



ECONOMIC STATEMENT AND BUDGETARY PROPOSALS

PRESENTED BY

THE HON. J.M.G.M. ADAMS

PRIME MINISTER AND MINISTER OF FINANCE AND ECONOMIC AFFAIRS

27 April 1983

BUDGET HIGHLIGHTS

1. Reduction of surcharge granted to the Refinery on gasoline and diesel by 1.32 cents per litre or 5 cents per US gallon and an increase in consumption tax by the amount.
2. (a) Removal of surcharge of 7.480 cents per litre or 28 cents per gallon on kerosene. (b) Reduction in retail price of kerosene from 69 cents to 62 cents.
3. Reduction of surcharge on fuel oil from 5.333 cents per litre or 20 cents per gallon to 0.7925 cents per litre or 3 cents per gallon. Seven cents will go to Consumption Taxes to supplement financing of BNOC and 10 cents reduction will be used to reduce the fuel charge on electricity.
4. Limit at which higher rate of Consumption Tax applies to motor cars will be raised from \$16 000 to \$20 000.
5. Consumption Tax on cigarettes increased from 25 cents per five to 30 cents per five.
6. Consumption Tax on aerated waters will be five cents per bottle regardless of its size. Effective date April 28, 1983.
7. Removal of Consumption Tax on Falernum.
8. Removal of Consumption Tax on shingles made from wood.
9. Stamp Duty on documents processed by Customs Department increased by one per cent - April 28.
10. Stamp Duty of \$10 imposed on all Exempt Insurance documents April 28.
11. Departure Tax increased to \$12 per person and distinction between CARICOM and non-CARICOM trips removed. Effective from June 1, 1983.
12. Terminal charge increased from \$1.50 to \$3 per person. Effective June 1, 1983.
13. A new travel tax of ten per cent on airline tickets for journeys originating in Barbados. Effective May 16, 1983.
14. Annual licence fees for Barbados Light & Power, Telephone Company and Cable and Wireless will be \$750 000 from January 1, 1984.
15. Annual licence fee of \$30 per set for video tape recorders - effective April 28 with three months grace period for registration.
16. Annual licence fee of \$500 for every operation of a video rental service. Effective May 2, 1983.
17. Licence fee on black and white television sets will go from \$20 per year to \$30 and that on colour television sets from \$30 to \$40 with effect from May 2, 1983.
18. Annual licence fee of \$400 to operate dish aerials. Effective May 2, 1983.

19. Timeshare tax of \$20 per day for every hotel room which is occupied for that purpose. Effective from April 1, 1983.
20. Increase of one per cent in the Health Levy with effect from May 2, 1983.
21. Special rates of Land Tax on land owned by a foreign company. In the case of unimproved land, a tax of three per cent. The tax on improved land will be two per cent. Effective from Land Tax year, 1983.
22. Tax on idle land increased from \$300 per hectare to \$500 per hectare annually. The existing limit of \$5 000 will be abolished and the rate of refund will be correspondingly raised to \$420 per hectare. Effective Land Tax year 1983.
23. Imposition of tax on severance payments as follows: (a) Payments up to \$25 000 - tax free; (b) Payments over \$25 000 up to \$50 000 - 30 per cent; (c) Payments over \$50 000 - 50 per cent.
24. A rebate of tax on severance payments will be granted on a proportionate basis in cases where a person remains unemployed for a period in excess of six consecutive months.
25. Top rate of income tax reduced from 70 per cent to 60 per cent.
26. Taxpayers earning up to \$7,000 annually will enjoy a tax credit of \$360 and those earning from \$7,001 to \$8,000 a credit of \$180.
27. Repair allowance of four per cent increased to 10 per cent in the case of ancient buildings which are being preserved. An approved list will be published.
28. Postal charges increased as shown in Appendix I.
29. Company fees increased as shown in Appendix II.
30. Distinction between specialist doctors and general practitioners subject to a registration fee of \$1 500 with effect from 1984.
31. Present fees on exchange control applications will be replaced with a final fee of one per cent from June 1, 1983.
32. Bus fares to be increased to 75 cents from May 3, 1983.
33. From April 1, 1983, public officers will receive interim allowance of two and one-half per cent monthly.

Spring is a little late this year, Mr. Speaker, as far as the Financial Statement and Budgetary Proposals are concerned, for not since 1979 have I presented them as late as the last Wednesday of April.

But a little deliberation may sometimes be no bad thing, for I feel sure that in future years when we review the experience of the decade of the 80's, 1982 will be remembered as the year in which the concept of global economic inter-dependence became a reality. This will be so because the difficulties we are facing are worldwide in scope, affecting both the industrialized and the developing countries, regardless of their political structures. It is a crisis characterized by falling production and contracting trade, by rising unemployment and extreme volatility in interest rates and foreign exchange markets.

As the Brandt commission so aptly observed, we have witnessed a severe and global contraction in every aspect of the World Economy, caused in the first instance by the decrease in economic growth in the major industrial economies. Growth in these countries has traditionally been the locomotive which pulls the rest of the world along. It stimulates trade and capital flows and provides the means for the great summer and winter migration of the human species we call international tourism.

It is therefore no surprise that the acute contraction in demand in the OECD countries has affected the rest of the World in varying degrees. None has been immune. In Eastern Europe, major crises have occurred in Poland and Rumania and the slow-down in trade with the West has created bottle necks in supply while the crippling debt service burden has caused considerable internal dislocation.

The developing countries of course have been hardest hit with many countries in Africa unable to afford basic imports like food and energy. The crisis in Latin America in 1982 was the worst since the Great Depression. Per capita product in the region fell for the second consecutive year while the total output of goods and services dropped for the first time in 40 years. So profound has been the effects of the recession on the World Economy that major petroleum exporters like Nigeria, Mexico and Venezuela which until a year ago seemed to have unlimited resources, are now confronted with serious economic problems which even the possession of black gold cannot solve.

Like the rest of the world Barbados has experienced a decline of output and income and an increase in unemployment. However, despite our many and serious problems we have much for which to be thankful. Our higher level of income per capita and lower level of population growth have permitted us to absorb declines in real output without widespread hardship and deprivation. Our well-developed social infrastructure operating through a network of transfers to the needy, has cushioned the impact of falling income levels on the most vulnerable sections of our population.

Finally, the inevitable adjustment to temporarily declining living standards caused by factors outside our control has been carried out in an orderly and humane fashion by the design and implementation of a comprehensive and interrelated set of policies aimed at ensuring that the reduction in income is accommodated by compensating reductions in demand. These policies which are the sole responsibility of the Barbados Government, have been carried out with the financial assistance of the IMF.

Despite the ill-informed and mischievous criticism of Barbados' relationship with the Fund, I think that every fair minded person viewing the disorder and chaos which rules throughout most of the developing world and which has affected even countries abundantly endowed with natural resources, would have to admit that at least in Barbados we have minimised the impact of unemployment, we are still able to import and consume what we need, our people can still travel abroad freely and we can pay our debts. This is no small achievement in today's world!

