



2018 Budget Recommendations

This report outlines the policy direction and recommendations of the TTCSI and its members regarding the present and future of the Services Sector in Trinidad and Tobago and the wider Caribbean Community.

Table of Contents

2018 Budget Recommendations	5
Regulatory and Institutional Reform	5
Trade Facilitation.....	8
Diversification of the Economy	9
Conclusion.....	16

TTCSI Background

TTCSI and the Services Sector

The Trinidad and Tobago Coalition of Services Industries (TTCSI), which was established in 2006, is the voice of the services sector nationally. It is also one of the most important regional advocates for the development of the services sector. TTCSI is a business support and membership organization comprised of services sector organizations and associations. Currently, TTCSI has 41 member associations covering the breadth of the services sector. The main focus of TTCSI is to increase the contribution of the services sector to exports thereby aiding in the national diversification thrust. It does this by lobbying on critical issues; marketing services of the sector internationally and helping service providers build capacity. TTCSI works closely with key public and private entities, as well as regional and international organizations in this regard. An elected Board of eight private sector Directors govern the Coalition and its work is implemented by a Secretariat of professionals, who work towards full time representation, advocacy and the overall development of trade in Services Industry.

The Services Industry stands as a pillar to the success of Trinidad and Tobago's economic growth as was noted in 2016. In Diagram I, it can be seen that the service sector contributed 74% to GDP. Contributions to GDP by the petroleum industry stood at 20%, manufacturing industry at 6% and the sector with the lowest contribution being agriculture at 0.05%. In comparison to the petroleum industry, the services sector continues to increase tremendously and currently surpasses the revenue that is generated by the petroleum industry at least 3-fold.

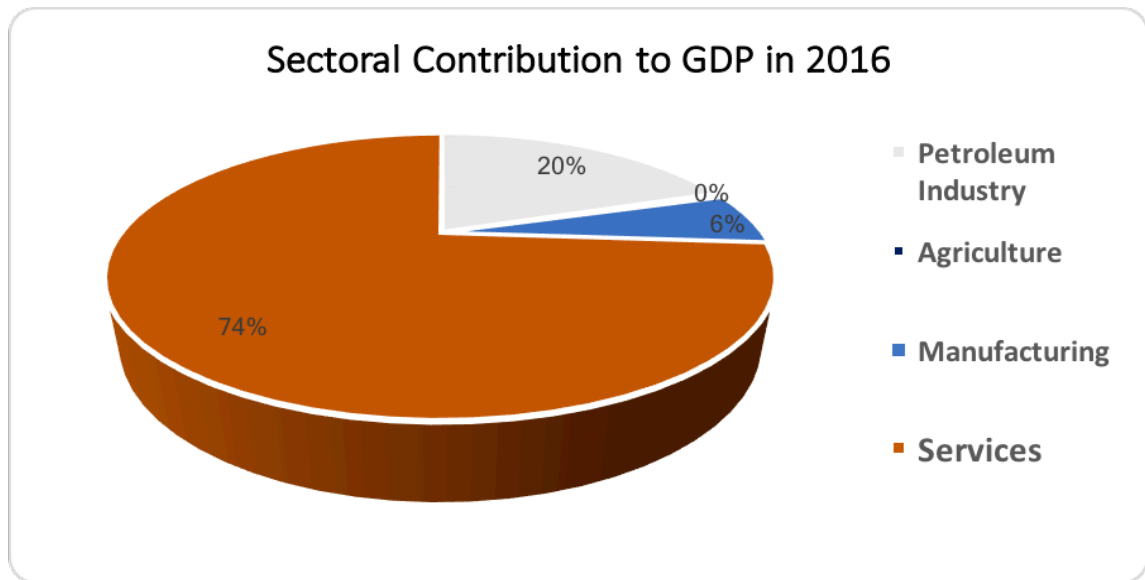


Diagram I

Source: The Central Statistical Office, 2016

2018 Budget Recommendations

Based on consultations with our members and other stakeholders, we have compiled the following recommendations for the 2018-2019 national budget.

