known fact that the flow of bilateral financial assistance from developed countries is limited and is not necessarily responsive to the growing need for developmental capital. The emphasis is now tending towards multilateral flows through International Agencies like the World Bank, the International Development Association (IDA), and Regional Development Banks. It is only through the IDA – the soft window of the World Bank that borrowing on soft terms is really possible. Guyana however, which has a *per capita* income of near US$300 is hovering just above the limit established by IDA for identifying countries that may benefit from its low interest credits. In fact most of the resources of IDA now go to the twenty five least developed of the developing countries, defined in terms of a per capita income of US$100 or less. Guyana is therefore not one of these. Since the funds of the IDA are not replenished by the Aid providing countries rapidly enough, Guyana like a number of developing countries, is unable to secure enough of the soft funds available through that international financial institution. Certainly in the coming year although there is good reason to anticipate increased financial support for Guyana from the World Bank, very little if any of this is expected to take the form of credits from the IDA.

We must, to an increasing extent, rely on harder money to finance our development programme. There is, however, one very significant advantage in this kind of borrowing when compared with bilateral borrowing. Commercial borrowing is entirely untied, and therefore can be so spent as to maximize the purchasing power of each dollar.

While as I have pointed out, Mr. Speaker, the prices of imports by developing open economy countries, like Guyana, have been increasing sharply, the market has been rather strong for a number of primary commodities exported from the developing countries. In so far as Guyana is concerned world market prices for sugar reached the level of £110 or G$573: per ton during the year. The negotiated prices were pegged at G$318: per ton compared with G$243 two years ago. The price of internationally traded gold was seldom lower than US$100 per ounce. At the same time metal grade Bauxite prices were showing some recovery, albeit slow, after the depressing price levels of 1971 and 1972. The price of rice on the world market was also high, and this country was able to secure fairly significant price increases from the markets in the Caribbean.

Against these increases in primary commodity prices this country had to cope with phenomenal price rises for wheat, corn, machine parts and fuel, dairy products, and in fact practically all items of manufactured and semi-manufactured goods.

On balance for most developing countries, as for Guyana, import prices in general rose so sharply and so steadily as to out-strip export prices; the result was the falling terms of trade which Guyana experienced in 1973 in common with other developing countries.

Added to price inflation, no doubt giving rise to it in certain instances, were the serious shortages in certain staple food items which faced the developing world. Shortages in the supply of grain such as wheat, corn and rice have been particularly significant. The world now faces a real possibility of starvation unless the supply of these commodities could be drastically improved. For Guyana, Mr. Speaker, there is a golden opportunity. There is an assured market at remunerative prices, for all the rice, sugar, corn and meat that we can produce. All the indications seem to suggest that demand for these commodities would remain strong over the next two years at least, as the world grapples with a growing demand for food, and the need to build-up stocks that were seriously depleted over the past two years.

These trends, Mr. Speaker, hold important guidelines for us in Guyana and must dictate or at least influence the economic strategy we adopt. It is clear that food shortages in the international markets must make our policy objective of self-sufficiency in food by the end of the plan period most critical and far-sighted; it is not difficult to conclude that increasing the production of grains like rice and corn to create surpluses for exports would earn the country substantial foreign exchange, while offering employment to many persons. It is not difficult to conclude that in view of the high cost of foreign borrowing it is of utmost importance that Guyanese should rely more on domestic savings for the financing of development works. It must also be self-evident that if we are to protect ourselves from the inflation of the industrialized countries, we must put a substantial brake on our desire to consume goods that must be imported. In summary if we are really to develop our economy, production must be expanded and diversified, not only to meet domestic requirements, but also to take full advantage of the export opportunities that are clearly present.

Indeed our projected capital outlays for 1974 have been given this thrust. Most of the planned capital expenditure is designed to be directly productive. They have been made in sectors that present the best opportunity for expanded output, because the market – domestic and foreign – for the commodities to be produced, are strong at present and will continue to be strong for some time yet.

Further, Mr. Speaker, I think it should be known that success in our development efforts is linked to monetary stability. Because of the deep uncertainties and fundamental instability which characterize the Foreign Exchanges, the cost of money and credit is so prohibitively high as to make many projects unfeasible and put a break on economic growth; substantial barriers have been erected in many countries against the free flow of funds; for instance, sterling funds can no longer flow freely into Guyana because of United Kingdom Exchange Control against sterling area countries. The value of foreign exchange earnings for our exports could vary from day to day; in fact, the Bauxite Industry experienced certain losses in terms of Guyana currency when the US$ strengthened earlier in this year; and the capital cost of a project could rise significantly because of these same unpredictable movements in foreign exchange.

But monetary instability is none of our making. As a small country we feel the full effect, but can do very little to change the situation, except make our views heard in the International Monetary Fund. In fact, while the instability persists, we do not have the best environment in which we could adopt, or even determine, the exchange rate policy that would best fit our development circumstances.

What is the prospect for a return to monetary stability?

Last year when I presented the Budget to this honourable House, the International Monetary situation was extremely unsettled. The pound sterling was floating, and other major countries taking steps, including high interest rates in the case of weaker currencies, and even negative interest rates, in the case of the stronger currencies, to protect their reserves and the stability of their currency.

By early 1973 the system had collapsed again after the measure of stability introduced at the time of the Smithsonian re-alignment. There was then a further devaluation of the US dollar and a further re-alignment of exchange rates in February.

And even this did not help the dollar. Less than two weeks later the twice-devalued US dollar was yet again under severe pressure from speculative attacks. By mid-March, 1973, it was clear that the Bretton Woods system of stable exchange rates, anchored to gold, had become too vulnerable to such speculative attacks. It was then virtually abandoned (pending reconstruction); and all the major reserve currencies resorted to a float taking with them in their snake-like movements the other currencies that were tied to them.

What was wrong with the old Bretton Wood system? Times had changed. Moreover, recent events in my view establish clearly that one of its major faults was that it rested too heavily on one currency – the US dollar. In recent years this currency has provided international liquidity on an uncontrolled and indiscipline basis related to the deficits on the US balance of payments, and not to the world need for such liquidity. The world economy has been flooded with liquidity and pushed into an inflationary spiral.

As I said at Nairobi, when I spoke on behalf of all the independent Caribbean countries at the 1973Annual Meeting of the International Monetary Fund, the progress we have since made towards reform of the system in very heartening. In particular the consensus that the system must no longer rest so heavily on any particular national currency, but should be internationalized on the basis of the SDR – a world reserve currency, the issues of which could be related to global needs, so as to avoid the extremes of world inflation and deflation – was a long step forward.

I also urged then that the allocation of SDRs should be linked with the transfer of real resources from the developed to the developing countries – a desirable reversal of the present flow of real resources from the developing to the developed countries, which the holding of reserve currencies entails. The few who oppose the linking of SDR allocations with the transfer of real resources from the developed to the developing countries presumably do so because of their fears about the possibility of inflationary over-issues. But, as I said at the Annual Meeting is Nairobi, there is no more reason for objecting to this link than there is for objecting to the channelling of real resources, through the use of a national banking systems, into economic development. If the fear of abuse of a process that is useful to humanity were allowed to prevail in respect of this use of national money, we should still be in the barter age, eschewing the issue of money for the good of the community for fear of over-doing it.

We must hasten the implementation of the proposals for re-establishing a system of stable but adjustable rates of exchange between countries. We cannot expect them to provide rates as rigidity stable as the old system did. This rigidity was part of the reason for its collapse. The new systems must include adequate arrangements for the prompt adjustment of the par values of the currencies of both deficit and surplus countries, as may be necessary from time to time, and place an obligation on all participants in the new monetary order to effect settlement of deficits with reserve assets – in cash, so to speak, and not in I.O.U's.

