

NATIONAL ASSEMBLY

OFFICIAL REPORT

Tuesday, 4th July, 2006

The House met at 2.30 p.m.

[Mr. Speaker in the Chair]

PRAYERS

COMMUNICATION FROM THE CHAIR

PRESENCE OF HON. MEMBERS FROM
TANZANIA AND GAUTENG PROVINCIAL LEGISLATURE IN SPEAKER'S ROW

Mr. Speaker: Order! Hon. Members, I wish to bring to your attention the presence of hon. Members from the Parliament of United Republic of Tanzania and Gauteng Provincial Legislature. They are seated at the Speaker's Row.

(Applause)

Hon. Members from the United Republic of Tanzania are:-

The hon. Job Y. Dungai, MP - Leader of Delegation

The hon. Hamad R. Mohamed, MP

The hon. Nimrod F. Nkono, MP

The hon. Dr. Harrison G. Akiembe, MP

The hon. Athuman S.M. Jaguo, MP

The hon. Dr. Wilbroad P. Sly, MP

The hon. Beatrice M. Shalukindo, MP

The hon. Members are on a fact-finding tour to enable them review their Standing Orders. They are accompanied by Mr. Oscar G. Mtenda and Mr. Emmanuel L. Mpanda.

Let me take this opportunity on your behalf, and on my own behalf, to welcome them to our country and wish them a happy and enjoyable stay.

(Applause)

Hon. Members from Gauteng Provincial Legislature are:-

The hon. Richard Ndakane

- Speaker, Gauteng Provincial Legislature, Head of Delegation

The hon. Doreen Senokounyane

- Member, Chairperson, Gender, Youth and People Living with Disability.

The hon. Jogi Boaz – Member

- Whip

The hon. Mondly Kegubele

- Member, Chairperson Economic Affairs

The hon. J.M. Morokeng

- Member, Chairperson Community Safety

The hon. Malisela Leduaba

- Member

The hon. Godfrey Sotetisi

- Member, Chairperson Housing Committee

The hon. Sifo Alexander Mkize

- Member, Constituency

Whip

The hon. Rev. Modelafula Chabaku

- Member

The hon. Bwiesile Rogina Gladila

- Member

The hon. Catherine Lorima	- Member
The hon. Getrude Maama Mzizi	- Member
The hon. Matinecha Molekwa	- Group Committee Coordinator, Support Staff
Mr. Lulu Noroko	- Public Education Coordinator,
Support Staff	
Mr. Musi Moraka	- Manager, Speaker's Office,
Support Staff	
Mr. Nokulunga Morgan Musimang	- Protocol Officer,
Support Staff	

Again, on your own behalf and my behalf, I wish to welcome hon. Members to Kenya and this National Assembly. I wish all of you a fruitful stay in our country.

Thank you. Next Order!

(Applause)

QUESTIONS BY PRIVATE NOTICE

WHEREABOUTS OF MR. KENNEDY NDUNG'U

Mr. Gitau: Mr. Speaker, Sir, I beg to ask the Minister of State for Administration and National Security the following Question by Private Notice.

(a) Is the Minister aware that Mr.

Kennedy Ndung'u Wanjiru was arrested by police at the roadside in Githurai-Kimbo along with three others on 24th May, 2006 and bundled into a private vehicle, only to be released minutes later?

(b) Is he further aware that Mr. Ndung'u was later re-arrested and has since not been seen?

(c) Who re-arrested Mr. Ndung'u, where was he taken and when will he be released?

The Assistant Minister, Office of the President (Mr. Kingi): Mr. Speaker, Sir, I beg to reply.

(a) No, I am not aware that Mr. Kennedy Ndung'u Wanjiru was arrested by police along with three others at Githurai-Kimbo on 24th, May, 2006.

However, I am aware that a report about a missing person by that name, was made at Githurai Police Station vide OB/Ref.No.44 of 26th May, 2006.

(b) I am not aware.

(c) Following my response to parts (a) and (b), (c) does not arise. However, an Inquiry File No.1/2006 has been opened to facilitate investigations into the report that was made.

Mr. Gitau: Mr. Speaker, Sir, you have heard the Assistant Minister's answer to this Question. He has said that he is not aware. But he has also said that a report of a missing person was entered in the Occurrence Book (OB) at Githurai Police Station.

Mr. Speaker, Sir, that young man was arrested with three others, who were later released. Has the Assistant Minister asked the other three who arrested them? Has he asked them how they were released and not Mr. Kennedy Ndung'u?

Mr. Kingi: Mr. Speaker, Sir, I am not aware that Mr. Kennedy Ndung'u was arrested along with three other people. So, there is no way I can ask those three people that question. However, I have said that there is a report about a missing person with the same name. We are trying to make inquiries to establish the whereabouts of that person.

Mr. Speaker: Final question, Mr. Gitau!