Regulatory and Institutional Reform

Government Expenditure Reform – Reduction of Transfers and Subsidies

In any economy, government expenditure is a major driver of economic activity. This is particularly true in Trinidad and Tobago with its significant number of state owned companies. However, while governments should provide safety nets for the most vulnerable in society, the overall objective must be to reap economic returns from such spending in the short to medium term, by providing avenues for less fortunate citizens to be integrated into the wider economy as productive agents. Consequently, TTCSI believes that spending on transfers and subsidies must be systematically reduced as in some areas as they reduce productivity and lead to economic decline. Some specific areas of concern are:

- **Incentives for the ‘Greening’ of Buildings** – TTCSI supports the introduction of incentives with the intent to incentivize the execution of energy audits along with the purchase and installation of energy saving systems and specific incentives for renewable energy -continuation for solar water heaters. It should be noted however though that adequate mechanisms are not currently in place to ensure that the incentives are easily accessible. Additionally, **further incentives should also be considered for the construction of buildings designed to save significant amounts of energy. These incentives should be calculated based on the energy savings of the building in the long run. Additionally, an assignment of funds should be allocated for the development of a policy and guidelines for incorporating green building techniques into new and existing buildings.**
- ***Facilitation of E-Commerce***

E-commerce and e-business hold great potential and provide significant opportunities for SMEs in T&T. Besides access to new and bigger markets, such electronically mediated trade

will help to bring about reduced costs and faster turnaround times by streamlining and integrating processes along the entire business value chain.

E-commerce involves a lot more than simply buying and selling goods and services over the Internet. Ultimately it can encompass the total reorganization of business processes to enable effective operation in a networked electronic environment. For an SME it can mean a shift from being a producer relying on wholesalers to gain access to markets, to dealing directly with the end-user and suppliers, and everyone else along the value chain.

E-commerce is essential for a thriving services sector and has been one of the main reasons for the significant growth in the services sector in developed nations. At the moment, e-commerce in T&T is archaic, largely because of a lack of relevant infrastructure in the banking sector to facilitate e-payments (for example e-payment legislation, which is essential to successful e-commerce).

As such, the TTCSI recommends that the Government take active steps to encourage the banking sector to provide the facility for the acceptance of online payments by its customers whether individuals or businesses - and particularly SMEs. In doing so we ask that the national legislative agenda be moved forward as soon as possible to facilitate this process.

Outstanding Payments & VAT Refunds Policy

The TTCSI urges the Government to facilitate whatever mechanisms are required to ascertain and verify all overdue payments and in good faith, to expeditiously settle all amounts owed to small and micro- enterprises within the services sector. The Government must meet its obligation to promptly pay monies owed on contracts and services rendered. TTCSI is also in support of making VAT payable only upon collection of payment and not solely based on the invoice date.

Measures to assist in the sustainable development of specific sectors

The TTCSI urges the Government to consider the following measures to assist in the development of specific sectors.

YOUTH EMPLOYMENT: There should be the implementation of incentives / tax breaks for companies hiring young people, offering internships and mentoring programmes of people into non energy sector jobs, to enhance national diversification efforts.

LEGISLATION: We recommend legislation to mitigate fraud, money laundering, proceeds of crime and tax evasion. Also, economic stimulation through state land allocation targeted at middle -income earners and university graduates to purchase lots of land at affordable rates to stimulate development which would allow this demographic to build ties to our communities

CHILD CARE: Firms offering child care support for working parents and start ups and entrepreneurs, especially women should also benefit from tax breaks.

HEALTHCARE: The Ministry of Health should issue a call to action to motivate nationwide action toward achieving a reduction in the burden of vision impairment across the lifespan of people in Trinidad and Tobago. Specifically, this call to action should establish goals to:

- Eliminate correctable and avoidable vision impairment by 2030,
- Delay the onset and progression of unavoidable chronic eye diseases and conditions,
- Minimize the impact of chronic vision impairment
- Achieve eye and vision health equity by improving care in vulnerable populations.

SAVINGS: To accelerate savings among vulnerable groups in the society and notwithstanding the tax measure that allows persons earning less than \$72,000 per annum to avoid the tax net, we propose a further savings incentive in the region of \$20,000 be allowed as an annual rebate for credit union savings. This move has the added benefit of ensuring the growth and sustainability of the credit union as a sub sector of the financial sector. Credit Unions should also be allowed to encash cheques and permit salary assignments.

PLANNING AND FACILITATION OF DEVELOPMENT ACT: We recommend (a) the immediate implementation of the Planning and Facilitation of Development Act, 2014, (b) the immediate continuation of the development of a National Building Code and (c) the development of a national coordinated data base which includes information on natural and

man made water courses, aquifers, wetlands and the like to assist in the development of sustainable drainage solutions for construction and infrastructure projects.