Now how have we fared in this world of floating rates? We have maintained our fixed relationships with the £ Sterling and with sterling-related currencies (e.g. of the Commonwealth Caribbean other than Jamaica)… Thus, about two-fifths of our external trade (more on the import and less on the export side) has been enabled, even in a world of floating rates, to enjoy stability. However, since sterling has been generally depreciating with respect to both the other European countries (in which our external trade is relatively small) and the US dollar (in which a large part of our external trade is conducted), there have been quite large movements of the Guyana dollar in relation to these currencies.

Since the end of 1971 the Guyana dollar has depreciated in terms of the US dollar by about 10 per cent and in terms of European currencies (other than sterling) on average of about 20 per cent (largely through revaluation), buy has retained her stable parity with sterling.

RELATIONS WITH THE EEC

Now, sir, I would like to turn very briefly to another area of uncertainty in our international trading relations. As is generally known, the European Economic Community is now an association of nine European Nations, rather than six, since the entry Britain, Denmark and Eire in January 1973 into that Community. As I pointed out last year, Great Britain's entry into the Expanded European Community necessitated a clear definition of the relationship that would subsist between the Commonwealth Caribbean countries including Guyana, and the EEC. Negotiations are now in train. But vital to the Caribbean Community are such issues as the maintenance of a guaranteed market for such of our commodities as sugar, bananas, citrus and rum, on terms (including quantity and price) no less favourable than the West Indies enjoyed in the British market prior to Britain's entry into the EEC; favoured entry of Caribbean Common Market exports including semi-manufactured and manufactured goods, into Europe without reverse preferences in favour of the European Community; and participation in the European Development Fund, particularly for the less developed countries in the Caribbean Region. It is expected that in the negotiations which are scheduled to take place during the common year the Caribbean, working together and in collaboration with our colleagues from the independent States of Africa, would be able to forge a link with Europe that is favourable to the continued and accelerated growth of our several economies; but that in no way compromises our individual, national sovereignty.

THE PERFORMANCE OF THE ECONOMY

Mr. Speaker, I now turn to the domestic scene and would attempt to review the performance of the Guyana economy during the past year, particularly against the background of the economic trends which affected the world in general.

In 1973 for a second consecutive year, the economy failed to record the projected rate of growth as domestic output lagged behind reasonable expectations. The Gross Domestic Product is preliminarily estimated to have increased by between 8 per cent and 9 per cent at current factor cost over 1972. Since domestic prices and the average price of exports have on the average risen by almost as much, it is not expected that growth in real terms was significant; in fact the real per caput income may even have fallen slightly.

Inflationary pressures were more intense, particularly in the latter half of the year, being reflected in steeply rising prices, particularly for food items and imported manufactured goods. Shortages developed partly as a result of inclement weather and floods in the previous year, but also because of a failure of agricultural output which plagued many other producing countries.

Key exports fell in volume terms at a time when prices for most of our primary commodity exports were quite high; at the same time imports rose in quantity, but even more in terms of prices. Domestic demand for goods and services was strong and serve to aggravate the inflationary pressures which had already developed because of sharply rising import prices. Despite the improvement in wages and salaries in many sectors of the economy including the Public Service, the savings rate appeared to have declined – to about 16 per cent of Gross National Product, compared with 22 per cent three years earlier. This was due in the main to the substantial overrun of public expenditure over revenues. It is clear, Mr. Speaker, that the savings rate would need to rise sharply again if we are to sustain an expanded programme of capital outlays.

The failure of output in the main productive sectors of the economy was central to the disappointing growth performance. It was also the main contributory factor that gave rise to the strains which developed in the central government finances and our Balance of Payments.

Sugar production – at 270,000 tonnes was 14 per cent less than in 1972; rice output fell below expectations but at 110,000 tonnes was much better than in the previous year; while bauxite output – particularly dried bauxite and alumina – declined below last year's levels. These three sectors – sugar, rice and bauxite – are really even now, the growth points in the economy. One of the more unfortunate aspects of this position is that as I observed earlier, for both sugar and rice, the external demand was strong, and prices were extremely encouraging.

Further as a result of strong encouragement by the Government, acreage under sugar-cane and rice had been expanded. This was particularly true of rice where the increase in acreage under cultivation was very substantial.

Harvest time saw vast acreage of sugar-cane, and what to all appearances was a record crop of paddy. Unseasonal rains however persisted, and created serious obstacles to the normal reaping of the padi crop. In the result, the yield of padi was reduced to a level that was much below expectations. The weather – droughts during the spring crop and continual rainfall during the autumn crop – was also devastating for the sugar crop, causing the industry to suffer a reduction in the output performance from an expected 390,000 to about 270,000 tonnes.

Fortunately, sir, there was noticeable increase in the output of the forestry sector, where value added expanded by about 20 per cent and in the fishing sector where value added increased by about 10 per cent and exports, particularly of shrimp, was quite buoyant achieving an estimated 15 million pounds compared with 13 million pounds in 1972.

Mr. Speaker, while we recognise the failure of two major agricultural crops to produce as estimated during this year, it is necessary to appreciate that the Guyanese economy remains basically sound. There is in the agricultural sector a substantial growth potential, and capacity to produce to take advantage of the high prevailing prices.

A great deal of infrastructural work to increase productivity in agriculture has been done. The large acreage put under rice attest to this fact. Credit is now available on reasonable terms to agriculture through the Guyana Co-operative Agricultural Development Bank; and agricultural machinery, fertilizers and other inputs can be acquired free of duty.

A significant development has been our ability to produce white potatoes in the elevated regions of the country. Already some proportion of the domestic consumption of this vegetable has been met from local production. As more acreage is brought into production, we can look with some degree of confidence to the time not far off when the $3.0 million this country normally spends abroad for the importation of white potatoes would remain in Guyana for the benefit of farmers.

With regard to the bauxite industry, Mr. Speaker, it is well known that of all the major metals in industrial use, aluminium has experienced the weakest market conditions over the past two or three years. Though this may not have been the sole reason, efforts of the industrialized countries to control inflation by putting a brake on industrial output, have in recent years been reflected in a weak world demand for aluminum. It is significant however, that even in this situation, by dint of imaginative marketing policies, Bauxite Company – Guybau – has been delivering reasonably high and diversified output. The bauxite output and exports decline were due in small measure to a drastic cut back in production, by the Reynolds Company – which is still owned and controlled by a multi-national corporation.

In summary, Mr. Speaker, the economy did suffer a set-back as a result of adverse weather conditions. Added to this was the difficulty being experienced by the industrialized countries themselves to produce farm and other heavy equipment in sufficient quantities for exportation to all the countries that now need them.

The cement shortage that is a worldwide phenomenon caused the construction centre to experience frustrating delays and to operate at much below capacity. None of these temporary factors has however, removed the basic strength and resilience that the economy possesses.

PRICES

Mr. Speaker, I have already remarked on the serious inflation which was evident in many countries – developed and developing alike. In Guyana prices increased during the year largely because of imported inflation, even though there were other influences at work. Average import prices have by themselves risen at least by 15 per cent over the past twelve months and would no doubt show little falling off in the coming months. Monetary instability, high interest rates and demand pressures in developed countries which are our trading partners, together with supply problems affecting a number of commodities like petroleum have all been contributory factors to the sharp increase in the landed cost of our imports.

