

NATIONAL ASSEMBLY

OFFICIAL REPORT

Tuesday, 30th June, 1998

The House met at 2.30 p.m.

[Mr. Speaker in the Chair]

PRAYERS

NOTICES OF MOTION

MEASURES TO SALVAGE TOURISM INDUSTRY

Mr. Wamae: Mr. speaker, Sir, I beg to give notice of the following Motion.

THAT, while realising the sharp decrease in tourist visits to Kenya since the Likoni clashes in July and August, 1997 and the subsequent poor state of our infrastructure, which has resulted in huge losses being incurred by the hotels and other stakeholders in the tourism industry; and being aware that employment for about 150,000 Kenyans is at risk, this House recommends that:

- (a) security be improved in all tourist centres;
- (b) the Government guarantees medium term loan of five to eight years at an interest rate of 15 per cent to tourist hotels; and,
- (c) VAT payable by tourist establishments be waived for two years; and the Government injects not less than Kshs500,000 per year for tourist promotion through the Tourist Promotion Board in Europe and America.

LEAVE FOR INTRODUCTION OF A BILL ON GOVERNMENT MINISTRIES

Mr. Orengo: Mr. Speaker, Sir, I beg to give notice of the following Motion.

THAT, this House do grant leave to introduce a Bill entitled "The Establishment of Ministries of the Government of Kenya" in compliance with Section 16(1) of the Constitution of Kenya, and for matters connected

therewith and related thereto.

ORAL ANSWERS TO QUESTIONS

Question No.135

ALLOCATION OF LAND TO MR. MUTAMBO

Mr. Speaker: Mr. Sifuna is not here? We will move to the next Question.

Question No.153

EMPLOYMENT OF TEACHERS FROM PRIVATE COLLEGES

Mr. Anyona asked the Minister for Education and Human Resource Development:-

(a) whether he could inform the House the number of teachers who graduated from Kamagambo, Nyabururu, Nyanchwa and other private teacher training colleges in the country in 1993,

1994,1995,1996 and 1997;

(b) the number of these teachers who have been absorbed into employment by the Teachers Service Commission; and,

(c) in view of the shortage of qualified teachers in many schools in Kisii, Nyamira and Gucha Districts, whether the Teachers Service Commission could absorb these teachers as severally directed by the Government.

Mr. Speaker: There is nobody here from the Ministry of Education and Human Resource Development? We will move to the next Question.

Question No.350

NOMINATED COUNCILLOR FOR SOUTH MUGIRANGO

Mr. Magara asked the Minister for Local Authorities why he had declined to nominate a councillor from South Mugirango Borabu/Getenya Location to South Kisii County Council (Gucha), whereas the said area qualifies for one nominee.

The Assistant Minister for Local Authorities (Mr. Sasura): Mr. Speaker, Sir, I beg to reply.

The Ministry does not nominate councillors. Nomination of councillors is the responsibility of the respective political parties and the Electoral Commission of Kenya.

(Mr. Magara rose up from the Front Bench)

Mr. Speaker: Mr. Magara, are you supposed to use the front microphone?

Mr. Magara: Mr. Speaker, Sir, because of my height, I cannot reach the microphones on the Back Bench.

Mr. Speaker: Mr. Magara, that is not a good excuse.

Mr. Magara: Mr. Speaker, Sir, when names of nominated councillors were presented to the Ministry of Local Authorities, indeed, the party responsible for the nomination gave the names of those councillors who were supposed to be nominated. Is it in order now for the Assistant Minister to state that the Ministry does not nominate councillors when the Ministry was given a name? It intentionally gave that vacancy to a particular constituency where it over-nominated councillors.

Mr. Sasura: Mr. Speaker, Sir, before the Statute Law (Miscellaneous Amendments) Bill 1997, recommended by the Inter-parties Parliamentary Group (IPPG), came into force, and before the last general election which included the civic elections, it was the Minister's responsibility to nominate and gazette councillors in accordance with the Local Authority Act, Cap 265 of the Laws of Kenya. Currently, it is the responsibility of the various political parties and the Electoral Commission of Kenya to nominate councillors. My role is to gazette the list of councillors that is forwarded to me by the Electoral Commission of Kenya.

Dr. Kituyi: Mr. Speaker, Sir, could the Assistant Minister be more forthright. The process of preparing candidates for nomination was properly followed by FORD (K) and the Electoral Commission of Kenya. The name of a FORD-Kenya nominee for a councillor was forwarded to the Minister. Instead of the Minister gazetting that name, he proceeded to nominate his own candidate and gazetted that nomination. Could the Assistant Minister explain why the name presented by FORD (K) through the Electoral Commission of Kenya to the Ministry was ignored during the gazettelement?

Mr. Sasura: Mr. Speaker, Sir, regardless of the political parties involved, the Electoral Commission of Kenya normally directs political parties on the number of councillors which each party may nominate to the Local Authority. This is done according to the proportion of the elected councillors each party has in the respective local authorities.

Mr. Obwocha: Mr. Speaker, Sir, I do not know whether the Assistant Minister has read Sections 26, 39 and 46 of Cap 265, which talks about the nomination of councillors. What hon. Kituyi has said is what the Minister for Local Authorities did. We forwarded the names to the Electoral Commission of Kenya for gazettelement. The Electoral Commission of Kenya then forwarded the names to the Minister. Instead of the Minister gazetting all the names, he replaced some of the names with his own names. In this case, South Mugirango Borabu/Getenya Location should have had a nominated councillor because the party had more than three councillors in South Kisii County Council. Could the Assistant Minister assure this House that he will investigate this case and gazette the right nominee?

Mr. Sasura: Mr. Speaker, Sir, I would like to advise the hon. Member to follow up the issue with his respective political party and the Electoral Commission of Kenya.

Mr. Magara: Mr. Speaker, Sir, could the Assistant Minister give us the minimum qualifications for each party to be eligible for a nominee?

Mr. Sasura: Mr. Speaker, Sir, it was agreed in the IPPG recommendations that on prorata basis, if one party got three seats, it qualified for one nominated councillor. But it is not the responsibility of the Minister for Local Authorities to nominate councillors. It is the parties concerned and the ECK. The Minister is only supposed to gazette the nominations.

Question No.336

CONSTRUCTION OF SCHOOLS IN MUGOYA ESTATE

Mr. Speaker: Is Mr. Mwenje not here? We will leave his Question until the end. Let us move on to the next Question.

Question No.333

PAYMENT OF COMPENSATION TO MR. GUMBE

Mr. Otula asked the Minister for Natural Resources:-

(a) whether he was aware that Mr. James Adero Gumbe was attacked by a leopard and lost four teeth, and that his case was heard under the Chairmanship of the District Commissioner, Homa Bay, on 12th April, 1985, which recommended compensation under Min.20/85;

(b) what steps the Minister had taken to effect the recommendation of the Committee; and,

(c) if no compensation was paid, what plans the Minister had to pay the victim.

The Minister for Natural Resources (Mr. F. Lotodo): Mr. Speaker, Sir, I beg to reply.

(a) Yes, I am aware that Mr. James Adero Gumbe was attacked by a leopard and lost four teeth, and that his case was heard under the Chairmanship of the District Commissioner, Homa Bay, on 12th April, 1985, which recommended compensation under Min.20/85.

(b) The recommendation made in Min.20/85 of 12th April, 1985, was fulfilled on 4th November, 1986, when an amount of Kshs9,000 was released to the Homa Bay Wildlife Compensation Committee.

(c) Therefore, Mr. James Adero Gumbe has already been compensated.

Mr. Otula: Mr. Speaker, Sir, could the Minister give the cheque number and when the amount was paid?

Mr. F. Lotodo: Mr. Speaker, Sir, I do not have the number of the cheque, but payment voucher No.0132 was prepared on 4th November, 1986.

Mr. Munyao: Mr. Speaker, Sir, any mathematician would divide Kshs9,000 by four. That comes to Kshs2,250. Is the Minister satisfied that a human being's tooth is worth Kshs2,250?

(Laughter)

Mr. F. Lotodo: Mr. Speaker, Sir, the Minister does not know the price of a tooth. So, Kshs2,250 is quite adequate and I am satisfied with the said figure.

Mr. Otula: Mr. Speaker, Sir, cases of leopard attacks have become prevalent in my area. By 1986, about 12 people were attacked by a leopard. Could the Minister tell this House what plans he has to establish a complaints office so that the people can report when they are attacked?

Mr. F. Lotodo: Mr. Speaker, Sir, there is a Game Office at Homa Bay. If one is attacked, he should report to our office at Homa Bay.

Mr. Obwocha: On a point of order, Mr. Speaker, Sir. Is the Minister in order to mislead this House? In the Luo customs, if the leopard removed the lower four teeth, there was no offence committed.

(Laughter)

Question No.360

POLLUTION OF RIVER MWERA

Mr. Speaker: Is Mr. Shitanda not here? We will leave his Question until the end. Let us move on to the next Question.

Question No.312

PRIVATISATION OF KNA

Mr. Maore asked the Minister for Information and Broadcasting:-

- (a) when he was planning to privatise or disband the Kenya News Agency (KNA); and,
- (b) whether the KNA was generating any revenue for the Government, and if so, how much it was between 1993 and 1997 Financial Years.

The Assistant Minister for Information and Broadcasting (Mr. Ekirapa): Mr. Speaker, Sir, I beg to reply.

(a) My Ministry is planning, neither to privatise, nor to disband the KNA.

(b) The first part of the answer is yes, and the second part is that between 1993 and 1997, the KNA generated revenue for the Government to the tune of Kshs4,528,325.

Mr. Maore: Mr. Speaker, Sir, governments which used to run news agencies ended with the cold war. But we do have the remnants of Eric Honeker and Caucesco kind of things in the post cold war era. But since every Ministry has a public relations officer who liaises with newspapers and other agencies, could the Assistant Minister give a justification for running an agency that is sucking a lot of scarce public money, instead of relying on the independent media, the Ministries or various Government departments?

Mr. Ekirapa: Mr. Speaker, Sir, first of all, the so-called public relations officers in the Ministries are part of the Ministry of Information and Broadcasting. The KNA supplies information to all the news agencies and newspapers. Therefore, it is not possible to abandon it.

Mr. N. Nyagah: Mr. Speaker, Sir, there is a problem with the KNA. We have been told by the Assistant Minister that the KNA supplies information to all the other news agencies. The information must be of very low quality because very few people use it, rather than Kenya Broadcasting Corporation (KBC) and *Kenya Times*. Since the Ministry appears before the Public Accounts Committee (PAC), can the Assistant Minister lay before the House the audited accounts to prove that the figure he has mentioned was generated by the KNA?

Mr. Ekirapa: Mr. Speaker, Sir, I can give the audited accounts if it is necessary. But it is not true that the KNA supplies information only to KBC.

Mr. Maore: Mr. Speaker, Sir, there are so many things that have gone out of fashion. For example, in the 1980s, it used to be fashionable to have the KANU label on every KANU official or Minister. Today, it is only the Leader of Government Business and hon. Nyenze who wears the label. Why not get rid of the KNA, which is an outfit that is out of fashion in the era of information technology? They do not even have furniture and stationery in their offices in Nyayo House and near Jevanjee Gardens. Why should we keep on having pride in excess baggage which cannot be maintained? When was the last time furniture was provided to the KNA?

Mr. Ekirapa: Mr. Speaker, Sir, the first comment by the hon. Member is irrelevant to the Question. I would like to inform him that news agencies are not out of fashion. In fact, for the information of the hon. Member, all newspapers throughout the world depend on news agencies to collect and receive information, for example, AFP, Associated Press, Reuters and so on. So, the hon. Member is totally ignorant.

Mr. Speaker: Mr. Sifuna's Question for the second time.

Mr. Wamunyinyi: Mr. Speaker, Sir, I apologise for coming late. I have proper instructions from hon. Sifuna to ask Question No.135 on his behalf.

Question No.135

ALLOCATION OF LAND TO MR. MUTAMBO

Mr. Wamunyinyi, on behalf of **Mr. Sifuna**, asked the Minister of State, Office of the President:-

(a) whether he was aware that Mr. Francis Mutambo of Box 354, Bungoma, deposited Kshs1,100 with the District Commissioner, Bungoma, in January 1968 for buying 15 acres of land in a settlement scheme;

(b) whether he was further aware that the then Bungoma District Commissioner, Mr. D.A. Indwasi, confirmed to the Senior Settlement Officer, Nzoia, Box 27, Moi's Bridge, that he received the money from Mr. Mutambo under the DC's letter to the Settlement Officer, Ref.No.ADM/15/14/9/51 dated 25th January, 1968; and,

(c) when the Ministry will allocate Mr. Mutambo his 15 acres of land for which he paid the Government 30 years ago.

An hon. Member: Wako wawili!

Dr. Kituyi: Jambo la nidhamu, Bw. Spika. Ni nidhamu kwa Mawaziri wawili wa Serikali katika Afisi ya Rais wanaoendesha Mercedes Benz S320 kuketi hapa bila kujibu swali linaloulizwa kuhusu Wizara yao?

The Minister of State, Office of the President (Maj. Madoka): Mr. Speaker, Sir, I certainly do not drive a Mercedes Benz S320. There is a bit of confusion here because we thought the Question was going to be answered by our colleague. So, I beg the indulgence of the Chair to defer this Question until tomorrow.

Mr. Munyao: On a point of order, Mr. Speaker, Sir. Given that the Office of the President has got three Ministers and five Assistant Ministers, are you satisfied that these people can still have an excuse not to reply to a Question which has been on the Order Paper? That is a very flimsy excuse!

Mr. Speaker: Very well! I think I will defer the Question so that they can sort out the problem.

(Question deferred)

Mr. Kapten: On a point of order, Mr. Speaker, Sir. The hon. Member asked a very genuine question. He asked whether you are satisfied with the explanation given by the Minister, and you have not answered that.

Mr. Speaker: I am not satisfied. For the second time, Mr. Anyona's Question.

Question No.153

EMPLOYMENT OF TEACHERS FROM
PRIVATE COLLEGES

Mr. Anyona for the second time asked the Minister for Education and Human Resource Development:-

(a) whether he could inform the House the number of teachers who graduated from Kamagambo, Nyabururu, Nyanchwa and other private teacher training colleges in the country in 1993, 1994, 1995, 1996 and 1997;

(b) how many of these teachers have been absorbed into employment by the Teachers Service Commission(TSC); and,

(c) in view of the shortage of qualified teachers in many schools in Kisii, Nyamira and Gucha Districts, whether the TSC could absorb these teachers as severally directed by the Government.