It has not come about fortuitously but as a result of conscious economic management. Yet paradoxically it is these policies which have been abused by the misguided and the malevolent who have suggested that these policies should be abandoned but who have no constructive, or indeed any, alternative to offer.

International Economic Developments in 1982

The global recession continued to exact its toll on the economies of both developed and developing countries, some of which have had to devise stringent monetary, fiscal and other measures including currency devaluation and trade protectionism. Also, some countries, especially in Latin America, having exhausted their foreign exchange reserves were compelled to reschedule their foreign debt repayments.

High real rates of interest in most countries worked counter to the expansion in investment and credit and, consequently, depressed economic activity. Demand remained weak for several of the primary products of the developing countries, which have in turn been weakened by contracting export earnings and severe balance of payments problems. Nevertheless, during the latter half of the year, nominal interest rates were lowered in the USA, a process facilitated by the contraction in the rate of inflation.

Real Gross National Product in the 24 member countries of the Organisation for Economic Cooperation and Development (OECD), the rich man's club, is estimated to have fallen by 0.5 per cent in 1982, as compared to a real growth of 1 per cent of GNP in 1981. Growth in Japan was stimulated by the strong export sector and the country recorded a sizeable trade surplus in 1982 despite a fall of 1 per cent in industrial production and a decline of 3.9 per cent in output in the car industry, in particular at the end of the year.

Real output in the USA declined by 1.8 per cent and industrial output was 8.0 per cent lower than in 1981. Output in West Germany and Canada declined by 1.2 per cent and 4.0 per cent respectively, but in the United Kingdom a marginal growth of 0.5 per cent was attained.

Unemployment levels remained high internationally as the low economic activity could neither sustain nor generate adequate employment. 32 million people who want work in the OECD countries cannot find it. Towards the end of 1981 there was growing evidence that the inflationary surge generated between 1979 and 1980 was abating. In 1982 consumer prices in the industrialised countries grew at markedly lower rates than in 1980 and in 1981.

The terms of trade moved against primary producers as the prices of commodities reached their lowest level in nearly half a century. Metals as well as food crops were affected. Of direct relevance to the CARICOM countries, were the low prices for aluminium and raw sugar. Aluminium prices plunged to US 0.47 cents per pound while the London daily price of sugar was 81 pounds sterling per tonne in October 1982. However, by the last quarter of the year commodity prices were beginning to gain some strength.

Regional Economic Development

Economic activity in the Caribbean region remained sluggish in 1982. The deepening international recession had the impact of substantially weakening the export-oriented sectors in the Region. However, as a consequence of the sharp fall in prices in the industrialised countries, import prices stabilised and inflation rates in several regional countries moderated.

Tourism continued to be affected by the recession in the industrialised countries but the decline in tourist arrivals was estimated at only 1 per cent for the region as a whole. Barbados and St. Lucia were

hardest hit by the decline in arrivals but arrivals in the Bahamas and Jamaica increased by 10 per cent and 20 per cent, respectively.

The volume of Banana exports volume increased by some 2 per cent in spite of lower sales from the Windward Islands, although earnings declined. Bauxite production was 29 per cent lower than in 1981 as the demand for aluminium at the international level remained weak and the average price dropped from 623 pounds per tonne in 1981 to 565 pounds per tonne in 1982. Output in Jamaica and Guyana both declined by an estimated 30 per cent and 28 per cent, respectively.

Regional sugar production fell by 2 per cent to an estimated 810,000 tonnes, which was the lowest level in 30 years. Only in Belize and St. Kitts-Nevis did output increase. Many countries were hard-hit by unfavourable weather, unauthorised cane fires, pest and diseases, and labour problems. The Barbados Economy, 1982

In many respects, the performance of the domestic economy was conditioned by that of the international economy. The recession in the economies of Barbados' major trading partners further deepened during 1982, contracting their output, increasing their unemployment, decreasing their disposal income and depressing demand. The result was that the export-oriented sectors were considerably weakened. The CARICOM and domestically-oriented sectors performed more favourably but could not offset the decline in the external sectors.

Provisional data show that Gross Domestic Product in Barbados at factor cost, in current prices; increased by only 5.7 per cent to Bds \$1.804 billion. This nominal GDP growth rate was lower than the 11.6 per cent recorded in 1981 and the 27.9 per cent nominal growth for 1980. Real GDP declined by 4.6 per cent in 1982, following a drop of 2.8 per cent in the previous year. The only sector in which there was positive real growth was "Non-Sugar Agriculture and Fishing", which recorded real increase of 8.0 per cent.

The contribution of sugar to GDP fell from \$69.8 million in 1981 to \$58.4 million or 3.2 per cent of GDP in 1982 in nominal terms. The real value of sugar production fell by 7.5 per cent in 1982 in contrast to a decline of 30 per cent in 1981.

Total vegetable production in Barbados was 37 per cent higher in 1982 than in 1981. Poultry production rose by 11.7 per cent and pork production increased by 38 per cent during the year.

Activity in the Manufacturing sector contracted somewhat, following the depressed external demand for domestic products. However, electronic components and garments recorded growth. Nominal output in the Manufacturing sector increased from \$203.9 million in 1981 to \$219.4 million in 1982 but the real component was 1.3 per cent lower than in 1981.

The tourism sector experienced a reduction in tourist arrivals and in cruise ship passengers. Stayover arrivals were down by 13.5 per cent and cruise passengers down by 20 per cent in 1982.

Nominal value added fell by 12.3 per cent, and real by 14 per cent. The sector also contributed a smaller share of GDP in 1982.

Largely reacting to the impact of diminishing activity in the productive sectors, the performance of the Construction sector was weaker than in 1981. Real output fell by 3.9 per cent in 1982.

Gross Domestic Product at Market Prices in 1982 was \$2.01 billion compared to \$1.906 billion in 1981. Personal Consumption expenditure declined from \$1.35 billion in 1981 to \$1.34 billion. This was the first

year that nominal personal consumption expenditure has fallen since 1976. Its share of GDP at Market Prices also declined from 70.7 per cent in 1981 to 66.6 per cent in 1982.

Government Consumption expenditure fell marginally from \$287.7 million in 1981 to \$284.3 million in 1982 and was 14.1 per cent of GDP at Market Prices.

Gross Capital Formation dropped significantly, from \$494.8 million to \$424.7 million or by 14.2 per cent, indicating that the economy began to feel the squeeze of the international recession. The share of Gross Capital Formation in total expenditure fell from 26.0 per cent in 1981 to 21.1 per cent in 1982.

Prices

There was better news on prices in 1982 with a sharp fall in the rate of inflation from a point-to-point rate of 12.3 per cent at the end of 1981 to 6.9 per cent at the end of last December. The annualised rate of inflation was the lowest recorded in Barbados since 1976, the result of lower rates of imported inflation as well as the strength of the US dollar to which the Barbados dollar is pegged. The average annual rate of inflation fell from 14.6 per cent to 10.3 per cent.

