



Highlights of the Prime Minister's address to the nation on Tuesday 29th Dec 2015

THE REALITY

Reality 1: Falling Oil and Gas Prices - now in the region of US\$36 per barrel from 80.

Liquefied Natural Gas (LNG) now at US\$9.00/mmbtu from US\$16. Natural gas prices US\$1.90/mmbtu compared to US\$2.75/mmbtu.

Reality 2: Lower Production of Crude Oil

Crude oil production has declined from 90,000 barrels per day in 2010 to 80,000 barrels per day in 2015. - natural gas production currently stands at 3.8 billion cubic feet per day compared to requirement of about 4.2 billion cubic feet per day to adequately supply the demand for LNG, petrochemicals, power generation and other uses. *Forecasts and predictions from the best available data and expert opinions conclude that this kind of situation is likely to worsen before it begins to improve in the medium term.*

Reality 3: Country's export earnings have dropped significantly.

No immediate recovery anticipated under five (5) years. In order to sustain the present level of operation, substantial borrowing will be needed for the next five years. Added to the last five years this would mean ten years of heavy deficit spending and explosive growth in the national debt burden.

The rest of the economy outside of the energy sector depends on the availability of foreign exchange. (food, medicines, clothing, books and education, cars, trucks and tractors, and computers); The fall in exports reduces the amount of taxes payable by companies in the energy sector to the Government;

Reality 4: Diversify or Die

Inability of the earnings from other sectors to realistically compensate for the loss of export earnings from oil and gas; not in the short run (1-2 years) and not even in the medium run (3-5 years). Dire need for diversification.

PROPOSED ACTIONS

On Expenditure Side

- 1) Separate the Heritage and Stabilisation Fund into 2 distinct Funds – US\$1B from the US5.6B will be used for stabilization purposes in FY 2016 and perhaps another US\$0.5 billion in FY 2017. *The bulk of the existing fund will be kept in the Heritage component and allocate the remainder to the Stabilisation Fund.*
- 2) 7% reduction in proposed operating expenses (eliminating waste and/or inefficiencies) *Management of every State Enterprise, Statutory body and each Ministry and the Tobago House of Assembly mandated to review their operations and submit adjustments not relating to job cuts **at this instance.***



- 3) Curtail Private sector expenditure as overall expenditure falls. The Central Bank will evaluate current and prospective monetary conditions and take appropriate action on interest rates that will assist in moderating credit demand and keeping private sector expenditure in check. *(The Central Bank with renewed confidence will work closely with the Ministry of Finance to ensure that fiscal, monetary and exchange rate policies are aligned through effective cooperation and collaboration between the Central Bank and the Ministry).*
 - 4) Conserve foreign exchange. - Investment in foreign exchange earning activities during the adjustment period
 - 5) Monitoring of the country's debt profile, including the debt of state enterprises and statutory bodies and ensure that the type of borrowing and the terms of the loans are consistent with a manageable debt profile, even with lower export earnings and reduced government revenues.
4. Savings from maximising use of local dollars and projects largely driven by equipment and materials that are already within the country e.g. Housing, road construction and maintenance, agriculture, tourism and afforestation.

WHAT'S REQUIRED?

1. **Sacrifice and managed adjustment** in citizens' living standards in all sections of the national community for a period of time until the economy is successfully stabilized. *(The adjustment in spending that is required can be nullified by increases in wages and in profits)*
2. **Tripartite discussions** with the Labour Movement and the business community with the objectives of maintaining employment as far as possible, moderating demands for wage increases, and discouraging excessive profits. *(The PM appealed to the business community and to the trade union movement to approach those discussions with the national interest uppermost)*
3. **Stimulation of the economy** by selectively using what is available in the most innovative way e.g. Ramp up housing construction as a major driver of the economy with a comprehensive overhaul of the funding arrangements of the program. New initiatives which would encourage private capital to accelerate construction on private or

On Revenue Side

Income anticipated from:

1. Land and Building taxes – *to be restored from January 2016*
2. Revised VAT regime – *to be implemented from mid-January*
3. Collections of arrears of taxes



state land for prearranged priced units. Speedy movement of private capital into the housing market to service a sector which forms the HDC client base without initial state cash outlay.

4. Simultaneous encouragement of housing **construction** by the private sector and acceleration of the implementation of the Trinidad and Tobago Mortgage Bank through the merger of the TTMF and the Home Mortgage Bank to provide the financing for the mortgages for those new homeowners.
5. **Sustainability of employment** via new-home construction and building

MITIGATING MEASURES

1. Commitment to effective Social adjustment and Youth unemployment (*citizens who are unable to cope effectively with more difficult circumstances because they are pensioners on fixed income, or elderly or disabled, or have child care responsibilities*).
2. Extensive discussions with the Venezuela in respect of producing gas from the Loran-Manatee field which straddles our common border.
3. Continued investment in infrastructure projects to be funded by the IADB and other multilateral and bilateral agencies. These projects will help to

sustain a reasonable level of construction activity and employment.

4. Rationalization of the VAT regime will take particular note of those items which may be included in the basic list or must be retained in the list in light of these measures. This will cushion the effects of any increases in prices of basic food items.
5. Intensification of support to the vulnerable in our society through the Ministry of Social Development, the Ministry of Education, the Children's Authority, the Tobago House of Assembly and the Regional Corporations.
6. Local government bodies will accelerate the implementation of employment exchanges that would **link needs of households and communities for certain skills with those who possess those skills and are seeking work, encouraging persons who are unemployed to register with employment exchanges. NGOs, religious groups, trade unions and civil society organizations to assist in this regard.**
7. Maintenance of expenditure on the Unemployment Relief Programme and on CEPEP, (**elimination of corruption and to make those programmes more efficient and effective. Demand that there be some significant output from these programs even as they exist as**



***unemployment relief expenditures.
Ministries of Local Government and
Rural Development, Urban
Development, Works and
Agriculture will have a determining
role in some of the projects to
which this expenditure can be
targeted with a decent ratio
between material and labour).***

ECA, 30th December 2015