The Assistant Minister for Education and Human Resource Development (Mr. Awori): Mr. Speaker, Sir, I apologise for coming late. However, I beg to reply.

(a) The following table shows candidates who successfully graduated as P1 teachers from Kamagambo, Nyabururu and Nyanchwa Primary Teachers Training Colleges:-

YearNo. of Teachers

1993- 513

1994- 583

1995- 651

1996- 511

1997- 512

Total-2,770

The following P1 teachers successfully graduated from other primary private colleges:-

YearNo. of Teachers

1993-402

1994-318

1995-592
 1996-581
 1997-555
 Total-2,440

(b) Out of a total of 5,218 candidates who successfully graduated as P1 teachers from all the private primary teachers training colleges, the TSC has employed 895 as indicated in the following table:-

YearNo. of Teachers

Employed

1993- 865
 1997- 30
 Total- 895

(c) The three districts of Kisii namely; Kisii North, Kisii Central and Kisii South currently have a combined overstaffing of 155 teachers, 95 per cent of whom are qualified.

Mr. Anyona: Mr. Speaker, Sir, the Assistant Minister is misleading this House. On 30th September, 1997, this same Question came up and it was a follow up to two previous commitments made by the Government to employ these teachers; one, by the Head of State and two, by the then Minister for Education in this House when he was moving the Vote of his Ministry. So, on that occasion, when I put it to them that they had made an undertaking to employ these teachers, they did confirm that those commitments were made and that they would employ the teachers. If you look at the answer that we have been given, he has given us a figure of 895 as the number of teachers who have been employed by the TSC. But only 30 teachers were employed last year, while all these others were employed in 1993. Could he tell us what they have done to the undertaking made in this House last year that these teachers would be employed?

Mr. Awori: Mr. Speaker, Sir, as the table shows, indeed, out of 895 teachers that were employed by the TSC, 865 were employed in 1993. None was employed in 1994, 1995, 1996, but only 30 teachers in 1997. Teachers can only be employed when there are vacancies. There was no guarantee that teachers from private primary teachers training colleges would be employed by the TSC.

Mr. Ndwiga: Thank you, Mr. Speaker, Sir. This Question has been in this House since the last Parliament, and the last time this matter came up, it was quite evident that several areas in this country do not have adequate teachers. Indeed, as we are speaking most of the North Eastern Province, Mbeere District and Ukambani do not have adequate teachers while we have so many teachers from private primary teachers training colleges, including Ishiara in Mbeere, who have not been employed so far. What is the rationale of keeping these teachers outside when we do not have enough teachers in other areas?

Mr. Awori: Mr. Speaker, Sir, the problem is in the distribution of these teachers. There are certain areas where there is overstaffing, while there are other areas where there is understaffing. If we take the total number of teachers, I can assure this House that we have adequate teachers in the whole country.

Mr. Anyona: Mr. Speaker, Sir, one of the reasons why they could not employ these teachers was because the International Monetary Fund (IMF) and the World Bank had given a condition that they should not employ any more teachers. Would the Assistant Minister tell this House whether that World Bank condition still applies, and whether teachers from Government colleges will suffer the same fate? Are you going to employ teachers from Government colleges? Are your hands still tied and if so, how tightly?

Mr. Awori: Mr. Speaker, Sir, I am not aware of the condition placed by the IMF. When this Question came up, I was not in the Ministry of Education and Human Resource Development and I have not looked at the past records to know this.

Mr. Anyona: On a point of order, Mr. Speaker, Sir. I have the answer to the Question and I do not have to read it. It is clearly stated by the Assistant Minister, who answered the question then, Mr. Komora, that this was one of the problems that they had. Now, this Assistant Minister is denying it. So, which is which? Can we be told the truth?

Mr. Awori: Mr. Speaker, Sir, I never denied it. What I said is that I was not aware of the answer that was given last year. I was not in the Ministry of Education and Human Resource Development at that time.

Mr. Munyasia: On a point of order, Mr. Speaker, Sir. Is the Assistant Minister in order to avoid answering a legitimate question from hon. Anyona which was: Since the Assistant Minister was leaving out these

qualified Kenyans from those teacher training colleges because there are no places for them, is he going to employ those graduates from the Government TTCs this year or not? That was the question.

Mr. Awori: Mr. Speaker, Sir, all civil servants are employed where there are vacancies. Therefore, I cannot give a guarantee that all those who are going to qualify from the Government TTCs will be employed. I cannot give that guarantee.

Question No.336

CONSTRUCTION OF SCHOOLS IN MUGOYA

Mr. Speaker: Mr. Mwenje is still not here? Question dropped.

(Question dropped)

Question No.360

POLLUTION OF RIVER MWERA

Mr. Speaker: Mr. Shitanda is still not here. Question dropped.

(Question dropped)

QUESTIONS BY PRIVATE NOTICE

RE-SETTLEMENT OF METEITEI HILLS RESIDENTS

Mr. Sambu: Mr. Speaker, Sir, I beg to ask the Minister for Lands and Settlement the following Question by Private Notice.

(a) Is the Minister aware that over 600 families living on Meteitei Hills in Nandi District are living in fear of massive landslides?

(b) Is he further aware that last week a young girl was killed and her family seriously hurt when a landslide hit the area?

(c) If the answers to "a" and "b" above are in the affirmative, could the Minister move the people living on very steep hills and settle them on the fallow land within the tea estates in the area?

Mr. Speaker: Is there anybody from the Ministry of Lands and Settlement to respond to the Question? Question deferred.

(Question deferred)

NON-PAYMENT OF SALARIES TO STAFF

(Mr. Leshore) to ask the Minister for Education and Human Resource Development:-

(a) Is the Minister aware that subordinate staff in the Department of Education in Samburu District have not been paid their salaries for over six months?

(b) How much money is due to these employees?

(c) When will the Ministry pay them?

Mr. Speaker: Mr. Leshore is not here? Question dropped.

(Question dropped)

OWNERSHIP OF KILAGUNI LODGE

Dr. Leakey: Mr. Speaker, Sir, I beg to ask the Minister for Natural Resources the following Question by Private Notice.

(a) Could the Minister confirm that the Kenya Wildlife Service (KWS) has legal ownership of Kilaguni

Lodge in Tsavo West National Park?

(b) Could the Minister confirm that the African Tours and Hotels Limited which manages the lodge are paying rent and if so, could he indicate whether all due payments have been made to Kenya Wildlife Service?

The Minister for Natural Resources (Mr. F. Lotodo): Mr. Speaker, Sir, I beg to reply.

(a) Yes, KWS has legal ownership to Kilaguni Lodge in Tsavo West National park.

(b) The Minister cannot confirm that African Tours and Hotels Limited are paying rent to KWS. Due to some logistical problems emanating from African Tours and Hotels who are under receivership, it has been difficult to recover any rental payment from them. However, necessary arrangements are being put in place to institute legal action against the debtor.

Dr. Leakey: Mr. Speaker, Sir, I appreciate the answer given by the hon. Minister. I would ask him to kindly bring to this House at an appropriate moment and as soon as possible, the details of the debt. I would request the hon. Minister to recall the fact that when I was in the service of the KWS before the Africa Tours and Hotels admitted having logistical problems, which he is referring to, they already owed the KWS substantial millions of shillings and today it is more substantial and there is no doubt about that. Given the acute shortage of funds that the KWS is facing and hence the problem with the four teeth and such other things, I would urge that the KWS be given priority by the liquidator of the African Tours and Hotels to clear this debt which is a public debt amounting to millions and millions of shillings.

Mr. F. Lotodo: Mr. Speaker, Sir, yes it is true that KWS is owed Kshs10,570,544.40.

Dr. Kituyi: Mr. Speaker, Sir, a few years ago, the management of Kilaguni Lodge over-insured the lodge and soon after that the whole lodge was burnt down in a mysterious fire. They received compensation from the insurers and it cost them 50 per cent of what they received as compensation to reconstruct the lodge. If, as the Minister confirms, the lodge belongs to KWS, why then has the Africa Tours and Hotels not been obliged to surrender the balance of the money from the insurance company to KWS?

Mr. F. Lotodo: Mr. Speaker, Sir, I did say in my original reply that something is being done and maybe what the hon. Member is raising will be covered.

Dr. Kituyi: On a point of order, Mr. Speaker, Sir. That is a speculative answer. If you listened to the Minister, he said that something is behind done and he does not know what is being done. He said maybe what I am asking will be done. He does not know what I am asking. Could the Minister say if he is aware of the payment compensation from the insurance company being much in excess of the cost of the rehabilitation and what has happened to the balance of the money? This is because he is very speculative in his reply.

Mr. F. Lotodo: Mr. Speaker, Sir, I did say in my main reply that legal action against the debtor is being undertaken. So, what does he want me to do? Either you believe what I am telling you or you do not. That is all.

(Laughter)

Mr. Nyanja: Mr. Speaker, Sir, have you heard what hon. Dr. Kituyi has told this House, that this particular hotel was over-insured and then a mysterious fire gutted it down? It does not require a genius to see that there was something criminal in this act. Can we be told what the Government is doing over this issue since this is a serious matter which this House is not taking seriously? A crime has been committed and that is why the Government is bankrupt. The economy is in the ICU. Could the Minister tell this House what the Government is doing if that syndicate is known?

Mr. F. Lotodo: Mr. Speaker, Sir, I have answered that question.

Mr. Wamae: Mr. Speaker, Sir, could the hon. Minister let us know whether the presidential suites which were being constructed after the fire have been completed or not?

Mr. F. Lotodo: Mr. Speaker, Sir, I am not in a position to say that. You expect me to be in every lodge.

Mr. Ndwiaga: Mr. Speaker, Sir, while appreciating that the hon. Minister is my friend, I think he owes an audible answer to this House. He cannot just mumble things here. This is a Question of national importance. Can he answer the question from hon. Wamae? We want to hear what he is saying.

Mr. Speaker: What did you say Mr. Lotodo?

Mr. F. Lotodo: Mr. Speaker, Sir, I had answered that question when I said that something is behind done and hon. Members will be in a position to know what we are doing in due course.

Mr. P.K. Mwangi: On a point of order, Mr. Speaker, Sir. Are we here to confirm that we shall be told about something? The Minister should give us an actual answer instead of mumbling. What is this something that he is talking about?

Mr. Ndwiaga: On a point of order, Mr. Speaker, Sir. You may have noticed that nothing is happening in

the House, because a Question was put out there and the Minister answered while seated. I do not even know how that answer is going to be recorded in the HANSARD. Could he say something?

Mr. F. Lotodo: Mr. Speaker, Sir, I want to repeat for the third time. Necessary arrangements are being put in place to institute legal action against the debtor. What else do the Opposition MPs want?

(Laughter)

Dr. Leakey: Mr. Speaker, Sir, I do realise that the hon. Minister is finding this to be a very difficult Question and I do appreciate the concerns that many hon. Members on this side of the House have expressed. So, I would like to suggest something too. If African Tours and Hotels is under receivership as we believe, legal action against it will not help us. What is the position with regard to Peat Marwick's receivership and action to recover this public debt?

Mr. F. Lotodo: Mr. Speaker, Sir, if hon. Wamae owes me so much and he is not in a position to pay--- The Minister is being asked what I am supposed to do to him, if he does not have anything. I would just call it a bad debt. I am sure the hon. Leakey was the KWS Managing Director and these problems emanated from the time he was leading it.

(Laughter)

Dr. Leakey: Mr. Speaker, Sir, I would like to put the record straight on a point of information---

Mr. Shidie: On a point of order, Mr. Speaker, Sir. There is a serious allegation here. Hon. Leakey should have declared to the House whether he has an interest in this issue before he asked the Question.

Hon. Members: Oh Yes, he should do that!

Dr. Leakey: Mr. Speaker, Sir, I have no interest in this lodge except that while I was in public service, another branch of Government, namely African Tours and Hotels, refused to pay over Kshs4.5 million to the KWS and later when the insurance was paid, they refused to pay the money to KWS and my interest is to put right the wrongs that your Government has committed.

(Applause)

Mr. F. Lotodo: Mr. Speaker, Sir, as I rightly said, this is the man who messed up everything. Now he is telling us that we are the ones messing the Government; yet, he is the one who started the problem!

(Laughter)

Mr. P.K. Mwangi: On a Point of order, Mr. Speaker, Sir. A very serious allegation has been made in this House. Now, could the Minister substantiate those allegations against hon. Leakey?

Mr. Speaker: Order! Order, hon. Members. I suppose the Minister was wrong *abinitio* to impute improper motive on a Member without moving a Substantive Motion. He should not have continued in the first place. I think to ask him to substantiate is to compound a problem already in the House. Therefore, I do not intend to have this issue pushed any further. I am sure Dr. Leakey, like he explained, did so purely as a Member of this House and as a Kenyan and he wanted a problem sorted out. I do not think we should go beyond there.

We have now come to the end of Question time. I would like to explain the procedures on the following. Hon. Members will recall that on 11th June, 1998, the hon. Minister for Finance, at the time he delivered his Budget, moved that "Mr. Speaker do not leave the Chair," and for seven continuous sittings, we have been deciding on whether or not "Mr. Speaker do leave the Chair." Last Wednesday, 24th June, 1998, this House resolved that "Mr. Speaker do now leave the Chair," but that was just at the time when we were ending the business. As you can see, we are now going straight away to the Committee of the Whole House. It is as a resolution of 24th June, that "Mr. Speaker do now leave the Chair." So, immediately this one is called, I will leave the Chair and a Member of the Chairman's panel will take the Chair here under the Committee and Members will deliberate strictly on issues regarding Customs Tariff, Excise Duties, Value Added Tax, Income Tax and Miscellaneous Fees and Taxes. For the next three days, Members will be invited to note in detail, the proposals by the Minister to increase or decrease Customs Tariff, Excise Duties, Value Added Tax, Income Tax and Miscellaneous Fees and Taxes. It, therefore, means that in the next three days, we will not talk about the general policies. We will discuss as to whether those specific issues contained in his Budget Speech will be approved or not. So, I will now call for the next order.

COMMITTEE OF WAYS AND MEANS

(First Allotted Day)

[Mr. Speaker left the Chair]

IN THE COMMITTEE

*[The Temporary Deputy Chairman
(Mr. Poghisio) took the Chair]*

The Minister for Finance (Mr. Nyachae): Mr. Temporary Deputy Chairman, Sir, as detailed in the Budget Speech, the economy went down by 2.3 per cent.

Mr. Obwocha: On a point of order, Mr. Temporary Deputy Chairman, Sir. I think the Minister is not in order. He should move the Motion first, and then explain what he is trying to do.