LICENSING: Legislation should be put in place for Air conditioning and Refrigeration practitioners to be licensed/certified by a recognized Government Institution/Body according to established criteria to work on refrigeration equipment, which includes the purchasing and handling of AC&R Materials including Refrigerants. We also recommend the regularization of import duty disparity and classifications between evaporators and condensers in air conditioning systems.

ENVIRONMENTAL SERVICES: The absence of a set of standards (code of practice) specifically for Urban Pest Management, very different from agricultural. The continued sale of pesticide concentrates to the general public (untrained applicators). Concentrates should only be sold to certified applicators and only ready to use formulations (aerosols, mosquito coils, tick & flea shampoo, etc.) to the layman. The present practice not only creates a clear and present danger to the health of the public but also takes away a great deal of commercial business from our sector.

Trade Facilitation

Trade Facilitation Officers and Commercial Attachés at T&T Embassies

TTCSI urges the Government to appoint Trade Facilitation Officers and Commercial Attachés at our Embassies and key Consulates as previously agreed. This has been proposed and was agreed but is yet to be implemented. These commercial attachés should have the requisite level of experience in trade, business relations and relevant foreign language skills to effectively perform their duties in their capacity as a trade liaison.

Continued Financing and Development Assistance of Business Support Organizations (BSOs)

As a BSO that supports its members in the export of services, the TTCSI plays an important role in providing key information, advice and guidance to businesses. The demands of the organization are extensive and the task is particularly challenging in terms of staffing and financial resource. In spite of these, we still need to service the needs of businesses from a

range of sectors and sub sectors. The TTCSI's members are relatively young associations with limited support structures and SMEs with limited export experience, and as such the demands on the TTCSI are great but its resources are very limited. **We hereby urge the Government to continue with the existing financing of BSO's such as the TTCSI to continue with its mandate in harnessing the development and export capacity of the services sector.**

Diversification of the Economy

In 2015, the energy sector accounted for close to 20% and 77% of GDP and exports respectively. For several years the need to diversify the economy has been expressed but at the present time no substantial progress has been made. Recent declines in oil production and prices have coincided with economic decline and stagnation. The time is ripe for aggressive efforts to be made to facilitate the development of other sectors as major income and foreign exchange earners. Based on work done over the last few years, TTCSI has identified several service industries as useful prospects. Suggestions for the development of these and other industries are stated below.

Yachting

- Industry needs more land in the Chaguaramas area (limited to only 2.2 square miles at present) for expansion and growth sustainability.
- Permit the free movement of yachts between bays in Trinidad and Tobago, which is permitted in other Caribbean countries with thriving yachting sectors. Immigration Department to facilitate foreign yachts as in Grenada, St. Vincent, Antigua, Guyana, St. Lucia, St. Kitts, St. Maarten and in every other Caribbean island.
- Introduce the much needed Single Harmonized Form, 1977 for hugely simplified entry and departure of yachts to/from Trinidad and Tobago as in Grenada, St. Vincent, Antigua, Guyana, St. Lucia, St Kitts, St. Maarten and in every other Caribbean island.
- Standardization of Immigration and Customs regulations for user-friendly access.
- Educate customs officials about yachting culture to create ease of interaction.

Offshore Education

- Develop an immigration policy that facilitates genuine visiting students whilst protecting against immigration fraud.

The Creative Industries

- In an effort to improve and promote local creative talent, state media house CNMG should be converted to a production house focusing on local content development. The station will commission programming from our best local professionals to serve various slots- prime time drama, sitcoms, game shows, children's and youth programming, programming where there is a minimum 50% quota in favour of local content including animation. This is all geared towards competing in international markets. A radio station should also be considered for doing the same with local music. Further consideration could be given to the removal of the news from state media as many other private sector media firms adequately cover news. The cost savings of such a decision could be used to stimulate local content development in the context of a sustainability plan for CNMG.
- Proposal of a system of incentives which is linked to tax relief for companies which broadcast more than fifty percent (50%) local content in their broadcast schedule.
- Investment incentives for the encouragement of private entrepreneurs who manage or own hotels, bars, clubs, pubs or restaurant to provide the facility for the performance of live music. There should be an organized system of state support for venues that provide the facility for live performances – music, theatre, dance etc.
- Introduction as policy for Government to ensure and encourage participation in international music expos and business forums. Such participation should not be limited to performances by a few artistes chosen. There must be the involvement of music business managers, agencies, publicists, producers and administrators as any other trade mission.
- Introduction as policy for Government to ensure that there is inclusion of the creative industries sector in the trade missions and business forum. Such representation should go beyond "light entertainment packages" for fun and leisure. Trinidad and Tobago should be leaders in the field of cultural diplomacy.
- Implementation of laws to deal with music piracy as per the Copyright Act.
- Introduction of the levy system of import duties on all recording equipment and recordable items such as CD's, DVD's and USB drives etc. The establishment of a