Average food prices in 1982 increased by only 2.5 per cent as compared with 12.6 per cent in 1981 and in fact the index for food prices has decreased continually every month since August, 1982. The price index for food at the end of last month was less than it was at the end of April last year. Prices in the housing group still remained high, but for clothing average prices were slightly lower at the end of 1982, than at the end of 1981.

The 1982 rate of inflation in Barbados was lower than the rates for Canada, Jamaica and Trinidad and Tobago; but higher than those in the USA and the United Kingdom.

Unemployment

The average rate of unemployment as a percentage of the labour force, in 1982 stood at 13.6 per cent, compared with 10.8 per cent during 1981. The labour force increased from 114,300 persons in 1981 to 115,100 in 1982 while the number of persons employed decreased from 101,900 persons in 1981 to 99,400 last year.

The Labour Force as a percentage of the total number of adults stood at 64.8 per cent. This is a very high participation ratio for a developing country and is more in line with the ratio in richer, developed countries. The proportion of adults actually working in Barbados far exceeds that of most developing countries and is not much different from that in many countries in today's developed world.

Even in the face of adverse economic conditions both domestically and internationally, Barbados has therefore been able to maintain a relatively high level of employment, and to contain to a reasonable level the disturbing world-wide phenomenon of increasing loss of jobs. The most recent figures derived from the Household Sample Survey suggest that unemployment may have stabilised at the end of 1982 when the rate was 13.3 per cent.

During the last quarter of the year there were 14,900 persons unemployed, of whom 6,400 persons were males and 8,500 females. This represents an increase of 2,300 over the figure for the last quarter of 1981. Some 8,000, of those unemployed or more than half were under the age of 25 years, whereas only 1,600 were over 40 years old.

This clearly indicates that the thrust of the Government's efforts to generate employment must continue to be geared towards matching a supply of jobs with the needs of the young and relatively unskilled, especially female, segment of the Labour Force. The Government's unemployment benefit scheme came into force in 1982, and has been of assistance to a number of persons who lost their jobs, mainly older workers who could more easily qualify under the present somewhat stringent conditions. A study of these conditions is now underway.

Monetary Review

The monetary policies of the Government in 1982 were designed to contain domestic expenditures to a level consistent with reduced foreign exchange earnings from the leading external sectors. The liquidity requirements for commercial banks were raised and selective credit controls were further tightened.

These measures restricted access to credit for consumer durables and controlled the rapid growth in imports experienced in recent years. On March 3, 1982 the increase in the liquid assets ratio of the commercial banks was raised from 25 per cent to 27 per cent of deposits. This had the effect of shifting more of Government's financing requirements on to the commercial banks and of reducing the liquidity of the commercial banking system.

To ensure that there was still adequate financing for the needs of the producing sectors, the Central Bank made its special discount schemes for these sectors more attractive by widening the margin at which commercial banks could on-lend. By year end \$11.3 million was outstanding under the various schemes compared with \$1.6 million at the end of 1981.

Interest rates in Barbados were kept in line with rates abroad to reduce the incentives for businessmen to keep money abroad. Domestic interest rates were high for most of the year with the average lending rate at 15 per cent and the minimum savings deposit rate at 8 per cent. However, as interest rates abroad declined, the average lending rate was first lowered to 14 per cent and the minimum rate on savings deposits to 7 per cent. These rates were again lowered on December 1 to 13 per cent and 6 per cent. The rate on residential mortgages was at the same time reduced from 12 per cent to 11 per cent.

Already in 1983, as foreign rates continued to fall, I have authorised a further lowering of the average lending rate to 12 per cent, effective April 1.

Balance of Payments

Domestic exports in 1982 grew by more than \$86.7 million or 29.2 per cent over the 1981 figure reaching \$383.7 million. Total exports, that is including re-exports, increased from \$391 million in 1981 to \$528.6 million despite the acute drop in sugar export earnings. Retained imports fell for the first time since 1957, as restrictive credit conditions curbed the growth in consumer imports while manufacturers ran down their inventories of intermediate goods in the face of declining sales.

Total imports were some \$45 million or 3.9 -per cent lower than in 1981. Capital goods imports were higher in 1982 mainly to meet the requirements of the cement plant and power projects.

The merchandise trade gap narrowed from \$760.3 million in 1981 to \$577.5 million in 1982 but reduced earnings from tourism, other services and net transfers widened the current account gap on the Balance of Payments.

Export of electrical parts and clothing were very strong and led the way in the manufacturing sector. Trade with the USA and CAICOM remained strong and these two areas accounted for the main thrust of

export earnings for Barbados. Exports to the United Kingdom also showed a substantial increase during the year.

As a result of substantial capital inflows, the Balance of Payments recorded a surplus of \$5.0 million as compared with a deficit of \$76.0 million the previous year. The International reserves were much healthier at the end of the year, increasing by \$54 million as compared with a decline of \$48 million at the end of 1981. They now stand sufficient for over three months imports, one of our best positions ever.

Prospects for 1983

Mr. Speaker, looking to the future, recent developments seem to offer some hope for improvement in the World economic climate. Although the signs are uncertain and doubts persist in some quarters, the significant decline everywhere in rates of inflation and nominal interest rates combined with the prospect of further falls in oil prices appear to provide the stimulus for renewed growth in many of the major industrial countries.

In the United States, where underutilised capacity and continuing high levels of unemployment provide great scope for non-inflationary growth, the more optimistic economic forecasters are predicting output growth reaching an annual rate as high as 5 per cent in real terms by the fourth quarter of 1983. Similarly, expectations are that the United Kingdom will experience 2 per cent real growth in 1983; with higher rates forecast for West Germany and Japan.

The optimistic view then of the World economy in 1983 is for a gradual but steady recovery of the growth of output and income in the OECD countries.

Clearly, if they are indeed realised, the beneficial impact of these developments on the Caribbean countries in general and Barbados in particular will take some time to be felt. The result of higher incomes in North America and Europe will hardly be felt in any significant way before 1984.

However, if recovery in our major trading partners becomes a reality in 1983, we can be sure that we will have seen the light at the end of the tunnel. We must therefore not falter now. We have accomplished much by our discipline and willingness to bear sacrifice: We need to continue policies of restraint and caution a little while longer, in the hope and expectations that when the upturn in the international economy comes our institutions and productive structure, as well as our social cohesion remain intact, so that we can once again return to the path of growth and improved living standards which we experienced prior to 1981.

FINANCIAL REVIEW

Revenue

I turn now, Mr. Speaker, to the review of the domestic financial year ending March 31, 1983. The current revenue for the year was originally estimated at \$494.4 million.

Provisional data suggest that actual collections at March 31, were \$495.5 million. This represents an increase of \$25.7 million or approximately 5.5 per cent more than revenue collected during the fiscal year 1981-82.

Expenditure

Current expenditure for the financial year 1982-83 was originally estimated at \$501.5 million. During the year, supplementary provisions were approved for \$51.8 million, making a total current expenditure authorised by Parliament of \$553.3 million.

Throughout the year efforts were made to restrict the growth of expenditure, and provisional information indicates that actual expenditure at March 31 was \$503.5 million, including a slight loss from the operations of the Post Office. This represents an increase of \$30.1 million or approximately 6.4 per cent over 1981-82.