MOTION

APPROVAL OF TAXATION MEASURES

The Minister for Finance (Mr. Nyachae): Mr. Temporary Deputy Chairman, Sir, I beg to move the following Motion.

THAT, the proposals relating to:-

- (a) Customs Tariff;
- (b) Excise Duties;
- (c) Value Added Tax;
- (d) Income Tax; and,
- (e) Miscellaneous Fees and Taxes contained in the Financial Statement for the year of Account 1998/99 be approved.

Mr. Temporary Deputy Chairman, Sir, as I indicated the measures contained in the Financial Statement are intended to improve the performance of economy from its present rate of 2.3 per cent. To do so, we, as the Government, are proposing that specific measures in the Finance Bill be implemented.

With regard to Customs and Excise Act, I am asking the House to approve that we take measures which will enable us to reduce costs, seal the revenue collection loopholes and enhance competition in our economy. The current domestic economic conditions coupled with currency devaluation in other countries have forced our business community to lose business. In this connection, in the Finance Bill, under Customs and Excise Act, we will take measures which will protect our business community. We will add an additional 5 per cent suspended duty on a number of items, particularly on selected items such as gas cylinders, cement, grinding wheels and car engines. Also duty on residual fuel has been lowered by Kshs1 per litre to assist major industrial users during this difficult time. This reduction will also moderate electricity tariffs and this will be of wide spread benefits to local producers and consumers.

Mr. Temporary Deputy Chairman, Sir, agriculture as the main stay of our economy, needs some assistance. So, additional suspended duty on processed agricultural produce and their substitutes has been imposed. In addition, special exemptions have been provided for an expanded range of green house plastic covering and chemical fertilisers.

To curb the problem of diversion of transit goods into the domestic market tight controls, that include enhanced penalties, bonding of transporters and strict bonds enforcement, have been put in place.

On the importation of second hand vehicles, we see many old vehicles on our roads. Sometimes these vehicles are so old that they are unable to reach Nairobi on clearance from Mombasa. Consequently, it has become necessary to require second hand motor vehicles imported into Kenya to meet the necessary quality and emission standards. Contrary to what some interested parties are saying, this measure is designed to protect Kenyans and the environment from negative impacts of some of these vehicles. Kenyans are entitled to vehicles that give value for money. As some hon. Members may already know, many of these vehicles are imported from countries that use unleaded oil. Their engines are, therefore, fitted with converters which clog the engine when they use leaded fuel. The majority of them are also designed for low altitude. When they combine the use of

leaded fuel and high attitude, they produce toxic gas which need to be controlled through regular inspection. Otherwise, the damage to both the driver and the environment can be very high. These facts are not revealed to the majority of buyers of these vehicles. We have no quarrel with importation of second hand vehicles. We only object to the dangers that they cause. However, the proposed measures will not affect vehicles which are less than five years old.

Mr. Temporary Deputy Chairman, Sir, to curb revenue leakages through evasion of import duty, exemption for privileged persons, particularly on passenger's cars will be restricted and controls put in place.

To encourage local servicing of the aircrafts, particularly those operating for charter at Wilson Airport, duties on spare parts will be waived on recommendation of the Director of Civil Aviation. This measure is expected to support our tourism industry during its current difficulties.

Mr. Temporary Deputy Chairman, Sir, the excise duty on petrol and automotive diesel has been lowered by Kshs1.50 per litre, and the amount added to Road Maintenance Levy to increase funds for rehabilitation of our road network.

Under the Value Added Tax (VAT), measures have been proposed to lower the tax burden on individuals and companies by lowering the VAT rate from 17 to 16 per cent. The VAT base has been expanded making a few more services, namely, electronic mail and telephone bureau services, taxable.

Under the Income Tax Act, several measures have been taken to reduce the tax burden on individual taxpayers. These include increasing the personal relief by 10 per cent, while income tax brackets have been widened by 5 per cent.

Pension contribution limit will be increased by Kshs30,000. To ensure equity in tax treatment, a new fringe benefit tax is introduced that requires the employer to pay the tax on selected fringe benefits.

This tax will be used to tax benefits from employers providing low interest rate loans. As hon. Members will recall, the *El Nino* weather conditions caused serious damage to both crops and livestock. To assist farmers, Presumptive Tax will be suspended with effect from 1st January, 1999.

Mr. Temporary Deputy Chairman, Sir, to improve the fairness on tax administration, procedures for objection and appeals have been introduced in Pay-As-You-Earn (PAYE) and Value Added Tax (VAT) systems. Under the miscellaneous measures, the Kenya Revenue Authority Act will be amended to give the Authority a greater operational autonomy so that it can perform its revenue collection duties more efficiently and effectively, and set it free from interference. Under the Banking Act, amendments have been proposed to increase corporate governance, credit administration and reduce the level of non-performing loans.

Under the Local Government Act, Members will appreciate that the performance of local authorities has become a major hindrance to our efforts in attracting new investments. Last year, measures were taken to ensure issuance of one business permit automatically. Unfortunately, this has not been the case today. To ensure that this is being done, the Local Government Act is being amended to mandate local authorities to issue only one business permit automatically. This measure will improve investment in all local authorities.

Mr. Temporary Deputy Chairman, Sir, the Export Processing Zones Act is also being amended to prevent leakage of goods and materials, such as spare parts and tyres, into the domestic market without payment of the necessary taxes.

Finally, we have noted the comments made by hon. Members during the debate on the Financial Statement. These comments will be considered fully and, where appropriate, action will be taken.

In conclusion, let me, once again, appeal to all hon. Members to think of Kenya first. As leaders, we have a responsibility, individually and severally, to turn this economy around. In the short-term, we may lose as individuals but, in the long term, we will all be winners.

Mr. Temporary Deputy Chairman, Sir, I beg to move.

The Minister for Natural Resources (Mr. F.P.L. Lotodo) seconded.

Mr. Kapten: On a point of clarification, Mr. Temporary Deputy Chairman. While referring to farmers, the Minister talked of Presumptive Tax and Income Tax being suspended. Did the Minister mean presumptive tax or income tax? I did not get that one clear.

An hon. Member: We need the two.

(Question proposed)

Mr. Mwiraria: Thank you Mr. Temporary Deputy Chairman. I would like to thank the Minister for Finance for that brief but detailed exposition of the tax measures he intends to implement.

Mr. Temporary Deputy Chairman, Sir, I would like to start off by commenting on suspended duties on agricultural commodities. The suspension of these duties has been imposed with a view to protecting the Kenyan

farmer. However, I would like to emphasize one point; that if the suspension of these duties has to be revoked, as happened early this year, when duty on imported maize was waived in order to stave off the anticipated famine following the *El Nino* rains--- The timing of the removal of those duties was absolutely critical. When the maize was brought in, in April this year, farmers in most parts of the country who had utilised the *El Nino* rains and grew maize could not sell their crop. We had a lot of maize in Meru and Ukambani. At the time when the duty on imported maize was removed, a bag of maize was being sold at Kshs1,500. Today, a bag of maize cannot fetch more than Kshs600. So, although the move was good, the timing was completely wrong. I would like to urge the Minister to remember to, first and foremost, protect the Kenyan farmer and not the consumer. This is because, by importing goods, we are ostensibly protecting the consumer. I am afraid that since the maize that was imported duty-free came into the country, the price of maize meal has not come down; if anything, it has gone up. Therefore, one can conclude that the benefit of importing the maize duty-free went to the importers and millers. I would, really, like to plead that duty administration should be carried out with Kenya farmers' interests at heart.

Mr. Temporary Deputy Chairman, Sir, the second point I wish to make regards the additional duty imposed on the importation of second-hand motor vehicles. It is true that these vehicles come from countries where unleaded fuel is used. It is, also, true that we need to take care of our environment but, we should start off by taking care of our environment by enforcing the existing laws regarding environmental conservation. We have laws which require that vehicles should not emit carbon dioxide in excess of a certain amount. But these laws are not being applied. Why are you picking on second-hand cars being imported, which do not emit as much fumes as the lorries, trucks, buses and matatus, which are on our roads currently? Why should we victimise those who bring in second-hand cars? I would urge the Minister for Transport and Communications to apply the laws limiting the emission of dangerous fumes to protect our environment.

Mr. Temporary Deputy Chairman, Sir, the other issue that I would like to comment on is the expansion of the VAT base. One of the best parts of the Budget was the consideration accorded to the poor by waiving tax on their income and avoiding to increase the costs of goods and services consumed by them. By broadening the collection base of VAT, the Minister has increased the cost of living of the ordinary wananchi. When the Minister mentioned the electronic mail and telephone bureaus, many people thought that this would hit the high income earners. Unfortunately, telephone service has become part and parcel of our daily life in Kenya. Most people cannot afford to travel by road. Most people who cannot afford to travel by road would rather use the services. So, by taxing the telephone bureaus, the Minister is hitting the poor people and I wonder whether this was the right time to do that.

Mr. Temporary Deputy Chairman, Sir, I would also like to comment on the changes to the Local Government Act. It is unfortunate that our local authorities are operating under very difficult conditions. First, most of them had the number of councillors in each area more than doubled in 1997. I can see my old friend, the former Minister for Local Government smiling. It is a fact that today, a district like Meru has more than twice the number of councillors it used to have. The allowances for councillors cannot be paid out of the revenue available in these councils, let alone paying the staff.

The Minister for Finance (Mr. Nyachae): I warned you about the consequence of increasing the number of councillors!

Mr. Mwiraria: Mr. Temporary Deputy Chairman, Sir, I can hear the Minister for Finance interjecting "I warned you!" There were people who did not want those locations added. KANU wanted them because they thought the chiefs would campaign for them. But be that as it may, let us not argue about it. What I am really saying is that we have taken away the cess from the local authorities. Cess from coffee and tea is now being used to repair roads without consulting the local authorities. They have no source of income and yet we have more than doubled their expenditure. So, they are hard-strapped for cash. That is why I was happy to see the Minister establishing that fund. But I would really urge that consideration be given to increasing the amount of money made available to the county councils and other local authorities.

With regard to the issuance of one business permit, I would like to say that this is a very crucial matter. But the Government should consider issuing one business permit from the Central Government and not from the local authorities. At the moment, if one has a small business, for example, selling T-Shirts, one needs a permit from the local authorities, another one from the Ministry of Commerce, another one from the Ministry of Tourism and so on. There could be others, but I am quoting a real situation which I can prove.

The Minister for Finance (Mr. Nyachae): To sell a T-Shirt? Can you prove that allegation?

Mr. Mwiraria: Yes, to sell a T-Shirt! I can bring documentary evidence to that effect. I have got licences issued by all those Ministries. So, if we want to make trading and business easier in Kenya, we must reduce the number of permits issued by the Government to businessmen. We should confine this to the local authorities. I think time has come for us to address this question. All Ministries are virtually affected by the

issuance of licences because the Minister wants more money but I think we are over-doing it. I would urge the Minister to consider making one licence the only requirement from the Government. Whether it comes from the Local Government or not, that is another matter. But I would like to urge the Minister to issue only one licence.

Finally, on the tax on fringe benefits, I would like to say that the reaction of the banks is very clear. They do not want to pay tax on fringe benefits which means bank employees will be responsible for paying those taxes. I think we may be heading for yet another crisis in the banking sector and, perhaps, it would serve the Minister well to address this issue afresh and see what needs to be done to give them the money and not to disappoint the banker.

With those few remarks, I beg to support.

Mr. Obwocha: Thank you, Mr. Temporary Deputy Chairman, Sir. I will be very brief in my remarks.

Mr. Temporary Deputy Chairman, Sir, these tax proposals are varied. Although we wish to thank the Minister for not increasing taxes this year, there are areas where we would like him to look at. These are areas which he needs to harmonise and which are likely to result in a lot of conflict and industrial action.

Mr. Temporary Deputy Chairman, Sir, one issue has been mentioned by hon. Mwiraria in relation to the second-hand motor vehicles and I do not intend to go into it. We have reached a stage where Kenyans can now afford second-hand vehicles, but with the imposition of these taxes, it is going to be very difficult to acquire a second-hand

vehicle if one does not have enough money.

Mr. Temporary Deputy Chairman, Sir, the issue of Members of Parliament and other agencies that were enjoying the privilege of importing vehicles without paying duty should be looked into afresh. I intend to move an amendment on this and I have already drafted the amendment and I hope the Minister will address this issue.

Mr. Temporary Deputy Chairman, Sir, I want to delve into the issue of evasion of duty at the Port of Mombasa on goods coming to this country. I have documents here which show that goods were imported into this country and the concerned company claimed that they had got exemption from higher authorities. The goods were destined for Zanzibar as per the papers, but they never left this country. The said goods were tyres. Let me read part of the investigation that was done by a Mr. Kwambirwa, who is the Investigation Officer at the Port of Mombasa.

He thus said:

"I, Sod Shavi Kwambirwa, P O Box 1, of Customs Preventive Service, Kilindini, Mombasa, do remember that on the 17th day of January, 1997, between 8.00 and 16.30, the Assistant Commissioner of Custom Tax did tell me that there were eight containers that were seized by customs and excise way back. The case was finalised, and instead determining the of destination they were to be stored at Harpers Godown Yard, pending destination. Therefore, you should tell the same to the officers at the gate 18/20 to do proper recording and be under customs police escort to Harpers yard. His instructions were directed by telephone from his office in Kilindini. As instructed by the superior officer, I provided escort No. PG85049720 through gate 18/20, Ngaira. The question that he was asking was that I did ask Abdulkadir which destination the goods were headed for. He personally said that the goods were headed for Zanzibar via Lunga Lunga and were to be stored at Harpers Godown C35A for destination. Of course, I never saw that C35A on the material day. The alteration was that he said these instructions were from higher authority. If you do not believe what I am telling you that the same containers have a waiver of Kshs 10,516,520, in that case you can provide an escort to Harpers Yard.

This was an alleged waiver from higher authority.

Mr. Temporary Deputy Chairman, the value of these goods in terms of duty and VAT is Kshs.35,161,603.20. I wish to table the document here so that the Minister can follow these people who imported tyres from Korea.

(Mr. Obwocha laid the documents on the Table)

This Company is Kings Way Motors. These are people who are defrauding the Government. If these money was available, we could easily give it to the teachers. I have several other documents, but since I have only 10 minutes within which to make my contribution, I will find a suitable time to table these documents concerning evasion of duty and VAT from various companies. One of them that I will substantiate here concerns the man who has been put in charge of the Anti-Corruption Unit, Mr. Mwau. I have the document here, and I will table it at an appropriate time so that you will know that the man who is supposed to follow culprits is the very man who is involved in corrupt deals.