fund to facilitate

- a. The writers, composers, music publishers and producers.
 - b. Cover administrative costs of managing the system.
- Establishment of the National Museum for Calypso Music History and as an active sector in the National Museum for the Carnival Arts and Industry. Introduction of a Carnival theme park in order to stimulate active tourism and generate year round employment for artistes and artisans in the creative sector.
 - Design and construction of state of the art theatre type performance spaces at a National and Community/Regional level.
 - The establishment of an Inter-Ministerial Standing Committee to meet with representatives of the national organizations and key stakeholders in the music business and creative industries sector. Such a team should include personnel from:-
 - The Ministry of the Community Development, Culture and the Arts
 - The Ministry of Community Development
 - The Ministry of Foreign Affairs
 - The Ministry of Trade, Industry and Investment
 - The Ministry of Tourism
 - The development of a National Cultural Policy.
 - Incorporate fashion districts into the tourism development plan for Woodbrook
 - The creation of a Brand T&T Pop-Up Shop that moves with Caribbean Festivals across the Anglo- Francophone- and Spanish speaking Caribbean. It should be reciprocal with other Caribbean fashion markets. This is a design-based initiative involving industrial designers graphic artists, website and ICT professionals
 - The development of fashion production centers located in North, South and Central.
 - **Animation**
 - **"TTAN Web Portal"**

CRITICAL: A special investment under either the Ministry of Planning, Ministry of Trade or other relevant Government agency into the creation of an Animation Services Export Web Portal for Trinidad and Tobago animation services.
 - **"Project Fish Tank"**

Under the TTFC/FilmTT, a PSIP line item for an animation-training project entitled,

“PROJECT FISH TANK” should be established, with management of the project, documentation and consultation provided by TTAN. PROJECT FISH TANK is a training incubator for animation professionals toward internship, on-the-job training with live working projects. TTAN is prepared to share documentation and budget proposals for this project.

- For the facilitation of an on-location animation and digital hub (warehouse space) for the hosting of TTAN's "PROJECT FISH TANK" and as a central home for animation and video & mobile game development industry events, projects etc. This space should be managed in consultation with TTAN.
- The funding of a feature-length animation project facilitated through “PROJECT FISH TANK.” This would create industry training opportunities and also produce an exportable product, which would be Intellectual Property 100% owned, marketed and distributed by Trinidad and Tobago.
- **Funding for the T&T Animation Industry**
- A 20 million dollar injection into the animation industry through TTAN or through TTFC/FilmTT specifically for the development, marketing and distribution of animation content and video & mobile game development content (both of which are Intellectual Property assets of T&T and income-generators) to regional and international diaspora markets."
- The funding of a feature-length animation project facilitated through Project Fish Tank. This would create industry training opportunities and also produce an exportable product, which would be Intellectual Property 100% owned, marketed and distributed by Trinidad and Tobago."
- At least 50% of the FilmTT's Production Assistance and Script Development Grant Fund should be assigned to animation projects exclusively."
- For State media houses to operate according to a Public Access Television model where there is a 50% quota in favour of local content including animation.
- For the activation of the promised waiver on importation of film, animation and video & mobile game development related equipment (computers, drives, motion capture equipment etc.).
- Extending the 35% - 55% CASH BACK rebate to include qualifying

expenditure for local animation productions.

- There needs to be an immediate evaluation of the Diploma in Animation degree from the University of Trinidad and Tobago (UTT) and the recently confirmed Animation and Gaming Development curriculum for Secondary Schools in conjunction with representatives of TTAN to assess whether the degree programme criteria and the curriculum is in line with the current and future training and skills needed in the local animation industry.
- For the Government to consider providing a direct financial subvention to TTAN similar to the National Drama Association of Trinidad and Tobago

- **Entertainment:**

- Negotiation of Co-Production agreements with other countries' film industries; (funding, distribution) to facilitate the creation of film and television products for successful international distribution – international certification, regular training, incentives, spaces, access to international / multiple sources of funding, access to international screening platforms, etc.