In addition, in a special transaction, expenditure in the sum of \$24.9 million was charged to the Current Expenditure Head, "Loans and Advances" to arrange the purchase of the local petroleum production facilities owned by the Mobil Oil Company.

The approved estimates of capital expenditure for the year 1982-83 amounted to the sum of \$138.4 million. During the course of the year, supplementary provisions of \$9.6 million were granted to make the total capital expenditure approved by Parliament \$148.0 million. Provisional data put the actual expenditure at March 31 at \$112.7 million or \$60.4 million less than the expenditure incurred during the 1981-82 fiscal year.

During the financial year under review several of the major projects started in earlier years came to an end. This is one of the chief reasons why there has been such a significant decrease in the level of capital expenditure.

In addition, a decision was taken not to begin any large projects as part of a serious effort to reduce the overall deficit of the public sector.

Thus, Mr. Speaker, we see that the original overall deficit was estimated at \$145.5 million and that by the end of the year it was actually \$145.6 million. This represents approximately 7.2 per cent of the estimated Gross Domestic Product at market prices for the year 1982. When the National Insurance surplus is subtracted from the deficit and the operations of the Airport, which are of a commercial character, netted out, the deficit by international reckoning standards is \$76.8 million or 3.8 per cent of GDP.

Public Debt

The Public Debt at March 31, 1983 is provisionally estimated at \$728.4 million exclusive of the Government's overdraft facility at the Central Bank. Local borrowings amounted to \$372.7 million and foreign borrowings to \$335.7 million. During the latter part of the year, interest rates on the euro-dollar

market declined as a result of which, payments on the public sector debt were not as high as originally anticipated. They absorbed 2.0 per cent of total export earnings compared with 1.1 per cent in 1982. Thus, Mr. Speaker, in spite of a slight increase in the size of the national debt, the foreign debt service ratio continues to be very modest by internationally accepted standards.

Review of the IMF Programme

Mr. Speaker, I consider that I should say a word at this stage about the relationship between Barbados and the International Monetary Fund.

Barbados' approach to the IMF was envisaged in last year's Budget. I referred to the then public sector deficit, which I said, would best be compensated for by institutional and non-commercial borrowing from the International Financial Institutions of which Barbados was a member. I went on to say that the mere mention of the International Monetary Fund and the World Bank, of course, tended to create dismay in the public mind, but that Governments which recognise their problems early "and take early corrective action (often requiring sacrifice) do not need to fear association with these institutions since the valid efforts at self-help will attract the assistance of the International community". That was what I said in the Budget on March 31 last year, and the second Brandt Commission Report on North-South cooperation for world recovery - not a document which goes out of its way to praise the IMF - has since agreed with my views on going early to the Fund to avoid drastic measures later.

Notwithstanding the reputation which IMF Agreements have for imposing harsh conditions on Governments which seek its assistance, the only conditions attached to the Barbados Stand-by were various credit ceilings on borrowing by Government and Government agencies which I have already explained to the House and to the public.

The record shows that Barbados has met all the tests of the Programme with relative ease, and I announced this in the House earlier this month.

Notwithstanding the facts, efforts have recently been made to discredit the economic performance of the Government in relation to the IMF Programme. In particular, the Press and the broadcast media, both local and overseas, have carried a report that the IMF and the Government are locked in a battle over a new Agreement because, it is alleged, the Fund has recommended that the Barbados dollar be devalued and that the Government is resisting this recommendation. I have already commented, Mr. Speaker, that I regard this totally false allegation as the most dangerously irresponsible statement I have heard in 20 years of public life; for there are few things more damaging to the immediate financial comfort of a country than a deliberately false rumour of devaluation. Fortunately, I do not have to use my own words further to describe the fact that it is entirely false, since an IMF official speaking in Paris on April 13 to a meeting of donors of the Caribbean Group in Economic Development specifically denied the rumours in the Press and told the donors that there was no disagreement between Barbados and the Fund over exchange rates.

The IMF official also said that Barbados' performance under the IMF programme so far had been commendable, and that in light of the determined adjustment efforts undertaken by the Barbadian Government in the present difficult international environment, and Barbados' encouraging performance under the arrangement so far, the Fund lends its strong support to the Government of Barbados' appeal to the international community for financial assistance on the scale envisaged.

Mr. Speaker, there are few misrepresentations more sinister than misrepresentation based on half-truths or misrepresentations based on one or two ill-understood paragraphs of documents where the

underlying structure of the subject matter is not fully grasped. I am therefore making available the entire documentation of the Stand-by Arrangement submitted to the Board of the IMF in August, 1982 and I have made arrangements for it to be laid earlier today.

I am aware that the material is long, technical and even perhaps obscure in places. It is written by technicians for technicians.

It is normally treated as confidential but the Government does not intend to let the peace and order of Barbados be any longer disturbed by phoney revelations and downright mischievous misrepresentations about the IMF. And I would say in conclusion, Mr. Speaker, that it is time that all of us in Barbados put an end to these scare tactics.

Public Finances

Mr. Speaker, I consider that during the fiscal year 1983-84 some steps must be taken to strengthen and improve Government finances. Current revenue, estimated at \$508.6 million is \$6.8 million less than estimated current expenditure of \$515.4 million. When this current account deficit is added to estimated capital expenditure of, \$122.8 million, the 'overall' deficit of \$129.6 million would amount to 5.6 per cent of estimated GDP. The traditional perception being that Barbados is a very highly taxed society, I have given careful thought to the taxable capacity of the economy and to the tax effort which the community can be expected to make in return for the various benefits and services which are derived from the payment of taxes.

The concept known as 'tax effort' is usually determined by the ratio of tax revenue to Gross Domestic Product.

The ratio of revenue to GDP in Barbados compares favourably with that in the more developed countries and our tax effort is among the strongest in the developing world. However, there are indications that the revenue ratio has declined over the last few years.

If we examine the situation between 1974 and 1983, we will discover that the ratio in the 1982-83 fiscal year was only 24.6 per cent of GDP which is below the average of 26.1 per cent for the period and is lower than that for every year except 1974-75 when it was 23.4 per cent. It is very considerably less than 1978-79 when it was 29.4 per cent. And this high revenue collection was what made possible our great economic expansion of 1979 and 1980.

The decline is understandable when you consider that the real value of taxes and fees which are fixed in money terms decline with inflation; and that, during recessionary times, consumption patterns may be curtailed with the result that taxes from such sources will drop. That is why, Mr. Speaker, it is necessary to review the rates and the level of fees charged for services from time to time.

Mr. Speaker, while I do not expect that the relationship between revenue and GDP can immediately be restored to the high point of 1978-79, I consider that it is necessary to arrest the decline so that the Public Finances will be able to continue to support a reasonably high level of services to the community.

Therefore, Mr. Speaker, in order not to impose any undue hardship on any particular section of the community, I have been careful to choose those areas where the burden will be least felt in my budgetary proposals.