The Assistant Minister for Finance (Mr. Keah): On a point of order, Mr. Temporary Deputy Chairman, Sir. Hon. Obwocha is making allegations here about somebody who cannot defend himself in this Parliament. If he has those documents, instead of creating suspicion through the Press, would I be in order to ask him to lay those documents here or otherwise, withdraw those remarks? He is destroying the character and person of Mr. Mwau. He should substantively produce those papers.

Mr. Obwocha: Mr. Temporary Deputy Chairman, the documents are here. I have given the reasons why I am not tabling them. The reason is that I have very little time, because this information must clearly go to the HANSARD for documentation so that the---

The Minister for Foreign Affairs (Dr. Godana): On a point of order, Mr. Temporary Deputy Chairman. I think Mr. Obwocha is clearly transgressing the rules. He has said that he has documents that he can use to substantiate, but he will not do so. I think it is an abuse of the facility that he has been given. He should either substantiate or withdraw those allegations until such a time that he can make a statement which he can substantiate.

The Temporary Deputy Chairman (Mr. Poghiso): Order, please! Mr. Obwocha, you know the rules. If someone cannot defend himself in this House, then you cannot actually make allegations about him. Can you substantiate? I think you have enough time to do that.

Mr. Obwocha: Mr. Temporary Deputy Chairman, these documents are in thousands. They are all here. I wish to withdraw, so that I can have appropriate time to pin this man down.

Mr. Raila: On a point of order, Mr. Temporary Deputy Chairman. It is very serious for an MP to stand here and make allegations about someone who is not able to defend himself in this House. Already, the damage had been done by making an allegation that there are documents here which incriminate Mr. Mwau. In the interests of Mr. Mwau and the Anti-Corruption Authority, it is important that these documents not only be tabled, but that this House be told the contents of these document.

Mr. Obwocha: Mr. Temporary Deputy Chairman, if you give me time, I will do it now.

The Minister for East African and Regional Co-operation (Mr. Biwott): On a point of order, Mr. Temporary Deputy Chairman. If the hon. Member knew that he had no time, why did he make such damaging allegations? He should have waited until the time he is ready to table the documents. The most important thing that he can do now is to withdraw until he is in a position to table the documents so that the damage will not be inflicted on the individual. Whereas he is prepared to hold on to the document, he cannot prevent the newspapers from publishing tomorrow that the-----

The Temporary Deputy Chairman (Mr. Poghiso): The hon. Member has already withdrawn.

Mr. Obwocha: Mr. Temporary Deputy Chairman---

The Temporary Deputy Chairman (Mr. Poghiso): Order, hon. Obwocha! Your time is up.

Mr. Raila: Thank you, Mr. Temporary Deputy Chairman. I am not going to take a long time. There are a few areas which I want to comment on. One of them concerns the duty imposed on imported motor vehicles. Mr. Mwiraria has talked about this, but the point needs to be emphasised. Very many ordinary Kenyans cannot afford to buy new vehicles. That is the reason why second-hand vehicles, have become very popular on our roads. The Minister is imposing a penalty duty on imported second-hand vehicles but he is not doing anything about local second-hand vehicles. In other words, if I buy a five year old second-hand vehicle from within the country, then I am not polluting the environment. I can buy it without having to pay the 30 per cent and the Kshs 30,000 or Kshs60,000 penalty. But if I import it from Dubai, then I have to pay.

The reason given by the Minister for imposing this duty is not valid. He is talking about pollution of the environment. There are vehicles that are as old as twenty years on our roads. I think this duty is uncalled for. It is meant to protect the motor vehicle dealers who sell new vehicles. On the other hand, the Minister is not increasing the income of the ordinary Kenyan who cannot afford to buy the new vehicle. I agree that what the Government ought to do, if indeed pollution is the reason for imposing this penalty, is to introduce minimum environmental standards on pollution. To my knowledge, he had gone as far as trying to introduce specifications on fuel. Have these specifications been enforced by the same Government?

Mr. Temporary Deputy Chairman, Sir, the second point that I want to talk about is the penalty against dumping of goods that are on transit. Dumping is something that is very common in our country today. I am sure that even the Kshs1 million penalty for offenders, or people whose premises are used to store goods that are dumped in the country, is not going to be sufficient deterrent. The Government knows the people who are involved in this racket. These people are not many, and if deterrent actions were taken against them, this practice would stop.

Mr. Temporary Deputy Chairman, Sir, right now, innocent women and men who have been engaged in

the business of selling fuel to Uganda and Tanzania are now idle. Several boats which had been converted to transport fuel to Tanzania and Uganda have now been rendered idle. These goods actually leave Kenya and they are taken to Tanzania and Uganda. So, the authorities to complain should be on the other end. These women are now stranded, as I am talking here today, with equipment worth millions of shillings; and yet these are people who have been doing business openly and transparently, whereas the trailer owners, who go through Busia and Malaba, are allowed to continue with the journey without interference.

Mr. Temporary Deputy Chairman, Sir, I agree with the Minister for Finance that the duty on aviation fuel is desirable to protect the country against abuse. But when he says that, the fuel that is used for aircraft will be exempted from taxation, where is the distinction? How can he identify the fuel is meant for the aircraft. Exempting spare parts meant for servicing aircraft is, in my view, undesirable. Why do you exempt the aircraft spare parts from duty and you subject the motor vehicle spares parts to duty? I think it is unfair because people who own aircraft have more money and, therefore, they are more able to pay duty than the ordinary person who is operating a motor vehicle. I do not think that it is right to exempt aircraft spare parts from duty. I think the importers of aircraft spares parts should be made to pay duty.

As regards PVC sheeting, which is meant for construction of green houses, I do not understand [Mr. Raila]

why it is necessary to exempt it from duty. Unless you are not able to produce good quality PVC locally, but to my knowledge you are producing them--- Why should we then exempt it from duty? This is going to kill the local industry. I do not think that it is necessary to exempt PVC sheeting from duty. I think it is unfair to the local manufacturers.

Mr. Temporary Deputy Chairman, Sir, about motor vehicles that are imported duty free, by civil servants and NGOs, I do not see the rationale of restricting the engine capacity to below 2,000 cc. If the intention is to protect the Government from people who abuse this facility, I am sure the Minister for Finance had university lecturers in mind because they are said to be the biggest offenders.

The Assistant Minister, Office of the President (Mr. Angwenyi): On a point of order, Mr. Temporary Deputy Chairman, Sir. Is the hon. Raila not misleading the House by saying that university lecturers were misusing this facility? Does he have any evidence to that effect?

An hon. Member: Were you one of them?

Mr. Raila: Mr. Temporary Deputy Chairman, Sir, I have not said that they were misusing or abusing this facility. I have referred to allegations. In fact, I want to defend university lecturers. University lecturers should continue to be entitled to this facility, but they should not be restricted to 2,000 cc. I am saying that there is no rationale in reducing it to 2,000, if the reason is based on abuse. It will be an abuse, if it is below 2,000 and even above 2,000. So, I do not think that this restriction is justified. I think this amounts to an unnecessary discrimination against a very important sector of our Civil Service and I urge that it should be lifted.

Mr. Temporary Deputy Chairman, Sir, with those few remarks, I beg to support.

Mr. Mboko: Thank you very much, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to make a few observations on the Motion on taxation proposals.

I wish to touch on the fuel levy, VAT and Income Tax. The Minister has exposed himself very much on these three taxation levels. On the collection of fuel levy, some of this revenue has been channelled to individual petrol stations. There is also massive exposition of non-remittance of this revenue. I urge the Minister for Finance to tax the fuel at source; from the individual oil companies. This is because all oil companies collect refined petroleum products at one place, or if they import, the duty is collected at the same place. Therefore, I would propose that fuel levy should be collected at source to avoid tax evasion by unscrupulous businessmen.

Mr. Temporary Deputy Chairman, Sir, on the exemption of duties, as hon. Raila has said about the importation of vehicles duty free; the Minister for Finance said that even the NGOs would be limited to 2,000 cc for saloon cars and 4 Wheel Drive vehicles up to 3,000 cc. There are some NGOs which are operating under very difficult conditions; like those ones operating in North Eastern Provinces, Rift Valley, Turkana areas and in Ukambani. They require cars with high engine capacities because the terrain is very bad. When you limit somebody who is coming to give you aid, or to assist you and you tell him that: "To come to my home, you must come with this kind of vehicle", I think this is demanding too much from those who would like to assist us. Even when the Minister says that Members of Parliament should be restricted to vehicles of less than 2,000 cc engine capacity--- Some of the hon. Members would like to drive big vehicles like other people. The Minister for Finance came here and said that the new hon. Members should not go beyond the capacity of 2,000. We also want to drive Mercedes Benz cars like the Minister.

An hon. Member: It should be all of us!

Mr. Mboko: Yes, all of us! We would like to have the vehicles you would like to have here, or else, let there be no one--- Let us then all ride on bicycles or motor cycles. If there is exemption, let it be there without any exception.

Mr. Temporary Deputy Chairman, Sir, VAT has been abused very much by businessmen, especially those from the Asian Community. Asians are keeping two books; one to charge VAT--- If you go to the shop, he asks you if you want a receipt or not. If it is motor vehicle spare parts, the importation route is the same; through the Mombasa Port. Let our officers from KRA be at the Mombasa Port and let them collect duty on these taxable items at source.

Mr. Temporary Deputy Chairman, Sir, some businessmen are registered while others are not. Some collect taxes from Kenyans and fail to remit the same to the Government. This is one area that I would like us to focus on, because it has been abused for a long time. The Minister, knowing very well that we almost had a bombshell at the beginning of the year when the bankers went on strike, came again and said that fringe benefits attracting low interest rates would be taxed. I do not know how the Minister expects the Exchequer to earn from this kind of taxation while he knows very well that he has allowed senior civil servants, Permanent Secretaries, Ministers, Assistant Ministers, businessmen and Chief Executives to use the facilities and get benefits which are not taxable.

The Assistant Minister of State, Office of the President (Mr. Angwenyi): On a point of order, Mr. Temporary Deputy Chairman, Sir. Is the hon. Member not misleading the House that senior civil servants, Members of Parliament and Ministers do not pay taxes? We all pay taxes!

Mr. Mboko: Mr. Temporary Deputy Chairman, Sir, I am saying that the Minister has allowed every Minister to spend Kshs10,000 per month on his mobile telephone. Such benefits should be taxed on individual Ministers, because they are benefits like those of a lowly paid bank worker. If the rationale is to give money to the Exchequer, let there be no discrimination. It is only the bank workers and all employees in this country, including Members of Parliament who pay Income Tax directly to the Government. The business community does not pay tax, and I would like the Minister to ensure that these people pay tax to the Exchequer.

On local authorities, there is a bit of a problem for shop owners who stock items such as sodas, vegetables, shoes and so on because they have to pay tax for each of these items. The Minister did say that the local authorities should charge only one licence. This is a welcome gesture and I am sure this will generate more money for the Exchequer because there will be no bribing. Everybody will pay what is required to be paid. I would also like the Minister to direct the Central Government, through the DCs, to abolish the trading licence. Let us have one licence in a shop. If it is the trading licence, let it be there. If it is the Local Authority licence, let it be there, but not both.

Finally, we have found that the EPZ facility has been misused. People bring things here for further processing, but you find that most of the imports do not need further processing. They are already complete and they find their way into the local market where they destroy the local manufacturer, and increase unemployment in this country. On green house exemption of duty, I would have liked the Minister also to allow exemption of duties on other farm inputs like jembes, pangas, ploughs and tractors---

The Minister for Finance (Mr. Nyachae): On a point of information, Mr. Temporary Deputy Chairman, Sir. There is no tax levied on these farm inputs.

Mr. Mboko: Mr. Temporary Deputy Chairman, Sir, thank you very much for the correction made by the Minister.

With those few remarks, I beg to support.

Mr. Shidie: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity. I would like first and foremost to touch on tariffs. For any taxation to be effective, it has to be very progressive, in the sense that the tax should be such that it does not hurt the consumer. We have reached in this country at a situation whereby people are taxed to an extent that the only solution for them is to evade taxes. For example, in Mombasa Port, when you bring containers worth Kshs3 million, at the end of the day, you will realise that you are going to pay taxation of Kshs1.5 million or about Kshs2 million. Then when all is said and done, plus other costs, you realise that you are going to sell those commodities at such exorbitant prices that the consumer might not be able to buy them. So, the only solution will be to look for ways and means of evading this tax. People have found many ways of evading taxes, for instance, some are using transit method, others are using NGOs and other complicated ways of moving things. For taxation to be very effective, it must be reduced to a level whereby it is affordable to the rest of Kenyans and where it does not hurt the business community or throw some people out of business.

Mr. Temporary Deputy Chairman, Sir, there is what we call "supply tide economy". For instance, when you buy one litre of premium petrol, you will pay about Kshs22 as taxes. That means that you are paying more in terms of taxes than the cost of fuel itself. So, it is an indication that without the taxes, you would pay about Kshs19 or even less for that fuel. So, it means that if I was travelling a lot and doing a lot of business, I would be forced to reduce my journeys. At the end of the day, we will have a low taxation turn over. But if the tax was reduced, then we will not have much problems.

There are NGOs which are helping us. Like in my constituency, we have so many international and local NGOs. The UHPCR, the Red Cross and others are based in my constituency and among the vehicles they are using at the moment, I think, there is none which is less than 4000cc. The roads are poor with very big gullies and it is difficult to travel. We must find ways of stopping these goods which are on transit. Other countries should be forced or should liaise with land-locked countries like Uganda, Tanzania and others so that these goods are charged at the Port of Mombasa, and this way they cannot evade paying duties. If the Customs Department and the Ministry of Finance from Uganda are there, then we will not have much problems. But if we tell them that these goods will go to Uganda, and in-between an *askari* follows the transit goods and he is given some little money to have the goods diverted, naturally, we are going to "kill" our industry. We have the policy of industrialisation in this country. The vision was to have this country industrialised by the year 2020, but going by the way things are at the moment, it will not be easy because Kenya has become a "retailer" of substandard goods from Dubai and South East Asia. Those goods are produced en masse. Once they are produced in such a manner, economies of large scale set in, and goods become cheaper than the goods we produce locally. Therefore, our goods cannot compete with those goods. Its high time that we formulated a policy that would protect our local industries.

With those few remarks, Mr. Temporary Deputy Chairman, Sir, I beg to support.

Mr. Munyao: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to say a few words. I will not be long, but I will be very fast and direct to the issue. I and other Kenyans appreciate the Minister for Finance's commitment to ensure that our economy performs well. We saw the way he introduced his Budget here in this House. Since that time Kenyans are behind him in his commitment in ensuring that the economy grows. The question we should ask ourselves is whether he is just a lone, or other people within the ruling party KANU are supporting him. I can assure him that this side of the House fully supports him. However, I am afraid to say that he does not have the support from that side of the House to achieve his goals.

