

## **Transcript – Prime Minister Rowley’s Remarks at the Mahogany Court Sod-Turning Ceremony**

My Cabinet colleagues, Minister of Housing and Urban Development, Mr Randall Mitchell, Member of Parliament for the area, the Minister of Health, Mr Terrence Deyalsingh, the Chairman of San Juan/Laventille Corporation, Mr Anthony Roberts, Chairman of the HDC and members of the Board of the HDC, Permanent Secretary of the Ministry of Housing, Father Cornelius Phillip, Executive Chairman of the contractor who will build this structure for us Mr Emile Elias, Chairman of the NHIC, other distinguished ladies and gentlemen, members of the media.

This is one of the happy occasion I always look forward to when I come out like this I have done recently in Arima where we turned the sod for Housing Development with a strange name, a place called A River Runs Through It. Today there is no river running through St Joseph, but I’m sure there is optimism running through a number of people around this area, who believe that with a 10% chance, they might get one of these units. A thousand applicants already who qualify for a 116 units but at least they do have a chance as long as units are being built.

One of the things we have to understand is public policy is that the government cannot and really should not undertake to build a house for every person who needs one. But everyone needs a place to call home and a place to have a shelter over your head. What the government of Trinidad and Tobago a PNM government is trying to do is to stay true to our longstanding fundamental philosophy in public policy and that is there is a significant role for the government to play with respect to expanding the housing stock.

There are a number of models which a person can pursue to put that roof over their head but in Trinidad and Tobago given our history, our geography, our economic circumstances, it has been the government of Trinidad and Tobago through public policy that has had the single largest effect on growing and expanding the housing stock in Trinidad and Tobago. I must say that the success of that policy in increasing and making the housing stock available has in itself driven the process and has driven more people towards the government because when it appears as though no units are being built and the government would have withdrawn from that policy, the number of applicants decline. But once people see that the program is underway and units are being built and others are able to find that elusive dream of an affordable unit, they move towards the government’s program.

So when I moved in as Minister of housing in 2004 of November, the first thing I tried to find out was how many people were looking to the program for their solution to their problem in the chronic housing shortage. At that time I was told that the number of applicants, even though it

was a pretty (Ms Simone will tell you, the database wasn't very clean, there was a little bit of issues with it), the figure we were looking at then was 30 to 40 thousand people and by the time I left that Ministry in 2007 November, even though we had built and made available a number of thousands of houses, the number of applicants had risen to 70 thousand. Then later on I heard other Ministers of Housing saying that the number had been in the order of 100 thousand as the applications grew. Now I'm hearing this Minister saying 160 thousand. It means there are thousands of households looking to the public sector housing program for the solution.

When you look in the newspapers as I do from time to time trying to understand what's going on in the country, you can hardly find housing units available for sale in what I consider to be an affordable way. If there is a housing unit available of any quality available anywhere it costs a million dollars and when you look at the average income of the average household in Trinidad and Tobago, a million dollar unit is well beyond what can realistically be expected to be available. Of course as the government enters the program, the phrase Low Cost Housing recedes into the background because there was a time when Low Cost Housing meant just that, housing being available at low cost but given the growth of the economy and given what the expectation is, not just a starter house but an occupiable house, we're not really aiming at low cost housing because then we'll have difficulty delivering that kind of unit. We're looking at low income housing, means those housing that are pitched in the cost and good enough quality so that they can satisfy the needs for those persons whose income should fall within the qualification range that the government has established as persons who should get priority to benefit from, what in effect is a heavily subsidised program.

As I mentioned earlier on, the government's involvement in housing in the nation over the decades has been at a tremendous cost to the tax payer. But we shouldn't complain too much about that because the argument that these units should be more available at market cost might make sense economically but when one sees the need and what the cost are and you justify the existence of the government in the program, one has to go a little further on and say that because the government is in receipt of revenues that really belong to the people, one of the best things the government could do with the people's revenue is to try to provide the people with one of the most fundamental basic need and that is housing.

Every person that gets access to a house that was constructed under this public program, must accept that they did get a huge assistance from the State because all these houses, apartments or individual units, come to you with the government absorbing a significant part of the construction cost and the government applying very minimal charges to the land that goes into the project. With that you must understand that when a house is made available to a low income earner at \$200,000 \$300,000 \$400,000 or a rental of a few hundred or a couple thousand dollars

a month, that is not the economic cost of that unit, there is a significant subsidy which the government did not pass on to you. If you ever get lucky and get one of these units, never you get up and tell anybody that this nation has done nothing for you and your family because with respect to a person's expenditure in life, a house is probably, and the economists will probably tell you it is the single largest expense of any average family in any country, and if the government does that for you to assist you with significant subsidy, the least we can say to you is to pay your part of the bargain.