PROPOSALS

Indirect Taxation

Consumer taxes - Petroleum

I will start my Budgetary proposals with indirect taxation. Mr. Speaker, in an area where I propose to make major and substantial changes but where fortunately the taxpayer consumer will not be called on to pay any increased charges. I refer to taxation on petroleum products.

The Government's policy on energy is basically to maximise local production of crude oil and natural gas, to explore all possibilities of alternate and renewable sources of energy, and to effect conservation wherever possible. These measures are aimed at reducing our dependence on imported fuels.

In July last year, the Government through the National Petroleum Corporation acquired for \$24 million the local production assets of Mobil Exploration Limited. In January, 1983, the Barbados National Oil Company was established to carry on the oil-field operations previously undertaken by Mobil Oil Exploration Limited. The Government has also undertaken a number of other energy projects. We are proceeding with our plan to set up a pilot plant to determine the true potential of generating electricity from wind resources. Preliminary research work aimed at determining the wave energy potential of the south eastern coast of the island is continuing.

The tax incentives provided in previous Budgets for the development of the solar energy industry has led to a substantial increase in the number of solar water heating units installed on the island.

Successful efforts have been made, at the technical level, to feed electricity, generated at sugar factories from excess bagasse into the national grid. There is a joint Government-UN Development Programme Project for manufacturing energy saving equipment in Barbados to be used in hotels.

We are not only concerned about increasing the indigenous supply of energy, but also in ensuring that the energy available to us is used efficiently, and work on a Government and World Bank Project on energy conservation has already started.

Mr. Speaker, all these projects are costing money and this year's drop in oil prices presents Barbados with two problems. On the one hand we have to decide how far to distribute to consumers the benefit of the US\$5 per barrel reduction, and on the other how to maintain our expenditure on alternative energy and local petroleum exploration. Firstly it must be pointed out that the fall in the oil price will affect the revenue of the Barbados National Oil Company; and secondly we can by no means be sure that the new price represents a new stability. Accordingly, I have decided that there will be no change in the retail prices of gasoline and diesel, but that I will pass on the benefits to consumers of electricity and of kerosene. As I said in the House last week, Mr. Speaker, it is not proposed to allow Mobile refinery to make any excess profit as a result of the fall in the price of its feedstock. I therefore propose as follows, starting at midnight tonight:

1. The present surcharge granted to the Refinery on gasoline and diesel will be reduced by 1.32 cents per litre, or 5 cents per US gallon and the consumption tax increased by this amount. Motorists will not pay more, as the refinery will bear the whole tax.
2. The surcharge of 7.480 cents per litre, or 28 cents per gallon on kerosene will be removed, and the retail price of kerosene will, from midnight tonight be reduced from 69 cents-a litre to 62

cents a litre. I am aware that less kerosene is used than in the past, but I am granting this concession to the old age pensioners and lower income earners who are now its main consumers.

3. The current surcharge of 5.333 cents a litre or 20 cents a gallon on fuel oil will be reduced to 0.7925 cents a litre or 3 cents a gallon. Seven cents of the seventeen cents reduction per gallon will be converted to consumption tax and used to assist in supplementing the finances of the Barbados National Oil Company whose annual revenue will now fall by approximately \$5 million? The remaining 10 cents reduction will reduce the cost of fuel oil, mainly to the Electric Company whose customers will immediately benefit by a lower fuel charge. This, coupled with the sharp fall in the fuel charge coming about as a result of the efficient new machinery recently installed with the aid to a government guarantee, means that there will be some cushion to allow consumers of electricity to absorb any price increases arising from other causes. Electricity has in fact risen considerably less in price, than any other item since the new cost of living index was introduced in 1980.

These proposals complete an energy pricing package that has been underway since the start of this month. On April 1, 1983 I removed a special margin of 7 cents per gallon on gasoline, diesel and kerosene then being granted to marketing companies to make up for past losses and converted it to revenue by way of consumption tax.

The measures I have taken today, combined with those of April 1 will produce government revenue of \$5.1 million and will pass on \$3*4 million to the consumers of electricity and of kerosene.

Consumption taxes - Other

Motor Cars

In the area of other consumption taxes I will deal next with taxes on motor cars. The Government's action in removing import restrictions on motor cars has allowed the public to have a better choice of vehicle without the market distortion to which the previous regulations had led. As a result of representations that present taxation points were giving an unfair advantage to the very cheapest cars, which are sometimes not always of the best quality, I had to decide whether to make cheap cars a little more expensive or medium-priced cars a little cheaper.

I have decided that it should become easier to purchase a better quality and I therefore propose as from tomorrow that, where the chargeable value of a motor vehicle (which means cost, insurance, freight and duty) does not exceed \$20,000 the rate of consumption tax will be 50 per cent. This means that for vehicles in the chargeable range of \$16,000 (the previous limit) to \$20,000 the cost of cars will be reduced by amounts of \$3,200 - \$4,000. This proposal is expected to cost the revenue \$600,000.

Cigarettes and aerated waters

The arguments which I used last year in favour of increased taxation on cigarettes remain as cogent as ever. Our levels of tobacco taxation are low, compared with developed countries where the menace of lung cancer and heart disease from cigarette smoking are fully recognised. We are smoking over 150 million cigarettes a year in Barbados, all made from imported tobacco. I propose to increase the consumption tax on cigarettes by one cent per cigarette with effect from midnight tonight.

I also propose new consumption tax rates for soft drinks. In doing this I am not only seeking to raise revenue, but also to stimulate demand for local fruit juices which are much better for health than soft drinks and which are now being produced by the Pine Hill Dairy and another local company. My proposals will also effect some rationalisation of the tax system. I propose to abolish the distinction between drinks sold in containers of less than 207 ml. and those of more than 207 ml. but less than 355 ml. The new rate from tomorrow will be 5 cents on drinks of both these sizes. The rate for aerated drinks in metal containers will be a standard rate of 55 cents per container, irrespective of size.

Falernum

Mr. Speaker, there is one drink that is exclusively Barbadian, made nowhere else and much appreciated. I refer to falernum. Falernum has suffered from high taxation in recent years, as it has fallen to be considered as a liqueur, taxed at a rate appropriate to expensive overseas drinks. I now propose to identify Falernum specifically in our classifications and give the drink an opportunity to rebuild its market by removing the consumption tax altogether. I cannot however promise that this happy state of affairs for drinkers of corn and oil will remain forever!

Finally, Mr. Speaker to encourage the preservation of an old Barbadian building tradition and to help those elderly persons who still use shingles made of wood on their house, I propose forthwith to remove the consumption tax on this item. This is the first proposal of a scheme to encourage the preservation of old buildings in Barbados. After representations from the National Trust, the Barbados Workers' Union and others, the Government has decided, in consultation with the Trust to institute appropriate measures to give tax relief to owners of these structures, commercial as well as residential. The Town Planning Department is preparing lists of ancient buildings for preservation and I will announce another concession later on in my speech.

The new revenue to Government of the consumption tax proposals is \$2.7 million, with concessions of \$700,000 making a net total of \$2 million.