(Mr. Angwenyi stood up in his place)

Mr. Temporary Deputy Chairman, let them stand up so that they can be counted. I want to see those from the ruling party KANU, who are committed to the Budget. The Minister for Finance made a very good Budget Speech. He has got good intentions, but to achieve his goal is like going to Heaven. All of us want to go to Heaven, but before you do so you must die. How many people would want to die so that they will go to Heaven? The Minister is pushing a square pig into a round a hole. Today, I read the headline of *The Star* newspaper in the streets of Nairobi. It says that the Minister is barking in the wilderness, because State House operatives are defying his order. This shows that there is little commitment by some people on the proposals the Minister made in the Budget. Even the Minister himself feels touched by this. The Minister seemed committed in his Budget Speech, but he is alone in the wilderness. It is that side of the House which is going to fail him. This is because the KANU side has access to the Minister and will ask him to exempt them from paying duty on their imported vehicles and also on those of their relatives. The ordinary mwananchi in Gikomba open air market has no access to the Minister. We should all support the Minister because he is trying to do good for this country.

The Kenya Revenue Authority (KRA) personnel are committed to the collection of revenue. In the last two weeks, or so, we can see some changes. Wananchi want this country to be a different. If this country is ours, let us commit ourselves to achieving greater economic growth. There is no way in which we can achieve economic growth in this country unless we deny ourselves luxuries. I am wondering how many times the Minister is going to ask us to tighten our belts. I have done it myself, and the belt is almost touching my bones.

Mr. Temporary Deputy Chairman, we can achieve economic growth by encouraging revenue collectors to perform their duty diligently. Let everybody be an *askari*. The Minister should have said that from the day the Budget was read, so that we can help him to control evasion of tax. We would like fairness to prevail at the collection points. The Minister talked about *Kanyagi* beer from Uganda which comes into the country without tax being paid for it. What about the beer that is coming from Arusha in Tanzania? It is also subject to duty. Why should it also not come into the country duty free, like the beer from Uganda?

The Minister intends to widen the tax brackets so that we collect more VAT. It would have been better - and we would have collected more VAT - if the Minister created two VAT collection points. The two should have

been the manufacturing and the import ends. That way there would be no bureaucracy in collecting the VAT. Right now the manufacturer, the wholesaler, the retailer and the consumer pay the VAT. I have got evidence that there are so many people, particularly the wholesalers, who keep two receipt books for VAT collection. If you go to an Asian shop, he will ask you whether you want to pay VAT for the product you want to buy or not. He will give you different prices depending on whether there is VAT or not. Even when the VAT is well collected, it is very difficult for that money to get to the Treasury.

The Minister proposed some taxes on Government officers' houses. After talking with the people concerned, we felt that the Minister should reconsider this point. Some of the civil servants are earning peanuts. The privilege of owning a house enables them to live with their families. I do not mind the method he will apply here. But he should do it in a way that does not "open" another door. The civil servants will start making money through other ways. We would like whatever we agree here to be implemented.

On the issue of second-hand cars, I would like to say that they have really helped this country. A lot of people who have never dreamt of owning a car can drive today. They may not be well off but they own a car. The Minister was categorical in reducing the number of cars for senior Government officials. He even said that he has only one car. But what has now come out is that even after the directive from the Minister, all that has been done is to shift the parking of the cars from the homes of Ministers and senior officials to the basements of various Ministries. If that is the truth, the misuse will still continue and we will not solve anything.

We have also been told that Kshs1 billion found its way to Kenya. We do not know how the money came in. That means that money laundering and printing is still continuing. This is a very serious matter which should be discontinued. I would like the Minister to investigate where this money came from. It came from Mombasa last week in a lorry.

With those few remarks, I beg to support.

Mr. Wanjala: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this chance to support the Motion.

I have a few comments about the Petroleum Levy. The Government has collected the levy for a very long time and we have not seen what it does with the money. In fact, the Government is discouraging its citizens from paying taxes. The common man does not see the benefit of paying taxes. When taxes are collected from us, we feel as if we are being robbed. Otherwise, if the Government was committed to making use of the revenue collected, we would all rush to pay taxes. This will make the common man see the fruits of taxation. For example, from Busia to Kisumu, there are 20 petrol stations. There are several motorists who buy petrol from the petrol stations, and pay the levy. But the road is impassable. Where is the levy taken to? We should ensure that the money collected from a certain area is used to develop the roads in the same area. The levy is collected from all over the country and brought to Nairobi where it is used to develop areas where the levy was not collected.

The Minister has considered the agricultural sector in this country. He has waived and reduced some duties in this sector. He gave the reason for the reduction as that of people being affected by the *El Nino* rains. But he has sidelined the fishing communities. The fishermen were also affected by the *El Nino* and flooding from the Lake. They lost their nets, houses and food. They should also be considered when duty is being waived. Since the Minister sometimes waives duty on imported vehicles, he should think of waiving duty on fishing motor boats and fishing gear.

With regard to the local authorities, the Government must do something. The Government created so many county councils that are not productive. There are some councillors who have never been paid since they were voted in by the people. The councillors are really suffering. An example is the Busia County Council, where councillors have never been paid up to now. The Government has kept on introducing more councils in some areas, and this affects bigger councils. This trend must be stopped. If not, the councils will be meaningless in this country.

On transit goods which are diverted into the local market, they have really made our people suffer. They flood the market thus making Kenyans goods not to sell. We are told that they have even started importing sugar.

The imported sugar is branded as "Mumias Sugar Company" sugar and then sold in the local market. Nothing is being done to stop this practice and nobody has ever been arrested. Because of this, there is a lot of sugar which is rotting at the Mumias Sugar Company and yet, the Government is doing nothing. There are also imported batteries which are sold locally thus destroying the market for Eveready Batteries, which are manufactured locally.

The batteries are imported cheaply for other countries but they are diverted into the local market. Export and import goods should be serialised so that they cannot be diverted into the country. If somebody's serial number is found inside the country, his or her contract should be terminated.

The Minister also recommended that Government vehicles should be surrendered immediately. We are surprised to hear that, to drive your vehicle from Jogoo House to the Treasury, one can take two months.

Everybody knows how many cars they have. Even if they are in the State House, they are needed at the Treasury. How can it take two months to drive a car from State House to the Treasury? I think the Minister is not serious. He should give this work to me. Just give me this work and I will do it for you!

Mr. Odoyo: On a point of order, Mr. Temporary Deputy Chairman, Sir. Could you advise the hon. Member to address the Chair?

The Temporary Deputy Chairman (Mr. Pogishio): Hon. Wanjala, please address the Chair.

Mr. Wanjala: Mr. Temporary Deputy Chairman, Sir, with those few remarks, I support the Motion.

Mr. Mbitiru: Mr. Temporary Deputy Chairman, Sir, I am hon. Chege Mbitiru, Member for Laikipia West. I am very grateful this afternoon to support this Motion, which outlines how the Government intends to collect revenue from the public in order to finance its operations and services in this country. All of us in this country are so much willing to pay all the taxes as proposed by the Minister in order to provide services in hospitals, schools, in the development of infrastructure and so forth. There is one major problem which we, as Kenyans, are experiencing and that is lack of provision of these services. You will find that money collected in form of revenue is diverted to areas that are not well thought of.

Mr. Temporary Deputy Chairman, Sir, when I was going through the records, I discovered that a lot of money has been allocated or has been earmarked to be collected within this financial year for the support of several services. Currently, the rate of corruption in this country has gone out of control. It is not possible to eradicate corruption in this country, unless we work together as a team. A case in point is where the collection of VAT has been left in the hands of very corrupt officers in the department concerned. Most of the dealers or wholesalers are colluding with these officers to deny the Exchequer this revenue by pocketing the money for their personal use. There are situations where one is supposed to pay so much money as tax to the Government, but because the procedures that have been provided by the Government for the collection of this money are flawed, this money is not remitted to the Government. Instead, some individuals enrich themselves with this money. Most of the buildings in this City and other urban centres are built by the officers in that department. These officers have found an easy way of collecting money from the public without anybody noticing.

This is a very important point which the Minister must address seriously. He must ensure that VAT is collected at source. For instance, on petroleum, I do not see the reason why VAT should be collected from the dealers when it is possible to collect it directly from the companies themselves. We do not have to go to the wholesaler to collect VAT when we can do the same at the manufacturing point. All we need to do is to assign that duty to one officer since we can project how much VAT we can collect from such outlets. If this could be addressed urgently, then we are going to collect enough revenue to provide services to our people thereby developing our country, which is the key point in this Budget.

Mr. Temporary Deputy Chairman, Sir, I would also like to comment on the exemption of duty. There is a very lucrative business which is being carried out by very rich men and very big companies in this country. We have companies in this country which are manufacturing products and they are paying a lot of duty on raw materials. What is happening is that somebody has come up with a very good system of destroying the industry which is employing so many people. One is supposed to pay duty for the raw materials, but a person who is importing a manufactured product does not pay a penny. This is done by tycoons and we know them. Why are we protecting certain people and destroying industries that are employing our people when we are talking about retrenching so many workers in this country? It is important that we devise ways of developing our industries further in order to increase employment opportunities. It would have been better if the duty on fertilizer was waived because today, the production cost of maize, wheat and other crops in this country is very high and this is because of these duties. The other day, the Minister waived import duty on maize, sugar and other foodstuffs, whereas the farmer paid so heavily for the fertilizer and he was not even able to recover his money.

The Assistant Minister for Foreign Affairs (Mr. Muchilwa): On a point of order, Mr. Temporary Deputy Chairman, Sir. The hon. Member is misleading the House that there is duty charged on fertilizer. Is he in order to mislead the House?

Mr. Mbitiru: Thank you, Mr. Temporary Deputy Chairman, Sir. We know that most of the policies that are made by people in authority in this country are geared towards benefiting one particular person or a particular wing of the Government. That is why I said farmers pay a lot of duty on fertilizers and agro-chemical products that they apply in the production of crops, whereas you find that somebody is allowed to import maize, wheat and sugar tax-free. Who is benefitting from this, and who is being destroyed by this? That is why I am saying that privatisation has lost meaning. That is why all of us must work together to help our country move out of the mess we are in. We cannot get out of the mess if we are going to continue destroying the small industries that we have in this country by; allowing some people to import raw materials into this country without paying any

duty on them. We have the same factories in this country manufacturing the same goods and yet, they are paying a lot of duty for raw materials.

Mr. Temporary Deputy Chairman, Sir, I would also like to comment on the amount of revenue collected from certain State parastatals. A lot of parastatals were initiated by the Government to provide certain strategic services, in the hope that after the sale of the product, a lot of money would also be contributed to the Exchequer.

Mr. Temporary Deputy Chairman, Sir, through corruption, most of these parastatals have been destroyed to a point where a company like the Kenya National Assurance which was paying so much money in terms of rates to the Government plus billions of shillings in terms of investments, was destroyed. All this income was supposed to go to the Exchequer. Now, who benefitted from all the wealth that was being created by this company? Also who benefitted from its destruction? It was the senior-most insurance company in this country and yet it was reduced to nothing. Still, you find the former top executives of that parastatal being moved to other parastatals so that they can continue destroying the same parastatals. There is no other motive.

Mr. Temporary Deputy Chairman, Sir, however much we may support these proposals seeking to increase the amount of revenue that the Government is going to collect, unless we address the question of corruption in this country, we are doing nothing. We have a future. I think my children are very young. I have a future and the future of most of those who are in the leadership of this country is hanging on a balance. I do support this Motion, but I have a future that I must jealously guard and that is why I do not want us to come to a situation whereby our duty is only to destroy the resources that we have in this country through corruption.

Mr. Temporary Deputy Chairman, Sir, with those few remarks, I beg to support.

Mr. Kajembe: Mr. Temporary Deputy Chairman, Sir, I would like to make my contribution to this Motion. Since we have proposed, under the spirit of the East African Co-operation, that Kenya, Uganda and Tanzania should come together, there is need to give incentives to the people of East Africa. As regards the customs tariffs, if you import goods from Tanzania or Uganda, you use the same tariffs that are imposed on goods from Europe or elsewhere in the world. So, if this Government wants to give incentives to East Africans, I feel there is need to come up with new customs tariffs for East Africa. The current tariffs should be lowered to enable East Africans to import goods easily. This should apply to goods which are manufactured within the three territories.

Mr. Temporary Deputy Chairman, Sir, this co-operation should be encouraged. The three Heads of States are doing everything possible to enhance the East African Co-operation. I think the custom tariffs on goods manufactured within the three territories should be lower than those imposed on goods from overseas.

Mr. Temporary Deputy Chairman, Sir, the collection of revenue especially from the port of Mombasa, is being delayed because goods are not cleared in accordance with laid down procedures. I am saying this because when you import goods through the Kilindini Harbour, to get those goods cleared at the port, you have to go through customs *askaris*, criminal investigation officers, special branch officers, and askaris from Kenya Ports Authority (KPA). So many askaris have been deployed at the main gate. I do feel that hinders the clearing of cargo at the port. If the movement of cargo at the port is hindered, then the clearance of goods is slowed and consequently the collection of revenue including duty is also delayed.

Mr. Temporary Deputy Chairman, Sir, I suggest that the number of *askaris* who are employed to check cargo at the port should be reduced and, instead, a computerised system should be introduced as is the case in other modern ports in the world where, once you produce the relevant documents, you get your goods instead of having to go through all this check-point system. If this is improved, then the clearance of cargo from the port and the collection of custom duty will be speeded up.

Mr. Temporary Deputy Chairman, Sir, if you visit the port, you will find that the house-to-house containers at the port which are meant to be shipped directly to the owners--- Verification is done at the port in some cases. The house-to-house containers should be sent directly to the consignees premises where the verification should take place. This habit of Customs officers doing verification on house-to-house containers at the port should be brought to a stop because that does not happen anywhere else in the world.

Mr. Temporary Deputy Chairman, Sir, on the Value Added Tax (VAT), I would say that it is true that the Budget has not placed any burden on Kenyans. However, let us call a spade a spade. Today, Kenya is facing economic problems and as a result, many Kenyans are unemployed. Young boys and girls are looking for jobs. If you go to restaurants and hotels, you will find that food is very expensive because of the Value Added Tax. I think time has come now for the Minister for Finance to look into this matter in order to make life easier for Kenyans.