In addition there has been shortages of other types of consumer goods some of them domestic origin. Unfortunately, supply problems are linked in many cases to the pricing problem. The supply of eggs, poultry, meat and pork was reduced because of the falling quality and reduced availability of stock feed; this in turn was related to the maintenance of controlled prices for stock feed in the context of the steeply rising prices for imported grain and other ingredients.

In recent weeks therefore, it was necessary to permit price rises for a number of products including stock feed, matches, flour, margarine, pork and petroleum products in order to ensure that supply was maintained and indeed improved. Despite price controls and a rigid system of price supervision, price movements were sharp enough to cause the consumer price index to rise by at least 9 per cent.

Private Consumption Expenditure in money terms were trending upwards and are estimated to have expanded by about 15 per cent. Most of the increase would be due to price movements but it is also true that Guyanese appeared to have consumed more in real terms. While consumption expenditure – public and private – increased, gross domestic investment declined somewhat, and was lower than might have been expected at the beginning of the year.

Private capital formation was still sluggish. The sugar industry for instance maintained a level of capital outlay that was about the same level as in previous years; in addition private building and construction were retarded by the unavailability of cement in adequate quantities.

The Public Sector capital outlays however, though lower than was originally projected were much higher – by about $41 million – than in 1972 and compensated in some measure for the low performance in the Private Sector. The intervention of the general elections, coupled with delays in delivery of essential machinery and equipment from overseas, reduced the rate of implementation of a number of projects included in the capital programme for 1973.

REVENUE AND EXPENDITURE 1973

I now turn to expenditure and revenue performance during 1973. As was to be expected production shortfalls in the economy depressed income and therefore adversely affected the generation of revenue from taxation; as a consequence the financial resources available to the Government for financing the current budget were significantly reduced. Current revenue amounted to $162.3 million nearly $12 million less than was originally estimated though it was still $11.3 million or 8 per cent higher than actual receipts in 1972. Of the total revenue receipts, $30.4 million was derived from import duties. This yield was $3.6 million less than was originally forecast and was due mainly to the introduction from 1st August, of the Common External Tariff under the Caribbean Community and Common Market arrangements. The rates of duties provided under the Common External Tariff (CET) were, with few exceptions, much lower than the rates of duties applicable in this country prior to the introduction of CET. Thus as a result of the adoption of the CET an immediate reduction in the yield from import duties was inevitable. It is however possible to recoup most of the revenue lost by the change in the tariff, through the introduction of compensatory taxes on most of the imported goods on which the duty had been reduced. Consequently, it now appears that the shortfall on account of custom duties was substantially off-set by a marked increase now estimated at $3.9 million more than the amount originally projected.

The other major revenue earner was income tax. Although year-end figures are not available it now appears reasonably certain that income tax would yield only about $59 million or about $5 million less than the budgeted estimate. The problem here appears to lie essentially in the failure of the sugar crop due to adverse weather conditions and low profit returns by a number of companies in other sectors of the economy. In fact it is not expected that the Sugar

Companies would pay a significant amount of income tax on the basis of their 1973 performance. The profits and therefore the tax yield for the Bauxite Industry are also lower than was projected, largely s a result of the production shortfalls in the industry, low prices for dried bauxite and adverse exchange rate fluctuations – that is, a weakening of the US dollar – during part of the year.

While current revenue remained depressed, current expenditure moved ahead of the amount originally estimated. Expenditure eon Current Account is now estimated at $224 million (revised). At this level it is approximately $50 million more than was originally approved. Most of the increases arise from improved salaries paid to employees in the Public Service and to Teachers for which the provisions that were made turned out to be inadequate.

Honourable Members would recall that the revision of salaries to public servants was long overdue and while the total cost was high, public servants had gone through a period of twelve years without any major review of their pay scales. It should also be observed that for the first time ever were given pay scales relative to importance of their work. Teachers in Aided Secondary Schools also received comparable increases as their counterparts in the primary schools and the additional cost was met by the Government. Further, Government increased its contribution to the Aided Secondary Schools in order to ensure that these schools could maintain, and indeed improve, their educational facilities without additional cost to parents, through increased school fees. In effect, sir, commencing this year the Government has been assuming greater responsibility for secondary education in this country.

Public Debt payments also increased though in this case the increase was more apparent than real. The increase arose from the payment to Alcan on account of the nationalisation of Demba which, though payable on 31st December, 1972, was nevertheless put through our accounting records in early January, 1973.

Capital expenditures were also running quite high despite the bottlenecks that occurred in economy. At $97.8 million capital expenditures were at the highest levels. The main items of capital expenditure for 1973 were as follows:

	$Mn.
North West District Land Development Project	3.0
Hinterland Roads	5.0
Georgetown, East Demerara, West Demerara, Essequibo	
and Berbice Roads	9.5
Education Project (Multilateral Schools)	7.5
Water Supply	8.5
Sea and River Defence	11.7
Mortgage Finance and Agricultural Development Banks	4.0
Rice Rehabilitation Programme	2.4
Loan to Guyana Electricity Corporation for Equipment	4.5

Capital receipts for 1973 were also the highest level ever, totalling $98.3 million. Of this amount External Loans and Credit amounted to $53 million, External Grants $3.2 million and local borrowings $41.2 million. This high level of local loan funds includes a substantial amount of money repatriated from overseas by Pension funds, and invested in Central Government securities. Investments by investment by insurance companies in conformity with the provisions of the Insurance Act 1970 have also made a significant contribution.

Mr. Speaker, the trend I have pointed out in my foregoing remarks all underlie our external payments position.

Following low production in the key export sectors and despite higher export prices for rice and calcined bauxite, export of the domestic produce are now projected at about $299 million and are therefore likely to be marginally below the 1972 value of $300 million. Imports on the other hand are estimated at $340 million. When the deficit arising form our net import of services is taken into account, the balance of payment on current account shows clear indications that it would be in deficit by an amount in the region of $85 million.

Net inflows on capital would amount to about $70 million although this would represent the highest level of capital inflows achieved by this country in any one year, capital account is expected to be out of balance in the amount of about $15 million. This overall deficit represents the loss the economy is likely to suffer in terms of external reserves.

THE PROGRAMME FOR 1974

Mr. Speaker, bearing in mind our experiences in 1973, priorities in terms of financial and economic policy for 1974 must now be clearly identified. First of all, our maximum effort must be directed to the achievement of a significant expansion in production during 1974. The sugar industry estimates that the given favourable weather conditions and maintenance of good industrial relations the industry of capable of producing 390,000 tonnes of sugar. In fact, during the coming year, both companies operating in the industry would be expanding acreage under sugar-cane. It is also a matter of some encouragement that there is every indication that the market for sugar will remain strongly in favour of producer countries at least during the next year or two.

Again, given reasonable weather conditions output of rice should exceed the amount produced in 1973. The market for rice is also expected to remain firm in view of the general shortage of and strong demand for food grains around the world.

Bauxite production at Guybau is expected to show gains in terms of quantity, assuming there are n serious disruptions due to the energy prices. In this area, the real question mark lies behind the intentions of the Reynolds Metal Company in terms of that Company's level of output in 1974. In fact, while this section of the industry continues in foreign hands, it will remain a matter of some difficulty to ensure that the Bauxite Industry as a whole maximizes its production and its contribution to the economy of Guyana, given the present conditions of the aluminium market.

Further, sir, Government's capital expenditure in 1974 would also be heavily weighed in favour of the productive sector. Agriculture, forestry and fishing will receive substantial injections of public sector financing. There will be large capital outlays in agriculture in order to enable increases in the supply of food both for import replacement and export generation. Output capacity in the forestry sector would be increased to meet the needs of both the domestic and the overseas market. At the same time, substantial investment would be made in the fishing industry for the acquisition of more fishing and shrimping boats and the establishment of related shore facilities.