Stamp Duty

Mr. Speaker, the Government is now considering certain improvements and extensions to the services performed by the Customs Department. Therefore, it is only reasonable for some form of additional revenue to be raised to assist with defraying the expenses involved. Thus, Mr. Speaker, I have decided that with effect from April 28, the Stamp Duty which is charged on documents processed by the Customs Department will be increased by 1 per cent. Also; in view of the new Exempt Insurances Bill which has added to the offshore services, provided in Barbados. I propose a new stamp duty of \$10 for all Exempt Insurance documents from April 28. It is expected that the additional revenue under this head will be \$7.0 million.

Airport Charges

All of us are well aware of the fact that the facilities which have been provided at the Grantley Adams Airport are among the best to be found in the world. However, Mr. Speaker, the capital cost of the Airport in all was approximately \$60.0 million. In addition, the annual cost of maintenance, provision of services by the Airport Office, Customs Department, Immigration and Security Services add up to an amount in the vicinity of \$12.0 million, not to mention the cost of transportation of staff and fire protection.

I am sure, Mr. Speaker, that none of us would disagree that airport charges should be constantly reviewed so as to ensure that the operating costs are recovered and that the airport pays for itself over a number of years. Consequently, I propose to make the following changes:

1. Departure Tax will be a uniform \$12 per person instead of the original charges of \$8 and \$10 per person.
2. Terminal Charge will be \$3 per person instead of the existing charge of \$1.50. No changes will this year be made on Landing Fees. The changes will take effect from June 1, 1983, to allow for necessary consultation with airlines.

The additional revenue from the above charges will be \$1.4 million.

Travel Tax on Airline Tickets

On the same basis, I propose a new travel tax of 10 per cent on airline tickets for journeys originating in Barbados. Barbadians spend \$43 million annually on foreign travel, including the cash we take abroad and this is a form of expenditure on which the Government has now concluded that a tax should be imposed. It will be administered by the Commissioner of Inland Revenue and will come into force on May 16, 1983. In a full year the tax should yield \$2 million.

Licence Fees

Mr. Speaker, the public utilities of Barbados are a by-word for efficiency and coverage. We have 67 000 houses with . electricity services and 40,000 domestic telephones. In recent years the real cost of these services has declined in relation to consumer income, but increasingly, Government has been called on to intervene by way of financial guarantee, regulation and Public Utility hearing. The cost to Government of administering and negotiating has greatly increased. I therefore propose as from January 1, 1984 to increase the annual licence fees for the Barbados Light and Power Company and the Telephone Company from \$500,000 to \$750,000. Also, I now propose to subject Cable and Wireless to a licence fee of \$750,000. Additional revenue from this measure will be \$1.25 million.

Telecommunications, Television and Video Recorders

Mr. Speaker, the electronic entertainment business has grown enormously in the last few years. Video tape recorders have been flowing into Barbados, and now the dish aerial, capable of receiving satellite television programmes from North America and elsewhere, has made its appearance.

With regard to Video Tape Recorders, trade statistics for the years 1980 to 1982 show that a total of 701 video tape machines were imported into the country at a value of \$814,089. The Government thinks this to be an enormous under estimation.

It is believed that a considerable number of video tape recorders as well as video cassettes and tapes are brought into the island by passengers arriving at Grantley Adams International Airport as well as by various methods through the Bridgetown Port without passing through Customs. It is therefore difficult to determine precisely the number of video tape recorders in Barbadian households.

However, we in the Ministry of Finance assume a figure of 5,000 sets which represents approximately 8 per cent of the households in Barbados with one set each. The video competes directly with the cinema industry, which faces a 20 per cent entertainment tax that it has to charge to customers.

I now propose to introduce a licence fee for video machines of \$30 per annum per set. I propose a grace period of three months from today for people currently in possession-of a video tape recorder, to register their sets. After this period they will be liable to prosecution for being in possession of a set without a licence.

A Video tape rental service business has developed alongside the growth in the purchases of video tape recorders by Barbadians, and I believe that this business too should make some contribution to the finances of the Government. There are approximately fifteen operators providing a video tape rental service and some of these operators have more than one outlet. There is some indication that they operate as a benign form of cartel, charging the same rates, laying down the same; conditions for hire and blacklisting members - all in the interest of protecting their operations.

I propose to introduce a licence fee of \$500 per year on each operator of a video rental service. Regulations for the conduct of their businesses will in due course be promulgated.

I also propose to increase the licence fees on all television sets by \$10 per set for the benefit of the Revenue. The licence fee on a black and white television set will go from \$20 per year to \$30 per year and that on a colour television set will go from \$30 per year to \$40.

The revenue increase expected from these charges and the increased fees for television sets and the measures in relation to video tape recorders is \$500,000.

Dish aerials, the other new technology, will in future require a licence and T at this stage propose an annual fee of \$200.

All these charges will come into force on May 2, 1983 and the charges will be collected by the Caribbean Broadcasting Corporation on behalf of the Government to be paid into the Consolidated Fund.

Hotel and Restaurant Sales Tax

No increase in the per centage charged on Hotel" and Restaurant sales is proposed. However I propose to deal with two specialised areas which appear to me to be contributing less than their fair share to this tax. First, sales in proprietary clubs will, from June 1, 1983, come under the ambit of the charge on restaurant sales. The second area is timesharing.

I am satisfied that certain forms of timesharing, whatever their other merits, are highly effective means of avoiding the Hotel Sales Tax: Hotel space in Barbados is sold abroad for a lump sum, and the timeshare operators pay hotel sales tax on only the relatively small sums - remitted to Barbados to cover expenses. The entire timesharing operation will soon be regulated by new legislation but in the interim I am proposing that timesharing be specially charged to tax as follows:

1. Time sharing by way of a transfer of the fee simple will pay property transfer tax, as at present, and the Hotel Sales Tax will be charged only on any service charge associated with the operation and paid to the Hotel.
2. For all other timeshare operations the Commissioner of Inland Revenue shall deem any operation, unless he is satisfied that Hotel tax has been paid on the full consideration of a timeshare sale, lease or other arrangement, to be liable to a Timeshare tax.

3. The amount of the Timeshare Tax shall be \$20 daily for each day a hotel room subject to the tax is occupied, and the tax shall be in substitution for any other Hotel sales tax applicable to the room.

It will be noted, Mr. Speaker, that the timeshare operators will have the option of making full disclosure of their operations to the Commissioner of Inland Revenue, paying the regular Hotel Sales Tax and avoiding the Timeshare Tax.

Timeshare operators have been warned that a special taxation regime was in prospect as from April 1, 1983 and the timeshare tax will accordingly take effect from that date.

The tax is expected to yield \$400 000.

Health Services

The Government is committed to providing a National Health Service for every citizen, and in a few months we will be moving nearer to implementing the comprehensive plan announced not long ago. Before the end of the year the second; phase will be introduced, when arrangements will be made for all persons over the age of 65 to register with the medical practitioner of their choice and have medical care paid for from the Health Scheme. The third phase, which will follow next year, will cover all citizens regardless: of age.