Mr. Temporary Deputy Chairman, Sir, it is true that the Government is taking all measures to deal with those people who are now trying to exempt themselves from paying customs duty. That is true. However, when the Government is doing that, it is very important for the Kenya Revenue Authority to come up with a list of the people who default in paying duty every year. After they come up with the list, then the Minister should inform

this House about the number of people who are involved in this racket and what action is being taken by the Ministry against them.

Mr. Temporary Deputy Speaker, Sir, it is true that this year's Budget is very good but let me make one point. The Minister should also have to take a look at the issue of second-hand motor vehicles because the amount of money which is going to be levied on second-hand motor vehicles will be approximately Kshs60,000 which is a very high figure. It is now a burden for a Kenyan to buy a second-hand motor vehicle. Not every Kenyan can buy a new car. Kenyans have benefitted from second-hand motor vehicles. I request the Minister for Finance to at least, think again, before imposing an extra Kshs60,000 on the importation of second-hand motor vehicles. The importance of second-hand motor vehicles is understood by all of us. The Government levies import duty on these vehicles. I think what the Government collects at the moment is not enough.

Mr. Temporary Deputy Chairman, I will appreciate if the Minister for Finance comes and tells this House how much revenue the Government has collected, since the importation of second hand motor vehicles was allowed. That is not shown in this Budget. I think it is important for the Minister to come and say: "Since we started allowing the importation of second hand motor vehicles, the Government has earned so much revenue." I think the Minister for Finance should consider waiving that 60 per cent duty. If that is not waived, it means we are burdening Kenyans in the low income groups, who can only be able to buy those cars on loans. So, I strongly suggest that this should be looked into.

Mr. Temporary Deputy Chairman, with those few remarks, I beg to support this Motion.

Mr. Mwenje: Thank you, Mr. Chairman. I just want to make a few comments on this matter. This is because it is important to know why we are in the current situation. Last week we voted some amount of money, though I later realised that, although the Assistant Minister for Finance was trying to move that Vote on Account, we did not have the money. It is money that we expect to collect using this authority that we are giving the Ministry. It is a pity that we are discussing money now and we were voting money that we did not even have, hoping to collect it. I hope the Ministry of Finance will be able to collect this money. But unless the loopholes are sealed and unless the culprits are punished, I do not see how the Ministry of Finance will expect to collect this money, because this money is not only stolen at the end, but also in the process of collection. I hope they will be vigilant enough this time.

Mr. Temporary Deputy Chairman, we are talking about dumping and we are here talking about forming an anti-dumping committee and even an anti-dumping duty. When we talk about dumping, we should remember that we are also talking about liberalisation. We should not control liberalisation in the name of dumping. They should compete and the graphs should meet somewhere. This is because if we are talking of dumping, a lot of things have to be done. But why are they not being done? There must be some shortcomings somewhere. So, we must be very careful with the anti-dumping duty because if we do not take care, we will interfere with liberalisation and will also have collided with the international bodies which are also watching the system of our liberalisation that we have all agreed on. So, if that is going to cause any dumping, then we must try to balance the two somewhere. The conflict of interests should be checked, so that we do not have those in the committee being the same people who will say: "This is dumped," yet, it is only because it is interfering with whatever business they are in. So, we should be careful about the composition of the committee.

Mr. Temporary Deputy Chairman, when we talk of Miscellaneous Fees and Taxes which are in section 44, I do not understand, because the--- In Nairobi I agree that you will find one business having about ten licences or permits, operating under one roof. I agree that this should be checked. But when you have a bar and restaurant, like we have so many in the City, I think the Minister should come out clearly and tell us exactly what he is saying in this section. This is because we have a liquor licence, a hotel licence and another licence under the same roof. Is this what he is saying; that we are now going to have a consolidated licence? If so, I want to thank him very much and I would like that to be effected immediately, so that one does not have to rush for liquor licensing by Ministry of Trade, Ministry of Industry and Ministry of Tourism and so many other departments. If that is exactly what he means, then I have no problem with it and I would advise those business persons in Nairobi to go for consolidated licences, so that the Provincial Administration does not disturb them any further. Let all those funny inspectors who come asking for different licences be told that the consolidated licence is enough. I will go to public rallies and tell them that they do not need all these licences.

Mr. Temporary Deputy Chairman, when we go to the airports, the major airport being situated in Embakasi, my constituency, I am happy that they have now realised that the Air Passenger Service Charge is not doing what it is supposed to do. This tax is supposed to serve the passenger. Instead, this money is collected and put in the normal revenue kitty of the Government. That is why our airports are not that popular. Passengers do not get quality services, yet they pay service charge.

Mr. Temporary Deputy Chairman, sometimes I get worried when we talk of corruption. But what is more

worrying today is not even corruption. The other day I was reading newspaper reports that money was stolen from the factory. Some people were in court for stealing money from the factory. If people can steal from the factory, is there safety anywhere? We are lucky they only stole Kshs4 million. They could have stolen all the millions that you can talk of! I would like to urge the Minister for Finance to think seriously about that factory. This is the first theft and nobody knows what will happen next. They are going to steal billions! How will he even know which money is counterfeit if they are able to steal from the factory? This must have been an inside job! If their underpayment, as hon. Karauri puts it, justifies that, let them be paid properly. But we cannot afford to have theft of money from the factory. That is not acceptable. Everyone will think we are crazy! If we can even steal money from the factory, who will give us contracts to print money? If Egypt, for instance, were to give us the contract, we would also steal their money! This is dangerous! It is also rumoured that because the Government cannot afford to finance its own Budget, it is likely to print money. I hope that nobody is planning to print money in order to sustain our Budget. I would appeal to the World Bank and the IMF to make sure that no money is printed to finance our Budget. It will be very dangerous to do that. The other day I saw a photocopy of an order from the Central Bank Kenya requesting the Kenya Commercial Bank to credit some money to a certain account. I do not know who was the beneficiary of that money which was to be transferred from the Consolidated Fund. I hope the Minister will find out who was the beneficiary of that money. For any money to be taken from Consolidated Fund, there must be an approval of this House.

The Minister for Finance (Mr. Nyachae): On a point of order, Mr. Temporary Deputy Chairman, Sir. I think the hon. Member is not within his rights to touch on that particular matter because it is before a court. He is referring to the goldenberg case.

Mr. Mwenje: Mr. Temporary Deputy Chairman, Sir, I am not referring precisely to that one. I know that one was also transacted in the same manner, but I am talking of a different one.

With those few remarks, Mr. Temporary Deputy Chairman, Sir, I beg to support.

Mr. Odoyo: Mr. Temporary Deputy Chairman, Sir, you could have allowed my hon. colleague to table the document on that allegation about the Consolidated Fund.

The Minister for Finance has two tools in his Budget, namely, fiscal and monetary. I would like to support his fiscal policies. However, on the general side, I feel that the Minister has not supported particular priorities of this country, especially agriculture, industry and the so-called "invisible" sector, which comprises of income from the port's transportation and related activities.

I would like to be more specific on agriculture. I am pleased that the Minister has confirmed that he will be tackling the agricultural sector next year as his main priority. However, on the land tax, there are people who are not cultivating their land. This issue needs to be addressed seriously. There are people with thousands of acres which are left to lie fallow. The owners of such land are denying this country millions of shillings. For example, a farmer is allocated over 2,000 acres of land in Kitale, but the farm is left to lie fallow. At the same time, our country is importing maize and sugar. If a farmer owns 50 acres and is taxed on it, perhaps, we could have professional farmers in this country. In this centre we will have people who will devote their time to farming, because there will be a cost to withholding land for speculative purposes. Many people are known to withhold land for up to 40 years before they sell it. Such people have no interest in farming.

Many of my colleagues have talked about the importation of second hand vehicles. However, this trade is a major employer and is dominated by indigenous Africans in this country. I would like to urge the Minister to be candid when he taxes areas which are dominated, or controlled, by African businessmen. A number of these vehicles are used in the matatu business. Probably, it is the only sector which is dominated by Africans. Therefore, my humble opinion is that the Minister should reconsider the tax on the importation of the second hand vehicles. This is because the only sector controlled by Africans will be at risk.

On the warehousing, and bonded warehouses, the Minister is aware that this is a major loophole for tax evasion. It is a major loophole because the dumping and the drug businesses go through these bonded warehouses. They have become the main channel through which sugar and other commodities are being dumped into this country. They are the main hiding areas of drugs by drug barons. I would like to propose that the directors of these bonded warehouses should be known to the Ministry. They should be subject to ethical evaluations as in other areas, for example, banking. However, the biggest loophole remains the inspection, recording keeping and the implementation of the relevant duties. I would like to propose that those areas be looked into fairly well.

The time limit for refund by the Commissioner of VAT needs to be specified. It has not been specified.

On the tourism sector, it is a good idea to reimburse duty or give zero rating, but my proposal in that this should exclude vehicles as is the case for other projects.

Tea auctions are a major problem in this country because the Customs officers do not conduct it well.

Tea can cost from Kshs10 to Kshs100 per kilo. The Government is losing a lot of revenue due to lack of knowledge by the Customs officials to evaluate the quality of tea before taxation.

On fringe benefit's tax, I feel that there should be a ceiling because some of these loans are low level. We have employees getting Kshs50,000 as loan. They should not be taxed because this is a fringe benefit. Some companies pay low salaries, but they have high fringe benefits. I am proposing that they should not be taxed.

On the retirement benefits, I think time is quickly approaching when, the NSSF will not be the only legal body that will be receiving retirement funds. I would like to propose that the private sector should not be forced to pay money to the National Social Security Fund (NSSF). Instead, they should be mandated to establish retirement benefit schemes like any other private bodies.

Mr. Temporary Deputy Chairman, Sir, on Income Tax, if a tax assessor recommends a tax of Kshs10 million, and you want to appeal, you are required to deposit this whole amount. My proposal is that the amount to be deposited should be half the amount recommended by the assessor. But if you are to deposit 100 per cent--- Cases of injustice cannot go without any remedy and it will take too long to recover the money which earns no interest.

On the issue of the local authorities, I support the move by the Minister. However, I would also like to urge him to consider, seriously, licences being issued by the Central Government. Rationalisation has been undertaken at some level but we still need assistance.

Mr. Temporary Deputy Chairman, Sir, the Banking Act, to some extent, has been used as a political tool. However, I would like to urge the Minister to note that we do not have what we can call credible indigenous African banks. I think this is the time to ask ourselves: "Why is it that we do not have a credible indigenous African bank?" The Minister should take into consideration, when drafting his Bill, the fact that we have to do something to make sure that we have serious indigenous African banks. The current banking sector is being controlled, in terms of deposits, largely by the foreign banks. The African banks have fizzled out. Unfortunately, some of these banks collapsed due to political reasons. But, I would like to request the Minister to look seriously into the reasons as to why we are unable to have serious African bankers. If we cannot have serious indigenous bankers, our economy will remain in the hands of foreigners. The Minister should make a deliberate effort to ensure that in those banks there will be proper training and a proper incentive system which will encourage the emergence of indigenous banks.

Mr. Temporary Deputy Chairman, Sir, the local authorities, as the Minister has already pointed out, have been declining for the last 30 years. The Local Government Act, on which I will table some proposals and amendments with some of my colleagues--- Many of these taxation proposals will not take effect until the Act has been amended. I would like to propose to the Minister that, as and when we shall be discussing the details of that---

The Temporary Deputy Chairman (Mr. Poghio): Mr. Oduyo, your time is up!

Mr. Oduyo: Mr. Temporary Deputy Chairman, Sir, as long as there is no Member standing up to speak, I think, I should be allowed to continue. I think the House has given me the opportunity to proceed!

The Temporary Deputy Chairman (Mr. Poghio): Sorry, we are following the rules of the House.

Mr. Oduyo: Mr. Temporary Deputy Speaker, Sir, with that, I beg to support.

The Assistant Minister for Planning and National Development (Mr. Sumbeiywo): Thank you very much, Mr. Temporary Deputy Chairman, Sir, for giving me the opportunity to air my views or contribute to the Motion.

I would like to appeal to the Minister for Finance to try and revert to the old system of taxing farmers; that is, taking two per cent of the farmers' income. I am saying this because the new system, which requires the farmer to submit returns to the Income Tax Department, is complex and it exposes farmers to exploitation by what I would like to call "jua kali" accountants. There are no accountants in the rural areas. Consider a remote area like the Kerio Valley, where I come from. In this area, a farmer who sells grain to a miller is expected to submit some returns to the Income Tax Department. This farmer may not have been even to a municipality where there are some accountants who may help him to work out his income. So, I think, it would have been better for the Minister to reduce income tax payable by farmers to about one per cent to help farmers to overcome their problems.

Mr. Temporary Deputy Chairman, Sir, the Minister should include a clause in the Income Tax Act which will force tax evaders to surrender whatever they may have bought with the money they acquired by evading tax. I have said more than once in this House that there are people in this country who have made a lot of money through evading tax. It is unfortunate that our tax collectors always go after the "small person"; a person who grows sugar-cane, or maize. I think the people who should be taxed are the tycoons who own property and

industries in towns so that the ordinary person's income can remain untaxed. I come from a farming area. The poor farmers buy fertilisers at exorbitant prices. I am sure that the Minister for Finance, who is a very keen farmer, also knows that farmers do not make any profits at all. So, what should have happened is that income tax should have been charged on people who get income. We should not assume that everybody makes money from business.

I am happy that the Minister has suggested that VAT be collected from the point of entry. This may sound very well but stringent measures should be put in place to ensure that VAT is, actually, collected. This is because you will find that most unscrupulous traders have two receipt books; genuine ones, which they present to the Income Tax Department, and, fake ones, which they use for their own convenience. So, it is upon the Kenya Revenue Authority officers to be very careful in collecting VAT. I would like to congratulate the head of the Kenya Anti-Corruption Authority for investigating corrupt activities in some institutions, where we think revenue is not collected because of people who are not upright and patriotic to this country. If we were all patriots, a lot of money would have been collected by adhering to the law.

Mr. Temporary Deputy Chairman, Sir, I think the rate of taxation in this country is a bit high and that is why people are not willing to come forward and voluntarily pay taxes. It is high time we realised that, it is our responsibility as leaders, businessmen and ordinary people to pay taxes so that we revive our infrastructure which is currently in ruins. We seem to think that, somebody from another country will come and resuscitate our economy. If anybody evades paying tax and uses that money to buy property, that property must be sold by the Government to recover what such a person owes the Government by not paying the correct tax.