In short, the aim would be to increase our Gross Domestic Product in real terms by at least one per cent in the next year.

The second objective of financial policy would be to grapple with the problem of inflation with a view to reducing its growth and dampening its effects. It would not be realistic to believe, Mr. Speaker, that we can eliminate inflation in the domestic economy during the next twelve months. Once we continue to import and we must since we do not produce capital goods and many of the raw materials for industry, the inflation in the developed countries will continue to be imported into Guyana. It is the Government's intention however, to continue and even expand price controls in order to maintain a check on price escalation. Increased agricultural output should by sheer plenty, operate to pull down the price of locally produced goods, while increasing the gross income to farmers. Improvements in the distribution facilities which the Government intends to make at the Guyana Marketing Corporation, should serve to ensure that less food is spoilt and more food reaches the households at cheaper prices. Improvements in the management structure f the External Trade Bureau are expected to lead more efficient ordering operations of that Corporation, and eventually to improve in the supply of important items of imports.

Trade with the External Block countries including China – already increasing as a direct result of Government's external trade policy would be further expanded. In fact, as a result of the recent trade mission to China, the flow of goods of Chinese origin should be rapidly increased during the year. In addition, the External Trade Bureau would take further positive steps to promote importation from Eastern Block countries including the Soviet Union with whom this country already had a trade agreement signed during the middle of this year. But Mr. Speaker, all this inevitably implies that the External Trade Bureau would need to take firmer and wider control of our import trade in order to ensure that the direction and content of that trade are responsive to the national interest.

It will also be Government's policy to ensure that interest rates remain stable. Mortgage interest charged by the Guyana Co-operative Mortgage Finance Bank range from 6 ½ per cent to 8 ½ per cent per annum. Government will begin to monitor the interest rates charged by insurance companies operating in Guyana to ensure that they are kept as low as consistent with reasonable profitability.

Obviously, Mr. Speaker, while Government moves to reduce the inflationary pressures it would frown on demands for wage increments that are tied in any automatic way to movement of consumer prices. The fundamental reason for this stand is not difficult to appreciate. Automatic wage adjustment in a situation where prices are already trending upwards, is in practice highly inflationary. Wages will chase prices, and prices would in turn chase wages with the inevitable result of a vicious inflationary spiral. Instead the Government will continue to favour the system of wages adjustment based on periodic review of wages and salary rates.

It would be another objective of financial policy in 1974 to ensure that our foreign exchange earning are carefully utilized and the reserves restored to a reasonable level. Fundamentally, this would be a function of increased output of our export commodities. Increased exports in 1974 would not be enough, however if the expanded capital programme for 1974 is to be implemented without undue stresses on our balance of payments. Substantial inflows of external financial resources would be necessary in order to pay for the imports of capital goods. In addition, Mr. Speaker, Government would need to give serious consideration to further restrictions on non-essential imports in order to accommodate imports of capital and other production goods.

Consumption would therefore need to be voluntarily restrained during 1974, so that domestic savings may be increased, and foreign exchange conserved. In this connection the

Government would use fiscal measures to ensure that non-essential consumption carries the main burden of taxation. It must be self-evident, Mr. Speaker, that the money to finance our development programme cannot, and should not at all, be secured from external sources. Guyanese must bear a somewhat heavier burden than in years past to finance the development programmes. This means that savings – by individual persons, by business enterprises, both private and public sector and by the Central Government must be increased.

The Government on its part would also seek to continue its own consumption of goods and services at least to a level that matches its revenues.

Public Corporations are expected to increase their efficiency and profitability so that with but one possible exception the need for subsidy would be removed and adequate returns on capital invested would be earned. Private businesses would need to institute voluntary curbs and distributions in the same way that private individuals would need t exercise restraint in consumption so that private savings may be increased for re-investment.

It would be observed Mr. Speaker, that the financing of the Government's Capital budget for 1974 will require at least $32 million of local savings. This of course is quite apart from savings which will need to be channelled into private investment such as a house-building, agriculture, forestry and manufacturing.

The Government recognizes that private industry must make reasonable profits in order to expand and create employment. In pursuing its pricing policies the Government would pay due regard to this fact. Indeed every encouragement, fiscal, administrative and financial, would be given investors to establish industries in Guyana. Of particular significant in this regard is the new fiscal incentive scheme now applicable to all CARICOM countries including Guyana. The scheme provides for more generous incentives than had hitherto been available to industries in this country.

It would be necessary for entrepreneurs to become more familiar with the provisions of this scheme so that adequate advantage may be taken of them.

It is recognized that the development anticipated would hardly be achieved unless credit is made available on attractive terms. Accordingly further budgetary allocations have been made to increase the lending resources available to the Guyana Co-operative Agricultural Development Bank and the Guyana Co-operative Mortgage Finance Bank, both institutions having been established about the middle of this year as projected in my last budget speech. Further in order to provide loans t facilitate the establishment of small businesses a Small Industry Development Corporation will shortly be established within the Guystac Group of Corporations. Its functions would essentially be to provide capital to small business enterprises and assist them further in terms of management and feasibility studies.

Mr. Speaker, if serious bottlenecks do not recur, if the threatened fuel shortage does not prove too acute, and assuming the weather holds good, 1974 ought to see an impressive resurgence of economic growth in Guyana. This growth together with the expansion of economic activity which it suggests, particularly in construction, agriculture, fishing, and forestry, would lead to the creation of large numbers of job opportunities.

REVENUE AND EXPENDITURE 1974

I now turn to the revenue and expenditure programme for 1974. The government, Mr. Speaker, proposes to spend approximately $222 million on current services during the fiscal year 1974. Capital expenditures are projected at $173 million making a total budgetary outlay of $395 million during the year under review. The expenditure represents an increase of approximately $73 million above the revised estimates of current and capital expenditure for 1973.

The estimates of expenditure on current services in 1974 anticipate a reduction of $2.4 million compared with the revised estimates for 1973. There were certain expenditures occurring n 1973 which would not recur in 1974. Chief among these would be would be the lump sum payments to public servants in lieu of retroactive pay and the expenses associated with the recently concluded general elections. In addition, the Expenditure Estimates assume that every attempt would be made to prevent the establishment from any expanding more rapidly than is absolutely necessary; this would be achieved by the reallocation of staff first to Ministries needing them before new staff is employed. Further certain services have been reduced. This therefore explains why the provisions for 1974 on current accounts are slightly lower than the revised expenditure for 1973.

Of the total expenditure expected for 1974, a total of $94 million is an account of **Personal Emoluments,** compared with $93 million in 1974 (Revised); $50 million is with respect to **Debt Service** compared with a revised expenditure of $47 million in 1973; and $78 million for **Other Charges** compared with $83 million (Revised) for 1973.

The services reflecting the most significant increases are Defence with $1.2 million, Foreign Affairs $1.9 million, Internal Security $7.8 million, Education $11.9 million, Health $4.9 million, Co-operatives $1.4 million.

CAPITAL EXPENDITURES

As I said earlier, Mr. Speaker, an amount of $173 million is projected for Government's capital outlays for 1974. This high level of expenditure is consistent with the level of capital expenditures projected for the public sector in the 1972 – 76 Development Programme. Apart from the continuation of ongoing projects, the programme for 1974 is heavily weighed in favour of projects which are expected to yield high economic and financial returns within a short period of time.