Consequently, in order to assist with the financing and especially with the start-up cost, it is necessary to impose a small increase of 1 per cent on the existing Health Service Charge. This will be divided equally between employers and employees, one-half per cent each, and will take effect from May 2, 1983.

This proposal is expected to realise an additional sum of \$8.0 million in a full year and even though there may be a saving this financial year because of the loss of a few months in implementing the scheme, when the scheme is fully implemented the expenditure will balance the revenue. The sum of \$6 million is expected in this financial year.

Direct Taxation

Land and Property Tax

For some time now, Mr. Speaker, I have been concerned about the ability of certain companies to avoid the payment of property transfer tax when they sell land in Barbados. This can happen when land is effectively transferred as a result of transfer of shares in a company which is not incorporated in Barbados, or, if locally incorporated, is controlled by other companies capable of hiding behind a corporate veil located abroad. This represents severe discrimination against local landowners. I have decided, with effect from the Land Tax Year 1983, to introduce special rates of land tax for parcels of land owned by foreign companies, defined as companies either not incorporated locally or if locally incorporated, controlled by a foreign company or companies.

The rates are as follows:

1. in the case of unimproved land, a tax of 3 per cent on the site value;
2. in the case of improved land, a tax of 2 per cent on the improved value. So much Mr. Speaker for the Cayman Island Companies.

These changes to the Land Tax rates will result in additional revenue of \$1.5 million in a year, and will go some way towards redressing the advantages that foreign owners of Barbados land now have.

Agricultural Land

The Government has in recent years undertaken a number of initiatives to support agriculture in Barbados. The sugar levy system was modernised. The accumulated levy funds were applied to productive ends and increased resources were made available for research and development. A price support scheme[^] much superior in our opinion to the straightforward subsidies so prevalent in other countries, has brought new acreage under cane; and another incentive to encourage the cutting of cane without burning, has been so far extremely successful.

Both these developments augur well for next year's sugar crop. And we are hopeful that the spectacular success of non-sugar agriculture in 1982 will be repeated in future years. To this end, and to promote our plans for increasing sugar production the Government intends to step up the war against idle agricultural land.

On a small, densely populated island like Barbados, the withdrawal of agricultural land from productive use in the hope of speculative gain continues to be unacceptable. I therefore propose that the rate of the idle land levy under the Land Tax Act will be raised from its present level of \$300 per hectare per annum to \$500; and the existing limit of \$5,000 will be abolished. The rate of the refund referred to in the Act will be raised correspondingly to \$420 per acre. The qualification for exemption will also be clarified. To qualify in future, holdings of 10 acres or more must be certified by the Commissioner of Land Tax to have at least 80 per cent of their total arable land in agricultural production. These changes take effect from Land Tax year 1983.

The Government is considering what further financial and fiscal measures are needed to assist agriculture. But I must repeat my statement of last year that I have no intention of putting the section on Welfare, as some of its representatives seem to want. This Government will not pursue self-sufficiency at any price which can mean largely at the expense of the poorer sections of the community.

Severance Pay

I turn now, Mr. Speaker, to a purely financial subject, that of Severance Pay. Barbados has the most generous severance payments provisions that we have been able to discover anywhere in the world. A worker made redundant in Barbados can receive up to almost three years pay tax free and enter new employment the next day - indeed in many cases workers stay in the same employment under a different employer. Employers contribute to a fund at the National Insurance pay limit, but have to pay severance for the years before they contributed at whatever level the employee earns, no matter how much higher than the National Insurance limit. Certain initiatives have already been announced by the Government, but I want to state now that it is not intended to take away the accrued rights to severance that anyone has already earned.

But this is not enough to deal with the present condition of the law of severance. The great majority who receive severance are hardworking persons who through no fault of their own have been made redundant. It cannot be right that a small minority, some of whom in managerial positions may have contributed to the circumstances which led to their severance should receive \$25,000, \$50,000 or \$200,000 tax free and \$200,000, Mr. Speaker is far from being the higher payment ever made.

Severance payments can in fact be regarded as future streams of income received in a present lump sum, and, if received as income, would have been subjected to the appropriate rates of income tax.

I therefore propose, as from income year 1983, to impose a tax such as exists in most countries, on all payments made on termination of employment, other than genuine retirement benefits, including severance and redundancy payments and compensation for loss of earnings on dismissal.

The legislation, which will be in the form of an amendment to the Income Tax Act, will be coupled with a rebate scheme for persons who remain continuously unemployed for six months or more after they have been severed or dismissed. The rates I propose are as follows:

- Payments up to \$25 000 tax free.
- From \$25 000 to \$50,000 tax will be charged at the rate of 30 per cent; and at 50 per cent on amounts from \$50,000 and higher.

Mr. Speaker, I would like to point out at this stage that the rate of tax on taxable income of \$20 000 is 50 per cent, and 60 per cent at \$30,000. The lower rates which I am proposing are in consideration of the problems associated with a person being severed and the difficulties usually encountered in finding employment in a short period of time.

For the collection of the Tax, I propose that employers and others liable to make termination of employment payments staff deduct the tax at source in the same manner as Pay As You Earn deductions and pay the tax over to the Commissioner of Inland Revenue under the same conditions as govern PAYE deductions. This comes into force immediately.

The tax rebate scheme on severance payments which I intend to introduce is designed to ease the problems of the severed or dismissed person who remains unemployed for a long period of time.

If the person who is terminated remains unemployed for a period in excess of six consecutive months from the date of termination, a tax rebate, calculated on a proportionate basis in relation to the time period to which the payment relates, will be given.

For example, a terminated person in receipt of \$50*000 in payments would pay tax of \$7 500. If the person remains unemployed for, a period of eight consecutive months, then a rebate calculated at 1-3 of \$7 500 would be made, or \$2 500. If the person remains unemployed for 12 consecutive months then the full amount of tax would be refunded subject to a reasonable upper limit to be determined.

Income Tax

Last year when I made certain adjustments to the income tax structure, I made reference to the fact that the top rate of 70 per cent applies at a taxable income at the relatively low level of \$40,000 and above. On that occasion, Mr. Speaker, even though I recognised that the situation was adversely affecting Barbados in its efforts to attract and retain skilled persons and to promote the island as a location for regional head offices, I indicated my inability to change it in a year of restraint.

Barbados is not a country with wide disparities of income. The highest income reported to the Commissioner of Inland Revenue for Income Year 1981 for which records are available was less than \$300,000 and only 13 persons reported income of more than \$150,000. We are a middle income country in every sense. Very few countries in the world now maintain top rates of income tax as high as ours. Both in the United States and Britain the maximum rate of tax has been reduced to 50 per cent. As

another step in reducing the burden of income tax in Barbados I propose as from Income Year 1983 to remove the 70 per cent rate altogether. The top rate of tax will now be 60 per cent. I would observe, Mr. Speaker, that our higher rates still apply at levels that are much too low and I will further address the problem of these; higher rates when economic circumstances permit.