Mr. Temporary Deputy Chairman, Sir, I would like to conclude by saying that, if a bank for the farmers, which we have advocated for, for several years can be established in this country, farmers, entrepreneurs and businessmen would acquire soft loans from there. They will make money and be able to pay their taxes to the Government. By so doing, the Kenya Revenue Authority officers will not be running around to collect taxes. People will automatically and voluntarily pay their taxes. The commercial banks in this country are charging the same rate of interest on all people, irrespective of whether they are farmers or businessmen. Imagine a farmer being charged 37 per cent interest after taking a bank overdraft facility. What can one do with such little money?

I would like to see the farmer in this country being taken care of, so that we can generate employment. We can generate a lot of employment in the rural areas, by helping our farmers and also our Jua Kali businessmen.

With those few remarks, I beg to support.

Mr. Sudi: Thank you, very much Mr. Temporary Deputy Chairman, Sir. I wish to support this Motion.

Mr. Temporary Deputy Chairman, Sir, the taxation on second-hand motor vehicles should be made uniform. When cars which were manufactured the same year are imported either from Japan or Dubai, they are charged different import duties by the Government at the Port of Mombasa, depending on their countries of origin.

These duties should be harmonised, so that a uniform rate of duty is charged on vehicles from various countries. Consequently, a Toyota Corolla of the same engine capacity and the same year of manufacture should attract the same amount of duty, irrespective of the country of origin.

Mr. Temporary Deputy Chairman, Sir, the Minister for Finance, during his Budget Speech, introduced anti-dumping duty on second-hand motor vehicles which are between five years and eight years old. I think that is more of a punishment to the common Kenyan because every Kenyan these days needs a car. A car in Kenya is no longer a luxury but a necessity. Every Kenyan should be allowed to afford a vehicle by reducing the duty. In any case, we are out to collect more revenue and to do this, we should encourage importation of second-hand vehicles by reducing duty. By so doing, our economy can grow faster because we will have the desired revenue to finance projects. So, I wish to request the Minister to reconsider his decision and remove the anti-dumping duty which he introduced on second-hand motor vehicles in his Budget Speech because that duty is hurting the less privileged in our society.

Secondly, collection of taxes by the Customs Department is not uniformly done. There are some taxes which are collected provisionally, while others are collected on invoice value. The Kenya Revenue Authority should come up with a system of harmonising this so that, all the taxes collected are checked at the point of entry. Once such goods are released into the market, Customs officers should not follow such goods to make sure that they reach their intended destination. That should also apply to VAT. It should be charged at the point of entry rather than in the shops. If we do that, we shall avoid cheating and further losses by the Government.

Mr. Temporary Deputy Chairman, Sir, there is also the issue of transit goods which have been encouraging corruption very much.

*(Hon. Kones consulted too loudly
with other Members)*

The Temporary Deputy Chairman (Mr. Imanyara): Order, hon. Kones! If you must consult, please do so in a low tone, to give the hon. Member on the Floor the opportunity to be heard.

Mr. Sudi: Thank you, Mr. Temporary Deputy Chairman, Sir. There is the case of transit goods which pass through our country. The Government should find a way of either getting a bond or charging an amount for those goods which is equivalent to the duty payable, to avoid the goods being dumped in the country. This is one way of stopping transit goods from finding their way into the local market. That is one way through which corruption has entered into the market. As a result, there are goods which are cheaper than others.

Another issue concerning Income Tax is that the development of this country depends on the farmer. Therefore, you are punishing the farmer by taxing him. The Income Tax imposed on the farmer should be removed completely. In that case, the Government should subsidize, instead of taxing the farmer. The businessmen or the employees should be taxed instead of the farmers. Other aspects of revenue collection such as miscellaneous fees, trade licences and so forth, should be collected from the local authorities and then channelled to the Government Treasury to avoid further loss of money.

Once that revenue is collected, utilisation of that money becomes a problem. The Government should device ways of monitoring that money so that it is not misused, but put to the right use by the officers who are in charge of it. The Kenya Revenue Authority should design a way of auctioning goods which have been seized by Customs Officers. I have witnessed several cases, where there were unclaimed goods lying at the customs bonded warehouses for over three years until they lost value. When they lose value, the customer and the Government lose revenue. Those are things which should be considered. If all the taxes are collected effectively, the hon. Members can ask for salary increments, which I am sure they would all like. Our salaries are very low worldwide and we are really suffering. We are asking the Minister for Finance to at least, consider that request of increasing our salaries and we will make sure that all the revenue collected is utilised very well.

In conclusion, I would like to talk about the customs tariff on the engine capacity required for an MP. My place in Marakwet is a hilly area. Even if the vehicle I drive may be a four wheel drive of 2000cc or 3000cc, it may not be able to reach that area. I would ask the Minister to increase the engine capacity to 5000cc so that, the hon. Members who use---

Hon. Members: There is no vehicle of that kind!

Mr. Sudi: A lorry can do! Please see to that matter, Mr. Minister, because it will be good for the welfare of the wananchi at large.

With those few remarks, I beg to support.

Mr. Kariuki: Mr. Temporary Deputy Chairman, Sir, I rise to support the Motion. There are a few things that may require some close attention and reviewing. One of the things is the issue of secondhand motor vehicles. A lot has been said about them and the Minister for Finance did come up with sentiments which touch on the importation of secondhand motor vehicles and I think, it is important for us to see what contribution these vehicles are making to this Republic. At the moment, the common man is very hard pressed by the economic factors surrounding him. It would be oppressive of us to take action that would make his position worse. They are relying on secondhand motor vehicles which are cheaper than the new ones. Those are the only types of vehicles they can afford. With a small Toyota Corolla from Dubai, or Japan costing between Kshs200,000 and Kshs300,000, he is saving a lot on what he would have spent to buy a new Toyota Corolla at a cost of Kshs1.6 million. In fact, the amount spent to buy one new vehicle can buy about six or seven secondhand vehicles. Although there were sentiments to the effect that those vehicles are emitting smoke, that is not true. I have imported 100 vehicles and I have been involved in this business. I know that these are some of the best vehicles and I know some Ministers who have imported secondhand motor vehicles, because they cannot afford new vehicles.

Mr. Temporary Deputy Chairman, Sir, I think it would be naive of us, as a country, to oppress the mwananchi instead of helping him. We should be the first to help the mwananchi; to ensure that he gets whatever he can. Whom are we trying to support; Cooper Motors Corporation? Who owns CMC? I wish my friends were here and, I would point to some of them whom I know very well, to be major shareholders in CMC. Who owns D.T. Dobie? I think you all know about him. Who owns Marshalls? It is Mr. Ketan Somaia, who is somewhere else waiting to extract money by way of dividends from that country. Who owns General Motors and Kingsway Motors? We should be asking ourselves whether we are trying to help foreigners to make money, at the expense of our own indigenous people. I think we are digging our own graves; by not taking into consideration the plight of our indigenous entrepreneurs and do everything possible to help these people to survive.

The only small business left for common mwananchi is the importation of those vehicles. That is the only

thing they can do and we should do everything possible to protect them.

Mr. Temporary Deputy Chairman, Sir, I urge the Minister for Finance to look again into this issue of secondhand motor vehicles and ensure that the common mwananchi is not penalised in the process. What is going to happen is that, if the rate of tax is increased, the ultimate effect will be that, the burden will be passed on to the consumer. So, fares will go up, spare parts prices will be raised and [Mr. Kariuki] in the process, the common man will suffer. I think we should be looking after the interest of our constituents and doing everything possible to ensure that they benefit in the process of whatever Bills that we pass in this august House.

Mr. Temporary Deputy Chairman, Sir, as concerns duty-free motor vehicles that the Minister for Finance was talking about, particularly those used by Members of Parliament, it is sad to note that the 2,000 cc engine capacity vehicle we are talking about maybe, a Peugeot 504, and a Mercedes Benz 200. The Mercedes Benz 200 is a very weak vehicle. The body is too big and the engine is too small. So, it tends to wear out very fast. So, for the type of terrain that the Members of Parliament drive through, it is important to ensure that they get vehicles which cannot get stuck on the way. They can be beaten up by robbers on the road because the vehicles cannot move. I do not know what type of a Four Wheel Drive vehicle is below 3,000 cc, Mr. Minister. I think it is important for you to be fair.

The Minister for Finance (Mr. Nyachae): The Suzuki!

Mr. Kariuki: The Suzuki cannot even move. If you have a few of your bodyguards in it and the driver, it cannot move. So, it is important for us to be reasonable and give Members of Parliament vehicles that can be able to beat the hard terrain, the potholes in the City, Mombasa Road, Murang'a Road, towards Kisii and everywhere.

An hon. Member: And Suba!

Mr. Kariuki: In fact, in Subaland and Nyanza. I think it is important that we look into this issue of the engine capacity and enhance it a bit, so that Members of Parliament are able to travel and reach their destinations without being inconvenienced.

Mr. Temporary Deputy Chairman, Sir, as regards the dumping of goods on transit in the country, certainly, that is a very good measure. We should be aiming at protecting our own entrepreneurs and more specifically, local industries. Our people are lacking employment and we would be doing ourselves a lot of injustice, if we were to encourage dumping of goods on transit into the local market. I think this measure is very good and we welcome it; we should ensure that, it is supported by all, including this side of the House. It is important and we are very happy that, the Minister is taking that measure.

Mr. Temporary Deputy Chairman, Sir, on the Income Tax, I think we should be cautious about its rate. We understand that Kenya has the highest rate of income tax to-date, in Africa, and I think, if we were to raise it further, we will have a lot of problems. We are going to encourage tax evasion. In think the encouragement should be for us to net as many people as possible to pay tax, rather than taxing for a small group of taxpayers whereas many others will be evading tax. So, the idea should be to reduce income tax as much as possible and expand tax base. I think that should be the strategy the Minister should be aiming at. Therefore, I thought the Minister for Finance would reduce tax even further, so that we can be able to net more and more Kenyans towards tax collection.

It is important that you are addressing the issue of discouraging tax evasion. What you have done to include the element of amnesty is very important. It is important to note that a lot of people are fearful about the tax man. They are being terribly harassed. I think, it encourages corruption if we do not give leeway to people who have been avoiding tax to be netted. The amnesty the Minister has offered is very encouraging and I think he should extend the period from December to the end of next year, so that more people can come in and volunteer information, so that they can start paying taxes. In fact, we have seen that people normally keep three types of books; the tax fashion; bank fashion and the real fashion. This will be avoided if only there is amnesty for a longer period, so that people can sort out their books and be able to present themselves to the tax man voluntarily, because of such amnesty. But the amnesty should also cover a set duration of time. If you go back to ten or 20 years, that is too far. I think the Minister should limit the period to maybe, two years and forget the past, so that we can continue. After all, there are big fish in this country who do not pay tax. It is important for them to be encouraged to pay tax.

Mr. Temporary Deputy Chairman, Sir, I do not know what happens to people who get plots from the Government, for instance. Some people have three plots at Upperhill, or plots in the local authorities. You buy a plot at Kshs1 million and you sell it at Kshs5 million. Are such people netted? No! There should be a way of ensuring that people who get plots or property from the Government and sell it at inflated prices, are also netted. The Income Department should address that issue. These are the people who are making a lot of money without

working for it. In fact, it has become so counterproductive because that money is not being properly invested. It is unfortunate that in this country, the biggest fish who should be investing their money into productive areas, like the creation of new industries or intensifying farming in areas like horticulture, are not doing it because they do not want to be seen. I think a thief should be good enough to say that, "I have stolen, but even if I have done that, I can start an industry," rather than hiding and putting that money in foreign accounts. How do we do it? We do it by encouraging these people to come out in the open. There is no point taking that money to Switzerland and putting it in bank accounts where it is idle. It should be invested into areas where it can be used so that we can create more jobs and employment opportunities for our people. To do that, we must make what we call "bad money" into "good money." To convert "bad money" into "good money," you can do it by a process where you encourage those people to come out openly and appear to be neat and clean, by not chasing them very much; by giving them an amnesty, so that they can volunteer information and pay a little tax and in the process, ensure that the Government is getting something from them. It is not wise for them to make money without being taxed.

Mr. Temporary Deputy Chairman, Sir, there are a lot of other things that have been addressed, but I think, because of time, I will not be able to proceed.

Thank you very much, I support.

Prof. Anyang'-Nyong'o: Mr. Temporary Deputy Chairman, Sir, thank you very much for giving me this chance to contribute to the debate. I notice that the Minister for Finance is a little bored. He has heard these things so often that, these days when he listens to them, they go through one ear and come out through the other. But please, do listen because I think we have something to say.

The whole idea of levying taxes on vehicles is, first, for the Government to get some revenue, and second, for the Government to use that taxation to encourage production. The whole question of vehicles in this country is a long standing issue. We have two problems here. We have too many makes and models in this country that discourage serious industrialisation in the area of vehicle assembly or vehicle manufacturing of spare parts. If you have too many makes and models, it means that you do not have economies of scale in manufacturing spare parts for your vehicle industry.

A few years ago, I think it was in the 1980s, there was a policy developed on the importation of vehicles completely assembled and completely knocked down parts. This was to encourage an industry where you could begin by manufacturing the core of the vehicle, and then, bring in knocked down parts and assemble them here, so that you encourage backward and forward linkages in the vehicle manufacturing sector. The Minister has now gone full swing and said that we are importing too many second hand cars, and this is causing pollution and accidents on roads. I hope the Minister read the editorial in the *East African Standard* today which tried to analyze this issue. I do not think the issue is that of second hand vehicles causing accidents on roads, but the one of roads causing accidents to drivers. So, the primary problem is our roads, not vehicles. What the Minister should have done this year, rather than put a moratorium on development, is to have a large chunk of revenues directed towards an emergency programme of developing our infrastructure, so that we do not need to stop importing second hand vehicles but we import them and people can drive them where they are safe.

Having said that and the Minister knowing that our roads are in such a bad and pathetic condition, he should not stop people from importing four-wheel-drive vehicles. He should realise that if there is so much duty in four-wheel-drive vehicles, more people are going to die and if more people die, there will be no people to pay taxes. In this year's Budget, people should have been allowed to import four-wheel-drive vehicles because we need them. Last week, when I was going back to my constituency to talk to teachers, I left here at 5.00 a.m and I never got to Kisumu until at about 11.00 p.m. That is too long. I used to go to Kisumu in three-and-a-half hours, but not any more. In fact, when you are going to Kisumu, you have to contemplate after reaching Kericho, whether to follow the route through Muhoroni, or go straight to Ahero because if you go straight to Ahero, perhaps potholes have increased so much that, you would die before you reach there. When you are going to Yala these days, you cannot go through Maseno. You have to go through Kakamega and Majengo. People are having a lot of problems negotiating roads. So, what they need to have is less taxation in four-wheel-drive vehicles at least, until the Government can put some money in repairing the roads.