Constrained as you must be by the availability of the sufficiently large amounts of soft money a deliberate decision was made to give the highest priority to the highest yielding projects and the lower priority for this year to the expenditure on some social services, important as these are to the process of economic development. In fact, it would be observed that the sectors identified for capital injections in 1974 are the productive sectors of agriculture, fisheries, forestry, mineral development, manufacturing and the infrastructure facilities are necessary to support growth and development in the sectors enumerated. The programme therefore proposes to distribute expenditure among these sectors in the following manner:

Agriculture, including water control	53.3 Mn.
Fisheries	8.5 Mn.
Mineral Development	3.6 Mn.
Manufacturing	8.6 Mn.

A sum of $0.4 million will be spent on Kibilibiri agricultural project on the Berbice River, $1.0 million is provided for the expansion of Moblissa dairy project, and the settlement of displaced farmers; $0.4 million for purchase of rams and bucks, and for the swine development unit. In addition, $1.6 million will be expended on the World Bank Assisted Beef Expansion Project; $0.2 million on other cattle development, and $0.8 on a veterinary diagnostic laboratory which is essential for the success of the programme for livestock development. Government also proposes to increase substantially the annual catch of shrimp and to this end $5.2 million has been allocated to meet the cost of 28 shrimp trawlers in 1974; this is in addition to $3.0 million for the establishment of the off-shore freezing facilities.

Provisions have also been made for improvement if water control to complement the programme of expanded agricultural production. A total provision of $9.8 million has been made for this purpose. Of this total, $1.1 million has been allocated to the Mahaica/Mahaicony/Abary area; $0.3 million to the Black Bush Polder/Block 3 area; and $0.8 million to the West Demerara area. Further, $4.3 million has been allocated for the purchase and installation of draining pumps in other areas.

Improvement of sea defences along the coast to protect coastal lands will continue on a provision of $5.9 million. Has been made available to cover cost of works on the Georgetown seawall and the continuation of works in other areas.

Government will embark on the establishment of a hydropower facility in the Upper Mazaruni River and expect to complete construction of this plan by 1978. In 1974, provision of $0.9 million has been made towards the preliminary investigation work connected with the project.

to this programme for hydropower development is a programme for the construction of a fair weather road in the Upper Mazaruni from Wineperu to Kamarang. Construction has been planned to permit the transportation of heave equipment along this road to the hydro project site by 1976 to facilitate construction of the hydropower plant.

Provision of $3.0 million has been made to commence the 1974 phase in the construction of this road to the Upper Mazaruni. When completed, the road will, in addition to providing access to the hydropower site, open up vast areas of rich agricultural land and thereby provide the stimulus for new settlement in that part of the Hinterlands.

In 1974, $1.5 million will be spent on the initial phase in the establishment of a cement factory; $1.0 million on a glass factory; $2.0 million on a textile mill; $0.3 million on a leather tannery and $0.5 million on a clay brick factory. These outlays are in addition to the provisions of $3.0 million which will be made available to small industry development corporation for on-lending to small scale industries.

There are further allocations for the continuation of projects already started and the maintenance of capital investment in some social and other basic services, in keeping with the objectives outlined in the 1972 to 1976 Development Plan. These will include allocations for providing improved educational facilities ($10.1 million) and improved health services ($1.5) million.

FINANCING THE PROGRAMME

I now come, Mr. Speaker, to the financing of the Capital Programme envisaged for 1974. It will be recalled that the Capital Expenditure proposals amount to $173 million. In the financing of the amount, substantial reliance will be placed in the coming year on borrowing on the International Financial markets, mainly in Europe. Approximately $75 million is expected from this source and the Government has geared the composition of its Capital Budget in 1974 in accordance with the higher costs and shorter maturities associated with this borrowing. In addition, some $28 million is expected from bilateral sources, mainly the United States, Canada, United Kingdom and China, with respect to particular projects. These are in the main sea defence, roads, electricity expansion, pure water supply, textile factory and clay brick factory.

Further sums ($32 million) are expected from multilateral and regional sources – that is the Caribbean Development Bank. In the main, these will include World Bank and IDA finances for roads, sea defence, multilateral schools and livestock development, and loans to the Mortgage Finance Bank and the Agricultural Development bank from the Caribbean Development Bank. There are also grants amounting to $5 million from United Nations Development Programmed and other sources. In total therefore, the Government expects to derive approximately $140 million from external sources, for its capital programme. The foregoing sum also includes foreign credits for equipment under the export credit guarantee arrangements in the United Kingdom, and the Export Import Bank of the United States for water control pumps. In both cases, agreements have already been signed and equipment placed on order for expected delivery during 1974. In order to finance the rest of the programme, it is anticipated that long term borrowing from domestic sources would yield $25 million.

There is left a small deficit of $7 million.

REVENUE COLLECTION

Mr. Speaker, as the honourable Members are aware there are a large number of person who have studiously evaded their proper taxes, and so far they have been successful in their evasion; there are others whom the income tax has never reached. There are also those who have managed to amass substantial areas of rents and similar payments, due to the Government. It is propose d that in the new fiscal year all revenue departments particularly the Income Tax, the Customs, the License Revenue Office, and the Ministry of National Development and Agriculture would redouble their efforts, stream-line their procedures, utilise the not inconsiderable powers granted to them by law, and if necessary employ additional persons, to ensure that Revenues due to the Government are paid and persons liable to tax are brought to book. In effect, sir, the pace of Revenue collection in 1974 would be accelerated.

FINANCIAL MANAGEMENT

Another matter of serious concern is the question of financial management. Since Independence the Public Service has expanded rapidly to provide for the services attendant on our Independent Status, and also in an endeavour to accelerate the rate of economic development. Starting at Independence in 1966, with a Capital Expenditure of $108.2 million ($24.1 million on Capital and $84.1 million on current services) the financial resources of the Public Service has been called upon to manage, has more than trebled in eight years, to $395 million in 1974 – ($173 million on Capital and $223 million on Current Services). It is obvious that a far higher degree of skill on financial management is required at present and also that these skills would have to be spread wider than in 1966 to achieve and maintain maximum efficiency.

Promotion in this field has also been rapid because of the accelerated expansion of Central Government services and responsibilities. The result has been that the level of skill previously available at various levels has been effectively lower. Training courses, both local and overseas among various cadres, have assisted somewhat in a alleviating the difficulty but much more has to be done if we are to function efficiently in this field.

A study is at present in progress to determine the long term needs in this area and Government would wish to support any practical solution to this problem.

However, in the short run the solution must lie in organised training. I therefore propose, in the coming year in collaboration with the Public Service Ministry, to arrange that suitable courses of training are mounted for public officers involved in financial administrations within Ministries sand Departments.

Mr. Speaker, before I come to the question of financing the gap on the Current budget I should perhaps first explain a peculiarity of our presentation of the Government expenditure programme for Current Services and Capital.

The Government is in fact deeply involved in economic development in this country and in promotion of the development, the expenditures incurred are substantially reflected in Capital Estimates. However, a significant portion of the cost of development is reflected in the Current

Estimates of Expenditure largely to meet the cost of the professional and administrative personnel on whom the Government must depend to carry on the development programme. For instance the pay of the economists who have written the plan and who must in a sense monitor its implementation is a charge on the Current budget; the cost of the Engineers, Quantity Surveyors, Architects and Overseers, who plan and supervise the implementation of Capital projects such as roads, sea defences, drainage and irrigation schemes, are also charged to the current budget; the same applies to the public service professional who carry out mineral surveys, those who conduct the preliminary studies connected with hydropower development, and those who must implement the development programme in Agriculture, to identify only three activities. It is, therefore, Mr. Speaker, important for us to understand that the current budget is not purely consumptive in its content, but in fact contains a substantial amount of expenditure which are in effect development in purpose.