If you are in a rental unit then for heaven's sake, pay the rent. If you take a mortgage then for heaven's sake, give your mortgage priority over feeting and other minor activities because this is significant. We have now come to a situation where with the best will in the world, the State does not have the revenue stream to continue to put money into the program to sustain it at a level where it will be a significant response to the number of applicants. When I was Minister of Housing the program was running about approximately 2 billion dollars a year which the treasury could have supported either directly or through support of bonds. Now the revenue stream has dried up considerably and there isn't the cash to come from the treasury and the Minister of Finance does not have the wherewithal to raise the funds from State borrowing because that will push the national debt up too much so we have had to look for different ideas and this is what this particular project is about, the public private partnership. It is public in that it is public land, it is public policy, it is being run by a public agency but the contractor, a private entity, will raise the funding and use the contractor's wherewithal to create the units and because there are people out there who have the wherewithal to take a mortgage or to pay a rent or to go on a rent to own program, their revenue stream will eventually pay for this project and allow us, by managing time and using a new idea, do what otherwise would not have been done and that is why this project is so significant.

It would have been easy to do as has happened before, take the position and say well, we are in the throes of some economic decline and therefore the government doesn't have the money to build houses so therefore no house building should take place or would take place. That would mean that we are not setting out to solve a fundamental problem which needs to be solved. But we do know that there is a lot of money in this country because significant monies coming to this country through the government and it gets it out into the private sector and a number of private sector entities have the ability to borrow if they don't already have the money in their bank account but they have the ability to borrow and their borrowing will not go on the public debt profile. So we've come up with the public/private partnership which is going to allow those who can raise the funding to do so and trust that the government agency will work with them, enter into contractual arrangements and keep their side of the bargain and their side of the bargain is if you the contractor raise the funding and remain competitive funding, you perform well and build within cost and build within time as we expect NH will do, once you've built those units you would have kept your side of the bargain, the private sector would have kept their side of the

bargain. The government through its agencies whether its HDC and/or Home Mortgage bank or/and TTMF or FCB or any other agency, once the units are ready for occupancy, the HDC in the intervening construction period should have selected and have willing and ready and waiting, those eager occupants who would go into those units, take the responsibility for paying for them as own them or paying for the rent which will bring back some portion of the income and that will allow the program to be funded either in part or in whole and we would have got done what the original objective was.

The original objective is to build housing units, expand the housing base and allow persons to get a roof over their heads and to do so in a way that all of us will be proud of what will go up here. This I am happy to know is the first actual exercise that is coming to fruition. Before, when I spoke in Arima a few months ago we were talking about the idea. I spoke about it in the Parliament and so the Minister of Finance and the Minister of Housing. So this contractor is on trial. Would it work? Can it work? Well, we'll wait and see but I have confidence that it will work. If it does work it will be a beacon to other contractors who can do the same thing so we can get more of these projects and we may very well find that we are doing a lot better in the public/private partnership program than when we doing it with the HDC.

There was a time when the HDC had its own construction crews. There were builders building and painting and doing whatever for the HDC and then that eventually ground to a level of inefficiency where the HDC then moved away from having its own labour force with all that went with that to hiring contractors to do the building for the HDC. We are now moving away from that in some respect by having the private sector commit itself to the funding. One of the things I don't want to hear about and I don't expect to hear about is that this arrangement of public/private partnership is a contractor saying is well we have cost overruns and we have delays and we have this and we have that for which you are liable.

I trust that the contract would have been written so tightly that the contractor is stuck to deliver what he expects to deliver at the price that he committed to deliver. If we do get rid of that we would have removed a tremendous bugbear from the whole question of how cost effective the program is and what are the excesses and the abuses that took place in previous arrangements so out of evil may come good. The economic decline that forced us into this situation may give us a solution that would give us more efficient construction of public sector housing.

This location in the corridor is making use of open space that is finally being put for housing where the infrastructure already exists. I draw your attention to the city of Port of Spain which I am told has thirty seven thousand residents. I was not aware that the number of residents within the confines of the city of Port of Spain was thirty seven thousand. You now service from a residential standpoint, thirty seven thousand people. It means that Port of Spain has lost its way as the capital city of this country.

I will keep my eyes on this project as I'm sure the Minister will be hoping that it becomes a standard bearing project, a landmark project in the HDC program. A while ago mention was made of East Grove, I don't know how many of you know the East Grove Development in Curepe but when I became Minister of Housing each grove was a bit of open land which probably produce 3 bunches of banana, 2 pumpkins and a cucumber and it was called farming and that was how that area was utilised. It is now one of the finest housing areas in the corridor built by the HDC. I have no doubt that this area will develop in a similar way and I have every confidence that the HDC staff and Board will do what we expect them to do which is to do more with less.

So this afternoon permit me to identify the Chairman, Mr Newman George who is personally held responsibility for this program because he came to us with a smile on his face. He is one of those from the private sector who know the private sector could do better than the government. He was at Home Construction. You all know about Home Construction and their record and ability to build houses; he is now running the HDC. So this is a test as to whether the private sector can do better than the public sector and I'll be back here God willing when this project is finished to see whether that test has been passed or whether in fact that has been so much old talk that the private sector is better at building houses than the public sector.

I would also like to recognise, I'm not sure in what capacity she is here, Ms Ingrid, thanks for being here, your presence here gives me confidence that I am in the right place because I'm sure that those agencies that are responsible for funding the takeout are as important in this program as the contractor who would build and now as we are about to turn the sod, we would have made significant progress and I simply want to say to you all that it is not in difficult times that we should despair, it is in difficult times that the best of us sometimes come out and I expect that the best of the HDC and the contractors and all those associated with the National Housing Program will demonstrate that we are tough people and tough people do best under difficult situations.

Thank you very much and I look forward to the progress on this site.