The other thing that I want to talk about is the idea of Income Tax. Yes, the Minister has said that they are going to do their best to net those who have avoided Income Tax. Let them begin by themselves. If we can hear the whole Cabinet declaring to the Republic of Kenya, "we have responded to the Minister's call of owning up and we have at least paid our Income Tax arrears amounting to so much", I am telling you, Kenyans will have so much confidence and they will come forth to pay the Income Tax that they owe. But if weeks and months pass before we hear anything from the Cabinet, very few people are going to own up. People know that Cabinet Ministers are very big business persons. They do not want to say what they own here, but surely somewhere along the line, they must owe the Government some Income Tax. Whether it is one, two or three shillings or Kshs3 million, we want it

declared and gazetted. Then, many Kenyans will come forward and pay a lot of money that they owe in tax arrears to the Government. The only thing that is not mentioned about the Income Tax, is the tax paid on land. The hon. Kariuki, in his speech, said that people who get Government land for a farthing, and sell it for a fortune, should be the first to pay a big chunk of the money in terms of income tax. What is interesting in the Kenyan laws which were inherited from the colonial government is that they are very good. You may think that you have grabbed land this year and sold it to somebody, thus avoiding to pay income tax. But ten years from now, if the records at the Ministry of Lands and Settlement Headquarters are not destroyed, somebody will trace and find out who bought land on such and such a date, and passed it to who. For the colonial government, land was a major thing in Kenya. They designed a very good system of keeping records on land. So, what we need to do is to ensure that taxation on land is paid.

Secondly, we should ensure that taxation on agricultural land, which a lot of people within the bureaucratic bourgeoisie have grabbed, and are not using it or paying taxes for, thus detaining public money, should be utilised. That is where a lot of public money rests. There is no payment of income tax, land rates and the land is not used. They should pay tax because that is when they will be encouraged to use the land productively, or sell it to somebody else who can use it productively. I am saying that if the Government wants to raise revenue, there are many ways that are not tapped and can raise a lot of money.

There are other areas where there is a lot of tax for tapping. There are records in the Reports of the Controller and Auditor-General, Auditor-General Corporations, Public Accounts Committee, or the Public Investments Committee. The act of people putting their hands in the public till and diverting the money to somewhere else is what is referred to as mis-appropriation. But English can also call it inappropriate appropriation. The money which is inappropriately appropriated belongs to the public coffers. In so far as somebody has been keeping it for five or so years, he should pay tax on it. Since there are public records for such cases, this is an area of revenue which the Government is not looking into. If the Government got concerned, we could get a lot of revenue paid through the tax process, to the Exchequer.

Finally, there is what the Minister calls miscellaneous fees and taxes. I suppose these are things like the Catering Levy, the tax that is paid upon entrance to parks and so on. I am wondering whether the Government has developed a very efficient system of collecting those taxes. The Minister said that from now on, they are going to allow airports to collect the fees without going to the Kenya Revenue Authority. I think this is an area where a lot of revenue has been lost in the past. For example, drivers used to pay toll charges. But the people who were collecting the money made their own receipt books and collected the money. The Government never got the money. The Government came up with a very clever policy of paying the Petroleum Levy. I think it was a good idea. But the question is: Can we get a proper account of the Petroleum Levy ever since it was started? There has been a lot of public debate and questions on the use of the Petroleum Levy. Somewhere along the line, there has been some quietness about the proper auditing of the Petroleum Levy, and putting it within the public domain. If the Government wants Kenyans to be convinced that it wants to collect revenue in all the miscellaneous ways, the public is entitled to a proper accounting of the levies and taxes that are paid to it. One area in which the Kenyan public is extremely annoyed is the Petroleum Levy. I would like to appeal to the Minister to do a proper audit of the Petroleum Levy, so that we can pay more taxes.

Thank you.

Mr. Kombo: Thank you, Mr. Temporary Deputy Chairman, Sir. I would like to make very few observations to allow the Minister time to reply. Kenyans are among the most highly taxed people in the world, and I do appreciate that the Minister has outlined measures to ensure that Kenyans do not have to bear such a huge burden. On Income Tax, although he raised the minimum monthly taxable income from 6,600 to 7,260, I think this should be raised to Kshs10,000 because a person who is earning Kshs10,000 is still amongst the poor people in this country. In fact, this is less than the pocket money the Minister for Finance carries daily in his briefcase. So, I would urge the Minister to consider that area seriously, so that the poor workers can educate their children and pay rent.

Mr. Temporary Deputy Chairman, Sir, I still believe that if VAT was lowered to 14 per cent, tax evasion would be less. If there is less tax evasion, then more revenue would be collected. In collecting this revenue, we depend quite heavily on the Kenya Revenue Authority (KRA). I agree that the Minister has done something about improving the KRA and particularly in ensuring that the directors on the Board are mainly members of the private sector, and only one or two are from the Government.

However, it is not the directors who collect the taxes. It is the ordinary people working at the Kenya Revenue Authority who collect the taxes. The Minister should regularise the procedures so that the people at the Kenya Revenue Authority are properly trained and remunerated. That will improve the morale of those guys collecting the revenue and they will do a much better job. Today as I speak, he has not solved the two-tier

problems at the Kenya Revenue Authority. We have people in one payroll while another group is in another payroll. Now, those guys who are on the lower payroll cannot be expected to do a good job because their morale has not been improved. If the Minister's Budget is going to succeed, then revenue has got to be collected properly and, therefore, I think, a lot of emphasis should be put in improving the morale of the staff at the Kenya Revenue Authority.

Mr. Temporary Deputy Chairman, Sir, I have said in the past that so long as the Authority continues to report to the Treasury, they will not succeed because they do not have sufficient autonomy. I would like the Kenya Revenue Authority to be made fully autonomous so that they can do their own things without any interference through phone calls from "above" as it so often happens. While talking about revenue, one cannot, but repeat talking about the sugar importers because these are the big guys. For us who come from Western Province, we are told that when Mumias Sugar Company is being privatised, we cannot buy 25 per cent of the shares because we cannot afford them. We know that we cannot afford to do so because the sugar importers have impoverished the people of Western Province.

When talking about Mumias Sugar Company which is being sold, I would want to say that the people from the growing areas of Mumias and Nzoia, should be considered. Indeed, when this factory is being privatised, we insist that 25 per cent of the shareholding is not enough for the farmers. The land on which Mumias as a factory stands and the land that covers the nucleus estate is land that belongs to the people of Western Province. When it was acquired compulsorily, the compensation was very meagre. Therefore, if it is to be privatized, the time has come when we must insist that the people of that area must own not less than 50 per cent of the shareholding. Less than 50 per cent is not acceptable. I think, we should give a notice to the Government that if this privatisation is not done properly, then we shall organise ourselves and, perhaps, even destroy the entire structure so that we start from zero. But we cannot allow people to come from elsewhere and enjoy the fruits of Mumias and other areas of the sugar-cane growing belt. Fifty per cent is the minimum that the farmers will accept.

It is possible to do that. I think the Minister should go and negotiate with the European Union, for example, to give loans to the farmers and other people within the surrounding areas. These are loans that can be repaid over a long period and we will do it. We are not in a hurry. We are not running away from Mumias and Nzoia sugar factories. We are there. So, if these loans are made available, the farmers will be able to buy 50 per cent of the shares in the factories. The balance of the shares can be sold to other people. However, the local people should be given 50 per cent. If we are given less than that, then we shall consider that as economic colonisation of the areas and we shall not accept that at all.

Mr. Temporary Deputy Chairman, Sir, when you look at Nzoia Sugar factory, the same problems exist. There are many sugar importers in the area. Today, we have a man called M.M. Shah from Nakuru who is protected by sons of important people in this country. Today he is the only man that collects sugar from Nzoia Sugar Factory on Monday, Wednesday, Friday and Saturday. Nobody else collects sugar from Nzoia Sugar Factory and yet that man is paying only Kshs1,000 per bag. Other people who want to buy sugar from the factory are being charged Kshs1,900.35 per bag. These are some of the problems. I am told that the same man has imported 300,000 tonnes of sugar, and yet he is also buying sugar from the factory. If we are going to deal with tax evaders, then we should impose strict controls so that sugar importers do not import sugar at all. Otherwise, all they do is to impoverish the farmers in those areas. Mr. N.M. Shah has made sure that the local traders around Nzoia are not allowed to do business. He is the only one in that business. These are problems that we must look into.

Lastly, the petroleum levy has been talked about. It was good for the Minister to remove Kshs1.50 from excise duty and add it to the petroleum levy. But the question is: Is this money going to be utilised properly? The Minister did not say exactly how the money will be utilised because once bitten twice shy. The potholes on our roads are so huge that we do no longer refer to them as "potholes", but as "trenches". In fact, sometimes I wonder why traffic policemen charge motorists for having unroadworthy vehicles. I think we should be charging the Government for giving motorists roads which are unworthy of use. It is the Government which should be paying the motorists for damages incurred by them. The motorists spent so much money on spare parts and so on. The Minister should look into that. I think we should take him to court so that he makes sure that our vehicles are in good condition.

With those few remarks, Mr. Temporary Deputy Chairman, Sir, I beg to support.

The Temporary Deputy Chairman (Mr. Imanyara): Hon. Members, I have no alternative but to call upon the Minister to reply.

The Minister for Finance (Mr. Nyachae): Mr. Temporary Deputy Chairman, Sir, may I take this opportunity to thank all the hon. Members for their contributions. Their views will be very useful to us. I want

to assure them that some of them will be taken into consideration.

Mr. Temporary Deputy Chairman, Sir, the only thing I would like to appeal to hon. Members is that, in order for us to continue with this matter, we should try and appreciate the reason why we have made these proposals to this House. These proposals are intended for the benefit of the whole nation. They are not intended to benefit an individual or a group of people. In the process of thinking about the nation some people will benefit and others may lose in one way or another. One thing that we must accept is that this is not the time for anybody to be selfish. It is a time when we need to come out in order to salvage our nation from the present economic situation.

In this connection, I would like to touch on, for instance, the issue of fringe benefits. On this issue, I would like the hon. Members to note, first, how much these people are earning. We are talking about people who are earning the highest emoluments in this country. If need be, I can table some documents here to show that some people in this country are earning over Kshs500,000 per month. When fringe benefits are added, their earnings exceed Kshs800,000 per month. The same people are not happy with this tax. They do not want their loans to be taxed. These fringe benefits are exceedingly too high and some Kenyans do not have any other means to pay taxes. Therefore, these people who are benefitting should pay. If I may give the example of banks on the issue of fringe benefits: When a banker collects Kshs2 million from a depositor, he promises that depositor 20 per cent interest. He then passes that Kshs2 million to one of their staff at an interest rate of seven or nine per cent. Where will the 11 per cent come from to be paid to the depositor? It is passed on to the borrower. The borrower will be the one to take over the 11 per cent. I am being asked by this House and all Kenyans to reduce interest rates. How do I reduce interest rates when, in fact, some of our brothers and sisters who are enjoying very good salaries are the ones who are indirectly responsible for the high interest rates? This is the war we are having! Hon. Kariuki and others who are conversant with accounts know very well the cost of money. When somebody is earning Kshs500,000 and he is in a bank, that is a cost of money and it has to be paid for by somebody else. This is paid for through the interest rates which are passed on to the borrowers. For how long are we going to make money too expensive for our farmers and businessmen, for the benefit of a few?

Mr. Temporary Deputy Chairman, Sir, there is also a complaint to the effect that at the end of the month, employees do not have enough to take home because of deductions and taxation. Those who do not have enough to take home have to blame their employers who have broken the labour laws. There is no employer who is allowed by law to deduct more than 50 per cent of an employee's salary. The law is very clear on that. So, when they give more and more loans without considering how much they are going to deduct, finally, the employee ends up without any money because the law has been broken and they are over-enjoying themselves. That is something which this country has to forego. We have got to ask our brothers to accept this proposal and we shall not burden our brothers who have to borrow money from the banks. We have to face that fact squarely.

Mr. Temporary Deputy Chairman, Sir, I have listened very carefully to hon. Members' complaints about the anti-dumping duty on second-hand motor vehicles, the CCs and so on. I would like to assure hon. Members that I will go back to the drawing board and look at this proposal afresh.

This is something that we have listened to very carefully and we will consider some of these things. I would like the House to consider some of the issues very carefully because I think there is a misunderstanding here about the secondhand vehicles. I think we are making general statements about blocking and heavily taxing secondhand vehicles. We are talking about very old vehicles, which are five years old and above. With regard to secondhand vehicles which are between one year and five years old, there is no problem. I would like any hon. Member here, from those who argue about this issue, to do a bit of statistics and find out how much we spend on spare parts that we bring in for these secondhand vehicles which are too old. That is a drain on our own revenue and on our own economy. We have got to consider this issue. Let us bring in vehicles which are useful to the country.

Mr. Temporary Deputy Chairman, Sir, I would like those people who import these vehicles--- They are not using these secondhand vehicles. This is a "man-eat-man" game. They import vehicles which are five years old and they sell them at good prices. But when it comes to the bad ones, they sell them and that is the end of the matter.

Therefore, I would like to thank the hon. Member for what they have contributed and I will be responding at a later date on the issues raised, but I have to go back to the drawing board.

Mr. Temporary Deputy Chairman, Sir, I beg to move.

(Question put and agreed to)

The Minister for Finance (Mr. Nyachae): Mr. Temporary Deputy Chairman, Sir, I beg to move that the

Committee doth report to the House its consideration of the proposals relating to Customs Tariff; Excise Duties; Value Added Tax; Income Tax; Miscellaneous Fees and Taxes; and, its approval thereof without any amendment.

(Question proposed)

(Question put and agreed to)

(The House resumed)

[Mr. Speaker in the Chair]

REPORT

APPROVAL OF TAXATION MEASURES

Mr. Imanyara: Mr. Speaker, Sir, I am directed to report that the Committee of Ways and Means has considered the proposals relating to Customs, Tariffs, Excise Duties; Value Added Tax; Income Tax; and Miscellaneous Fees and Taxes contained in the Financial Statement for the year of Account 1998/99 and approved the same without amendment.

The Minister for Finance (Mr. Nyachae): Mr. Speaker, Sir, I beg to move that the House doth agree with the Committee in the said Resolution.

The Minister for East African and Regional Co-operation (Mr. Biwott) seconded

(Question proposed)

(Question put and agreed to)

ADJOURNMENT

Mr. Speaker: Hon. Members, it is now time for the interruption of business. The House is, therefore, adjourned until tomorrow, Wednesday, 1st July, 1998, at 9.00 a.m.

The House rose at 6.30 p.m.