Having said this much Mr. Speaker, I would now turn to the fiscal proposals which the Government intends to impose for 1974. I have already indicated that the current estimates has presented forecast and expenditure of $222 million and for revenue anticipates a total receipt of $203 million. This leaves a gap of $19 million which must now be financed. The Government therefore proposes to impose additional taxation to yield something in the region of $19 million so as to ensure that as far as practicable the current budget is brought into balance.

The burden of the extra taxation will fall on consumption because the time has come when non-essential consumption should be restricted in the interest of saving for development.

Although the tax burden would fall essentially on consumption, the taxed items are really those which are non-essentials. In other cases a specific tax has been placed on certain items of exports because it is felt that these export commodities could bear the burden of a limited amount of extra taxation in view of buoyant export prices. The following therefore are my tax proposals:

Beer –

The excise tax on beer would be increased by $1.26 per liquid gallon. This should mean that if all the tax is passed on to the consumer the price for a bottle of beer consumed anywhere in Guyana should increase by no more than 8 cents. The expected yield would be $2.6 million

Electrical Appliances, other than refrigerators –

(Washing Machines, Records, Air Conditioners, Radios, Radiograms, Gramophones, Gramophone Records, Vacuum Cleaners, Dish Washers, etc.)

A consumption tax f 15 per cent is proposed. The yield is expected to be $0.4 million.

Aerated Waters –

A Consumption Tax of 2 cents per bottle is proposed. The expected yield is $2.5 million.

Molasses –

The production of this commodity is almost wholly geared for the export market. For a number of years an export tax was levied at 45 cents per 100 gallons. Since then the reported export price for molasses has gone up steeply and it is therefore proposed to increase the export tax 4 cents per gallon, that is, to $4.45 cents per hundred gallons. The expected yield is $0.5 million.

Motor Cars –

Motor cars registered for private use would now pay an additional purchase of 15 million on their show room prices. The tax would however apply only to motor cars over 1600 cc and would not apply to hire cars. The expected yield is $0.6 million.

Cigarettes –

The consumption tax on cigarettes is to be increased from $3.03 per pound to $6.23 per pound. If the total tax is passed on to the consumer, the price of cigarettes should increase by no more than 8 cents per pack of ten, and 16 cents per pack to twenty cigarettes. The expected yield is $3.5 million.

Gasoline –

The consumption tax on Gasoline will be increased from 37 cent per gallon to 49 ½ cents per gallon. The expected yield is $1.5 million.

Shrimp –

The export tax on this commodity is now at the level of 12 cents per lb exported. It is now proposed to increase the export tax to 19 ½ cents per pound. The expected yield is $1.3 million.

Licences for Liquor Restaurants and Hotels –

Liquor restaurants at the moment pay $600 per year in Georgetown and New Amsterdam and $480 elsewhere. It is proposed to increase this tax by $200 in Georgetown and New Amsterdam and by $150 elsewhere. In the case of hotels it is proposed to increase the tax on first class hotels in Georgetown and New Amsterdam by $200 and by $150 on second class hotels in Georgetown and New Amsterdam.

Betting Shops –

It is proposed that each person who carried on a betting service on any premise would required to make deposit, interest free, of $50,000 with the Government as a prior condition for the issue of a licence to operate the service.

The yield from these measures applicable to betting shops, liquor restaurant s and hotels is estimated at $0.5 million.

National Development Surtax –

It is proposed to levy a surtax of 5 per cent on the chargeable income of all individuals, including unincorporated enterprises. It should to explained that the tax is applicable only to income which is subject to normal income tax after all allowance, personal and otherwise, have been deducted. Thus an individual who earns $2,400 per annum and has a wife, two children, and an insurance policy on which he pays a premium of $60 per year, would have total deduction of $800 for himself, $600 for his wife, $600 for the two children, $60 for his insurance premiums and $120 as an earned income allowance. His total allowance would add up to $2,180; and, therefore, his chargeable income would be $220. Consequently this National Development Surtax would be 5 per cent of 220 i.e. **$11.00** per year – less than $1.00 per month. The tax would be collected and administered in a way similar to PAYE. The expected yield is $5 million.

Property Tax –

The limitation of debts to 20 per cent and 50 per cent on assets in the case of companies and individuals, respectively, for the purpose of determining net property subject to property tax, will be removed. Companies will however pay property tax on the following scale –

Up to $500,000	...	½ %
Over $500,000	...	¾ %

The expected yield is $0.2 million

The total yield arising from the tax measures would be $18.7 million and this should be about adequate to cover the gap in the Current Estimates.

Speaker we must recognise that we are a society still prone to consumption; a society whose taste is still foreign oriented, we are a people who have not recognised that the road to development is full of rigours; that development is expensive and must be paid for.

We have presented what is in many ways a hard budget. Indeed we had to take hard decision. But this is not all the price we have to pay if we are to see real development in this country? Certainly sir, we cannot look constantly to others for help. If we must look for such help, and perhaps we have no choice, let us at least be able to show that we tightened our belts first. Let us also demonstrate that we are serious about development and that we are prepared to strive after increased production, and improved productivity on the job; and let us use only our increased productivity as basis for improvement in our standard of living. Any other way brings illusory and transitory gains.

In conclusion Mr. Speaker, I merely wish to say that the Budget 1974 I snow before this National Assembly. We have demonstrated I think sir, our real concern for the development of this country. We have noted its weaknesses and its strength. We have put forward our ideas as to what should be done to improve it and consequently the lot of the people of this country. I would only hope sir, that we all recognise that we can pull this country forward to development only by hard work, self restraint, and co-operative effort.

Let us look for help Mr. Speaker, from those who will help, but let us assist ourselves at the same time. That is the spirit and the message of this Budget.

3.35 p.m.

Mr. Hope: Mr. Speaker, I named Thursday, 13th December, 1973, as the day for the resumption of the debate on the Estimates of Expenditure for the year 1974.

Mr. Speaker: Copies of the Estimates, the motion and the Budget Speech will now be circulated to Members.

APPROVAL OF FINANCIAL PAPER NO. 6/1973

Mr. Hope: In accordance with article 80 (2) of the Constitution, I signify that the cabinet has recommended the following Motion for consideration by the National Assembly, a Motion for the approval of Financial Paper No. 6/1973 – Statement of accounts withdrawn from the Consolidated Fund under article 112 (3) of the Constitution totalling $23,110,708, for the period ending 17th October, 1973.

Mr. Speaker: We will proceed with consideration of Financial Paper No. 6/1973. The Assembly will resolve itself into Committee of Supply to consider Financial Paper No. 6/1973.

Assembly in Committee of Supply.

The Chairman: Hon. Member Mr. Feilden Singh. Page 1.

Mr. M. F. Singh: Mr. Chairman, I do not really propose to deal exhaustively with this Paper because we all know, by and large, it deals with the increase to civil servants and Government workers as recently agreed. I want to make some initial general remarks and, I shall be dealing with the paper.

We, on this side of the House, are very happy that at long last the Government's evaluation exercise has come to an end. It took approximately 6 years and, during the period, civil servants waited very patiently. Perhaps it is not without significance that the end of the exercise came shortly before the Elections and that the payout came immediately before the 1973 Elections. Be that as it may, however, the unions have signified in this document their acceptance of the job evaluation exercise and the proposals and we could, therefore, have no objections whatsoever to the increases, bearing in mind, particularly, the spiralling cost of living. However, we do understand that there are certain areas of disagreement, of complaints, but, we understand also, and, the hon. Minister could correct me if I am wrong, that steps have been taken and the Committee has been appointed to investigate these complaints. I will certainly not want to prejudice the job of that Committee and, I will not dwell on the complaints that have been made but, at this stage, in order to give the Committee every opportunity to correct this situation, we must allow the Committee to work unhindered by comments made by us since they are looking into complaints and areas of disagreement.