The reduction of the top rate will affect approximately 900 taxpayers. I further propose to assist the 12,000 taxpayers whose gross annual incomes are less than \$8,000 by improvements in the tax credits. At present a taxpayer earning less than \$6,000 gross receives a credit of \$360 against his tax liabilities, which effectively means that he pays nothing in income tax. Taxpayers earning \$6,001 - \$7,000 are given \$240 credit and those receiving \$7,001 - \$8,000 are given \$120 credit.

I now propose to raise the credit for taxpayers earning up to \$7,000 to \$360 and from \$7,001 to \$8,000 to \$180.

Finally on income tax, Mr. Speaker, I come to the proposals which I promised earlier to assist the owners of old buildings of historic or architectural interest. These are now being listed under the provisions of the Town Planning Act and the list will soon be published. For owner-occupied dwelling houses on the list I propose that the present annual repair allowance of 4 per cent of improved land tax value be raised to 10 per cent.

The above changes will result in revenue loss of approximately \$2.7 million.

NON-TAX MEASURES

Postal Charges

Mr. Speaker, I support the view that the Post Office should be treated as a commercial operation and as such should at least cover its operating cost from its revenue.

During the fiscal year 1982-83 however, the Post Office operations were in deficit and another deficit is projected for 1983-84. We provide excellent postal services, Mr. Speaker, and to help pay for them I propose to increase the charges to make up the shortfall of revenue which is being experienced.

My proposals, which are expected to yield approximately \$400,000 in a fiscal year, are contained in Appendix I to this speech and will come into effect from 3rd May, 1983.

Company Fees

In the Budget of 1981, I made certain adjustments to the fees which are collected by the Registration office when companies are registered. However, since then, the cost of providing such services has increased and it is considered that some small increases should be made to offset the increased expenditure. Therefore, with effect from 3rd May, 1983 I propose to increase the company registration fees in accordance with the details shown in Appendix II to my speech. These charges will yield \$400 000 in a full year.

Registration of Professionals

Last year, Mr. Speaker, I made certain changes to the registration fees for professional persons. On that occasion, the fee for specialist doctors was set at \$1,500 per annum and that for general practitioners was made \$1,000.

However, Mr. Speaker, there has been some problem among members of the medical profession in determining who should pay the higher fee and who should pay the lower one. Therefore, I propose, to abolish the distinction and to impose a fee of \$1,500 per year for all medical practitioners. This change will take place with effect from 1984.

Exchange Control Applications

In the 1980 Budgetary proposals, fees were imposed to assist in offsetting the cost to the Exchange Control Authority of processing applications to remit funds abroad. The fee structure which varies according to the nature and size of transaction, is regarded as what is known as a multiple currency practice and as such runs counter to our international obligations. Accordingly, it is proposed, effective June 1, 1983 to substitute a fixed fee of 1 per cent on all applications to remit foreign exchange, with exemptions similar to those which at present exist.

Bus Fares

This concludes my formal Budgetary Proposals, but still on the non-tax sector. Mr. Speaker, I must deal with an old perennial, The Transport Board. We cannot go on forever with the Board losing \$15 plus million a year. A wage increase for the employees which is due from April 1 cannot be accommodated within the present fare structure. The many new buses on the roads have to be paid for and maintained and we cannot have a service with buses running for 20 hours daily unless we are willing to pay for it.

The weekly cost of transport, only \$6.00 to and from work daily if only one bus is needed, from anywhere in the whole country, is the lowest in the Caribbean. I will take this opportunity of announcing that the Minister of Transport has made an Order raising the bus fares from 60 cents to 75 cents as from May 3, 1983. No change is proposed in school children's fares.

Public Service Emoluments

Finally, Mr. Speaker, an announcement rather than a proposal, although it will fall to be costed as a Budgetary measure. Last year at the time of the wages negotiations with the Public Service I gave an assurance that if the economic situation improved I would consider some additional sum to supplement the wage increase. The Barbados Workers' Union suggested that an additional \$5 million should be found.

The Government's fiscal situation would not have allowed for any such increase, since there is a current account deficit of \$6.8 million to wipe off and we are aiming at a surplus of \$10 - \$20 million, depending on the pace of economic recovery, to contribute to capital development and the reduction of unemployment. The taxes I have imposed today should, however, put some funds in hand for all these purposes.

From April 1, therefore, all public officers and persons paid from the Public Treasury will receive an interim allowance of two and one-half per cent increase of salary paid monthly until the next salary increase. It is described as an 'interim allowance' for the purposes of the Pensions Act.

The gross cost will be \$5.8 million for public servants, \$557,000 for Government pensioners and \$380,000 for National Insurance and other miscellaneous charges.

That, Mr. Speaker, concludes the economic statement and budgetary proposals. The proposals which I have delivered this evening are expected to result in increased charges of \$30.7 million and revenue loss of \$13.1 million as follows:

Increased taxes	\$m.
Consumption Taxes on Petroleum, including April 1 st adjustment	5.1
Other Consumption Taxes	2.7
Stamp Duty	7.0
Airport Charges	1.4
Travel Tax	2.0
Licence fees for utility companies	1.3
Television and video licences	.5
Timeshare Tax	.4
Health Service charge	8.0
Land Tax	1.5
Postal Charges	.4
Company fees	.4
	30.7
Reduced taxes	\$m.
Reduction of Consumption Tax on motor cars, falernum, shingles and kerosene oil	1.1
Income tax adjustments	2.7
Public Service Salaries etc.	6.7
Expenditure on Health Service	2.6
	13.1

Thus, Mr. Speaker, the net additional revenue to the Government will be approximately \$17.6 million and I am sure that everyone will agree that in spite of some increased taxation, the burden has been kept to the minimum by a careful selection of the areas which have been taxed. We will now be a little nearer restoring taxation's share of the Gross Domestic Product.

General Economic Situation

Mr. Speaker, this afternoon I have dealt rather more with financial than economic measures. But these have been times when survival rather than development has been the issue.

As explained earlier, the Government has had to pursue tight monetary, fiscal, and credit policies. But while all recognise that these conditions can only be eased by significant recovery in the World Economy, this is not to imply that nothing can be done in the meantime to mobilize additional resources and stimulate the productive sectors of the economy. Indeed, Government has formulated effective short and medium term programmes for assisting both households and businesses to gain access to credit and other resources for productive purposes and so maintain income and employment levels.

In Housing, in Industry, in highway construction and transport improvement we have laid a solid foundation in the past 18 months for further take-off. Our social security measures are coming to final fruition with the implementation of unemployment insurance and a National Health Service to be completed in a -year and a half. Once more I say, we have much to be thankful for on this, our little Island.

Mr. Speaker, 50 years ago President Franklin Delano Roosevelt said to the American People "the only thing we have to fear is fear itself." He said this at a time of major international economic crisis which was shaking the world.

Today, as we face similar economic disorder I repeat his words to Barbadians. We have nothing to fear once we place our trust in God and good government. So let us put aside the petty hatreds that petty politicians promote that serve only to pull us all down in confusion. Let us remember what we have achieved and look forward to what we can achieve and will achieve. We can see a new light; let us go forward together, onward and upward to meet it.