- **Carnival**

- ***Fashion, film, music and the visual arts are integral parts of Carnival. As such, as integral key part of the diversification agenda it is essential for fulfilling the objectives of job creation; revenue generation and earning foreign exchange.*** Our Carnival needs to be totally revamped with a view of harnessing product predictability and appropriate packaging for global branding and export. Carnival has grown significantly to become a global event. However, the current governance structure for Carnival has not grown over the past 15 years and we continue to manage Carnival taking giant steps backward supposedly on the way forward. With the view of exporting our Carnival main products and services globally to generate foreign exchange, we propose five key drivers for the restructuring of the Carnival product.
- The main aim of the five drivers is to focus on market leadership as a key objective for the Carnival Industry of Trinidad and Tobago. It is largely about developing market attractiveness and communicating brand value to audiences, tourists and key stakeholders. The key drivers for this are **the Greening of the Masquerade Costumes, the Consolidation of the Regional Carnivals, Global Branding and Marketing of the Festival (Making T&T the Global Domain**

for Carnival), Restructuring of the two-day Parade of the Bands and the Establishment of the Carnival Entertainment Complex. The application and integration of these critical success factors is key for developing the creative industries and regional market leadership in the festival industry and tourism sector. The benefits will manifest in expanded and more diversified sources of income, a wider distribution of income among stakeholders and greater brand loyalty for visitors and audience.

- There is more importantly a key recommendation for a new governance structure for the business of carnival through the implementation of a new body namely; **carnivalTT with a three year mandate of oversight and implementation. This body will be chaired by a renowned cultural economist and will include senior representatives from government agencies, business support organizations and industries. Representatives will be from the TTCSI, InvestTT, Ministry of Tourism, Ministry of Works, Ministry of National Security, Trinidad and Tobago Chamber of Commerce and the Office of the Mayor of Port-of-Spain.**
- **Developing a new Finance Mechanism for Carnival in order to reduce dependency on the National Treasury to avoid duplication of funding allocation.**

• ***Tourism***

- Review the onerous Stamp Duty charged on Hotels and similar large “residential” properties as a way to stimulate the tourism sector.
- Stimulation of the tourism sector will have direct cost benefits to Trinidad manufacturers since they supply the bulk of the goods and services to the tourism industry in both Trinidad and Tobago. Retention of the tourism dollar in the T&T economy is as high as 70 cents in every \$1.
- Immediate improvement needed in fiscal incentives for Foreign Direct Investment (FDI) competitive with those within the Region. Currently Trinidad is not offering attractive incentives and the, land licenses for Tobago are also a deterrent.

• ***ICT***

- Incentives and grants for tier 1 and tier 2 publicly available Datacenters. This will help develop the local ICT industry and provide more capacity for

organizations seeking compliance with DPA 2011 once fully proclaimed. Trinidad and Tobago utilizes a lot of foreign data center services for small noncritical websites, draining foreign exchange and removing income from the local economy.

- Government should create a programme through the TTBS to assist the private sector in adopting the already TTBS adopted (voluntary) 27001 standard. (Application of information technology and security and management systems requirements standard).
- The government should be paying more attention to the sector and taking a proactive approach to legislation surrounding the use of ICTs in organisations (and society), particularly as it relates to the growing threat of cybercrime and data protection. The pervasiveness of ICTs in every aspect of society warrants greater attention and action. A reactive approach, which is common to enacting legislation.
- Government should consider greater investment into ICT for capturing and reporting on national macroeconomic data. Recognizing that the organizations responsible for data collection and analysis (CSO and CBTT) may not be ICT bodies in themselves, planning for these organizations must incorporate greater roles for ICT and more robust implementation of ICT in their strategic plans.

- ***Venture Capital and Industry***

- Revise the Venture Capital Act to develop a more robust and proactive Venture Capital industry.
- Encourage and facilitate the development of the Venture Capital industry, incorporating lessons learnt
- Support private sector initiatives in this regard.

Conclusion

Interventions by the Government that distort market forces and reduce general productivity should be addressed. The current structure of 'make-work' programmes is a major distortion inhibiting private sector growth.

In an effort to increase the economic contribution of the service sector, it is necessary to ensure that appropriate regulations are in place. In this regard, the development of infrastructure to facilitate e-commerce is of critical importance as a significant portion of services trade is done online.

Market intelligence on prospective markets is needed to shortlist target markets and also to develop a strategy for market penetration. Consequently TTCSI strongly supports the appointment of Trade Facilitation Officers and Commercial Attachés at our embassies and key Consulates.

Regarding efforts at diversification, based on extensive work in the services sector TTCSI has identified several industries as having significant potential for export expansion. These are yachting services, educational services, creative industries, tourism, information and communication technology services and venture capital and industry.