There is, however, one aspect of the increases in the Agreement between the unions and the Government, which one necessarily has to comment on. You will remember when we were dealing with the last Supplementary Paper here we urged that Government to give immediate consideration to a revision in the rates of pension and we are very happy to see in the Agreement on page 3, Article 6, the heading "Revision of Pensions". It is stated: "The Government undertakes to revise the pension now paid to former employees of the Government."

I am very happy, indeed, to see this but I would like to go further and urge the Government – indeed, I would make a demand on the Government, to increase pension now, to give immediate consideration to that or, alternatively, to give these pensioners some interim relief before the festive season that is approaching. Everybody else has received increase, why should these pensioners, who have give such long and devoted service to the Government, not share in the joy of this festive season by, having a little more to spend particularly, if we bear in mind, as I said, the spiralling cost of living?

No one complains that the cost of living has gone up tremendously within recent times. The Government recognizes this. The Minister has acknowledged this. The Minister did say, on the last occasion, that he would be investigating ways and means of asking these people, of encouraging these people, to help themselves but, I think it needs something more tangible than that. While the grass is growing, as the saying goes, the horse is starving. Let us give these pensioners some joy for Christmas.

Turning to the Financial Paper itself, No. 6/1973, I am, indeed, very disappointed that the Hon. Minister did not tell us the reason why this Financial Paper was laid after No. 5/1973, the one we dealt with last week, and not before No. 5/1973, because if we look at Financial Paper No. 5/1973, we will see that Financial Paper No. 5/1973 is for the period ending 31st October, 1973, whereas, this Financial Paper is for the period ending earlier, the 17th of October, 1973.

The Chairman: Hon. Member Mr. Singh, I wish to draw your attention to what appears to the top of the page, "Statement of accounts withdrawn from the Consolidated Fund" – which is a different thing – "under Article 112 (3) of the Constitution for the period ending 17th October, 1973. Maybe, that is why it should not have been included. This is from the Consolidated Fund.

Mr. M. F. Singh: Mr. Chairman, this is the problem, because I was going on to deal with that. You anticipated me, Mr. Chairman. I am sorry about that, I have it all here. I am about to read what Article 112 (3) of the Constitution says and then you will see the point I am making. It says:

> "Where at any time Parliament has been dissolved before any provision or any sufficient provision is made under this chapter for the carrying on of the Government of Guyana, the Minister responsible for finance may authorize the withdrawal of such sums from the

> Consolidated Fund as he may consider necessary for the purpose of meeting expenditure on the public services until the expiry of a period of three months commencing with the date on which the National Assembly first meets after that dissolution, but a statement of the expenditure so authorised shall, as soon as possible, be laid before the Assembly and, when the statement has been approved by the Assembly, that expenditure shall be included, under the appropriate heads, in the next Appropriate Bill."

So we see clearly that the Hon. Minister is entitled to authorize withdrawals. He is quite within his rights to do that. There was not a Parliament from the prorogation of the Parliament until it met shortly after July, 16th. So the Minister did withdraw funds but, he has to bring that Statement for our approval here within three months of the first meeting of Parliament thereafter and only when it is approved then it forms part of the expenditure under the appropriate heading, the Appropriation Bill, only then it forms part.

3.50 p.m.

What, in fact, happened was that Financial Paper No. 5 came before Parliament. When Financial Paper No. 5 came before Parliament I was very perturbed because on item 11 it was listed that previous supplementary provision was $32,912 and you will remember that I asked the Hon. Minister how could that be stated there as a supplementary provision. The minister at that time did not volunteer an explanation but I had to ask for one. I asked the Minister how was it that we had a supplementary provision of $32,912 for telephone under item 11 when it was not listed in the previous financial papers. As I was saying on that occasion, and as the hon. Minister would recall, an explanation was not forthcoming. The Minister quite rightly pointed out to me that the amount was approved in the interim while the Parliament was not in session. You will see that that same amount of $392,912 is listed here on this Paper before the House now. It is item 5 and it is $32,912 which we are now being asked to approve. It may be a minor procedural matter but we would like that these things be done in order.

The same thing applies to item 11. Item 11 is $10,064 for telephones and you will see on the previous financial paper that it was listed as item 20 and it was stated that the previous supplementary provision was $10,064. So this Paper No. 5 had these amounts as supplementary provisions. The point I am making is that one should have come before the other. If this is up to the 17th October, surely the Hon. Minister could have done us the courtesy of giving us this first. If we had this I would not have needed to ask that question, I would have known and I would not have been ignorant of the fact. I would not have worried the Minister about a trivial matter like that if I had seen this before. It caused me to ask unnecessary questions which I would like to avoid. What I was saying, Mr. Chairman, is to let us do the job properly in future and let us in fact – [**Interruption**] I will curse that fellow Kit Nascimento one of these days. It is well known that a certain Member of this House was employed by this Opposition Party to curse his uncle. Do not worry to try it with me, boy.

Mr. Chairman, it is sometimes so very annoying when Members of the House behave in such a disgusting manner when one is trying to make a constructive comment. This is what worries Members on this side of the House. If we are to make constructive comments here, then, surely, the Hon. Members should allow us to do that. If they do not want us to do it then tell us and we will take our seats. It is as simple as that.

I have dealt with these two items but there are certain minor matters on two of the other pages which I will deal with as we go through the pages.

The Chairman: We are dealing with page one. Do you have any further comment to make?

Mr. M. F. Singh: I was dealing with items 5 and 11. I pointed out that it is only now the Government is seeking approval whereas on Financial Paper No. 5 they made it appear as though approval had already been sought and obtained.

The Chairman: Hon. Minister of Finance.

Mr. Hope: Sir, I do not think I need to say much. The Hon. Member is right. Circumstances did not permit the Financial Paper to be brought up before.

The Chairman: Page 2.

Mr. M. F. Singh: Mr. Chairman, items 48 and 51. Again there is need for some explanation there.

The Chairman: I think we are on page 2.

Mr. M. F. Singh: Sorry, sir, on page 2 items 17, 18 and 19. I would like to ask a question on items 17 and 18. They deal with entertainment allowance and both are under Head 13 – Public Service Ministry, 13 subhead 9 – Entertainment Allowances, but two amounts are reflected: $2,400 and $800. The code number is also the same. I merely want to ask the Hon. Minister if these are really two amounts and who these amounts are for. I am wondering whether there is a mistake or whether it is really two amounts under the same subhead. Why did we not bulk it together rather than list it as two items with the same code number but rather separate amounts?

I am going on to item 29. This is difficult to reconcile. This is another one we had not reflected on when considering Financial Paper No. 5. If the Hon. Minister has with him Financial Paper No. 5, which we dealt with last week, he will see on page 10, item 5, Paper Head 19 Subhead 5 – Telephones. The sum of $500 was requested as supplementary provision but nothing at all was stated there as previous supplementary provision. Following what seems to have been the pattern where you did reflect the sums already provided as supplementary provision in Financial Paper No.5, one wonders why this sum of $139,579 was not reflected as was done in other instances.

Let us be consistent. If we did it with items 5 and 11, why not with item 29 where $139,579 was advanced?

When we put in this figure the position will not be that $90,000 was approved in the 1972 estimates, for 1972 and 1973 $500,000 provision was asked for and then in 1973 $220,000 was voted. If you add in $139,000, it will add up to the figure of $1,049,579 for 1972 and 1973 for Ministry of Home Affairs. It is a tremendous sum of money: for telephone bills for the Ministry of Home Affairs so that there seem to be something wrong in not having included it. I repeat, if you included it in other cease, why leave it out in this case?

The Chairman: Hon. Minister of Finance.

Mr. Hope: Mr. Chairman, let me first of all refer to item 17 and 18, Entertainment Allowance in the Public Service Ministry, I know that two authorities came at different times. One refers to the permanent secretary, I think, and the other to the Deputy Permanent Secretary. I do not have the explanation here as to why they should be separately identified.

It is quite possible that what the officers had in mind-I think this must be the explanation- is that the Public Service Ministry is one of the two Ministries in the civil service with Permanent Secretary, and a Deputy Permanent Secretary, who is equivalent to the Permanent Secretaries in other Ministries. I think the officers did not think it right to show entertainment allowance in excess $2,400 which is the amount given to any Permanent Secretary, so they probably tried to identify the two, to keep them apart, because otherwise, in this particular Ministry, one would see Entertainment $3,200 and that is not permitted anywhere. The maximum is $2,400. I think this was the reason, to bring as much information to Parliament as possible. Otherwise, you would have seen $3,200? I think the officers were trying to divulge as much as possible to parliament. Item 29, telephones, I am not sure why this was not put on the Financial Paper. I do not have Financial Paper No.5 before me; but as in the other cases, it might have been so because a Ministry was asking for a supplementary for telephones, the same subhead, and therefore they probably wanted to show what the ministry had in the past. I suspect that in this particular case, no telephone has been required. I do not have it before me. I do not have the full explanation. I think many of the officers had assumed – I am not sure how correctly – that there would not have been much debate on the Paper, because it is a statement. No explanatory note was even required. This is what we depend on to refresh our memories. I think the officers had really gone on an assumption that this was already a legal provision and that it was not likely to be debated again in Parliament.

The Chairman: Certainly, the Members have every right to make inquiries.

Mr. Hope: Sir, I am saying this is the assumption the officers may have gone on.

The Chairman: Page 3. Page 4. Before we proceed, Hon. Member Mr. Singh, it is now 4 o'clock. I am wondering if we have agreement that we should continue until it is finished, instead of having an adjournment.

Agreed to.

The Chairman: Please proceed then.

Mr. M. F. Singh: Items 48 and 51, Telephones. The amount listed here is $29,764 which was advanced from the Consolidated Fund, but if the Minister were to look at page 20, Financial Paper No. 5/1973 – I will make the Paper available to him – he would see at item 128, under the Ministry of Economic Development, Telephones, a sum of $25,000 voted provision and supplementary provision, $20,000, which is not in any of the previous Papers. On the basis that this is the same item as it should be, the figure will not balance. There is a difference of $9,764. It is stated here that the sum of $29,764 was advanced from the Consolidated Fund. It should be here as $20,000 and not $29,764.

If I may go on to the next one, on page 4, item 51, a problem arises. If you look at page 21 of Financial Paper No. 5, item 132, the amount stated as supplementary provision approved is $107,978. How is it reflected on Financial Paper No. 6 before the House as $196,557? If you take $196,557 out of the Consolidated Fund, then we would have expected to see the supplementary provision as $196,557 and not $107,978 as is listed here.

On the basis of three figures I cannot reconcile the figures that are given to me in the previous Papers. I would like to be able to reconcile my figures.

The Chairman: Hon. Minister of Finance.

Mr. Hope: What the Hon. Member is in fact questioning is the apparent inconsistency in having certain withdrawals reflected in the Supplementary Schedule No. 5 with respect to certain items while they were not reflected in others.

The Chairman: He also went on to say that there has been a difference in amounts.

Mr. Hope: I am not sure that because the amount differs it represents an inconsistency. They may be talking about two different requests. I do not have the explanation here for this apparent inconsistency.

4.00 p.m.

The Chairman: Page 6. Page 7.

Mr. M. F. Singh: Mr. Chairman, on the last item 98, just a short question. This, obviously, must be a new subhead because it is not reflected. I was hoping for an answer from the Hon. Minister but, I am not sure whether he is listening to me. As I said, this obviously seems to be a new subhead because it is not in the Estimates and I cannot find it anywhere. This is item 98, head 73, "Ministry of Finance – Revision of Wages, Salaries and Related Payments, subhead 4 – Lump Sum Payments". It states: "Lump Sum Payments". Presuming it is a new subhead - and I think it must be – could the Hon. Minister say whether this represents, in fact, 10 per cent that is listed in the Agreement in Article 3 (1)? It does not appear to be. I just wanted verification for that. What does this mean? It is a reflection of the 10 per cent of 1972 earnings under Article 3 (1) of the Agreement?

The Chairman: Hon. Minister of Finance.

Mr. Hope: Mr. Chairman, the Hon. Member is quite right. It does reflect the lump sum payments provided for under the Agreement.

Mr. Hope: Your Honour, I beg to report that the Committee of Supply has approved of the proposals set out in Financial Paper No. 6/1973 and I now move that the Assembly doth agree with the Committee of Supply in the said Resolution.

Question put and agreed to.

Motion carried.

CONFIRMATION OF CUSTOMS (EXEMPTION FROM DUTIES)

ORDER 1973 (NO. 136)

"Be it Resolved that this National Assembly in terms of Section 9 of the Customs Ordinance, Chapter 309, confirm the Customs (Exemption from Duties) Order 1973 (No. 136), which was made on the 11th November, 1973, and published in the Gazette on the 17th November, 1973." [**The Minister of Finance]**

Mr. Hope: Sir, this Order series forms part of our programme of granting concessions to certain manufacturers. The manufacturer concerned, who was making pot scrubbers of iron and steel, got the duty free concessions which were to enable him to import his raw materials free of duty. That Order was signed and what the House is being asked now is to confirm the Order. It is part of our programme of granting incentives to local manufacturers.

Question proposed.

Mr. Speaker: Hon. Member Mrs. DaSilva.

Mrs. DaSilva: Thank you Sir. Just a few short points on this Order which the Hon. Minister has before us, about granting of concessions for the manufacturer of pot scrubbers. We, on this side of the House, are pleased to support such a thing because it is very much in keeping with the policy of the United Force, that we encourage the manufacture, in Guyana, of commodities that are not normally manufactured here because they are not made from our local raw materials and that we allow those commodities, as the Government is doing now, to come in and to get tax concessions.

This manufacturing of the pot-scrubbers, right now, is in a very small stage. I understand that there are only four people employed at the moment and when work is heavy, when they are preparing for shipment and so on, we casual workers are taken on. Now they are distributing and selling their pot-scrubbers to Trinidad, Jamaica and Suriname and planning in the near future to add Antigua and St. Vincent to the list. This, we are pleased about because this brings Guyana in line with the rest of our CARICOM family who are doing the same thing and getting the advantage and supplying jobs for their people. So, sir, we do not hesitate to support this and, I understand that plans are afoot, by the manufacturer of the pot-scrubbers, to expand the auxiliary facilities of the wire processing operation and, in time they will probably be able to produce things like staples, paper clips, steel wool and so on. In time, this, again, will help us and our country to provide more jobs for the unemployed. So, sir, any kind of Order and any measures that come before Parliament in this way, we on this side of the House have no hesitation in supporting it.

Question out and agreed to.

Motion carried.

ADJOURNMENT

Resolved, "That this Assembly do now adjourn until Thursday, 13th December, 1973, at 2 p.m." **[Mr. Ramsaroop]**

Adjourned accordingly at 4.17 p.m.

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