Mr. Gitau: Mr. Speaker, Sir, I am very surprised by the answer from the Assistant Minister. The Ministry carries out raids in the name of State security. State security means the security of Kenyans. Yet, they have no capacity to know that Mr. Ndung'u was arrested by a Mr. Ngugi, a Mr. Tum and a Mr. Malwa - who are Administration Police Officers at Githurai-Kimbo. Is it our work here in Parliament to tell the Ministry how the police are running security issues in

Kenya?

Mr. Kingi: Mr. Speaker, Sir, we will make inquiries into this. I have said that they never made arrest of this person by the name Kennedy Ndung'u. We have opened an inquiry. So, anybody who has information that can assist us to identify the whereabouts of Mr. Ndung'u is welcome to record a statement at the police station.

RELOCATION OF TARU SECONDARY SCHOOL

Mr. Rai: Mr. Speaker, Sir, I beg to ask the Minister for Education the following Question by Private Notice.

(a) Is the Minister aware that Taru Secondary School is being relocated?

(b) How much has been set aside by the Government for the construction of the new school?

(c) What measures has the Minister taken to ensure that learning at the school is not disrupted?

The Assistant Minister for Education (Mrs. Mugo): Mr. Speaker, Sir, I beg to reply.

(a) I am aware that Taru Secondary School is being relocated to a new site about 3 kilometres away from the current location.

(b) China Road and Bridge Construction Company which was awarded the tender to rehabilitate Maji ya Chumvi-Miritini Road will meet the cost of the construction of the new school.

Provincial Works Officer, Coast Province, is still working on the design and Bill of Quantities and the cost of construction of the school will be known when that is completed.

(c) The stakeholders, including the BOG, PTA, local leaders and the contractor have taken the following measures among others: Put in place temporary structures on the new site to accommodate the students while the new permanent buildings are being constructed.

Mr. Rai: Mr. Speaker, Sir, I am just surprised at the answer given by the Assistant Minister because before any kind of relocation is done, money should be set aside for that particular purpose.

Currently, learning activities at Taru have actually been disrupted because the contractor; China Road and Bridge Construction Company, has started drilling and blasting. What measures has the Ministry taken to ensure that the students are learning in a conducive environment?

Mrs. Mugo: Mr. Speaker, Sir, the money has already been set aside. Rehabilitation of the road to Mombasa is also a development matter of importance which must be finished. The two projects are being dealt with side by side. The money has been set aside.

Mr. Speaker, Sir, I have a letter here from the Ministry of Roads and Public Works addressed to the Permanent Secretary, Ministry of Education, giving an assurance that, that money has been set aside and that the builders will sprinkle some water to keep the dust down.

I also have a copy of the letter written to the chairman of the BOG and the PTA of the school and they are in agreement that the developments are being carried out safely for the children.

Mr. Muturi: Mr. Speaker, Sir, the issue of this school had been raised in this House way back in 2000.

Mr. Speaker, Sir, while I served in the Departmental Committee on Education, by resolution of this House, we visited the school and it was obvious even from our report that the school had to be relocated because of the quarry. Is it not possible for the school to be relocated before the blasting activities by the China Road and Bridge Company commence?

Mrs. Mugo: Mr. Speaker, Sir, that process is going on. The school is being relocated. We have all agreed that the road to Mombasa also needs to be completed. If we put construction of this

road on hold, I think users of that road will suffer. Every care is being taken to ensure that the children do not suffer.

Mr. Speaker, Sir, I assure this House and the parents that the matter is being taken care of in consultation with the BOG.

Mr. Rai: Mr. Speaker, Sir, who do we take seriously because the haadteacher wrote to the Provincial Works Office on 26th April, 2006 complaining of the works which are going on at the quarry. She stated that learning activities are being disrupted. The Assistant Minister is saying here that these works have to be done side by side. Which is more important; the learning of the students or the building of the road?

Mrs. Mugo: Mr. Speaker, Sir, they are both very important. All we have to do is to make sure that the children's health is not jeopardised and we are doing that. The works will be completed as soon as possible. The money is available and the work is going on.

ORAL ANSWERS TO QUESTIONS

Question No.097

REHABILITATION OF KENFINCO WATER WELLS/PUMPS IN BUTULA

Prof. Mango asked the Minister for Water and Irrigation:-

- (a) whether he is aware that most of the shallow wells sunk by Kenya/Finland water project in the 1980s known as KENFINCO have collapsed; and,
(b) if he could allocate adequate funds to rehabilitate the pumps so that Butula communities can access clean water.

The Minister for Water and Irrigation (Mr. Katuku): Mr. Speaker, Sir, I beg to reply.

- (a) I am aware that about 40 per cent of the shallow wells sunk by the Kenya-Finland Western Water Supply Programme (KFWWSP) in Busia District are not functional.
(b) The management committees of these wells do not receive any monetary allocation from my Ministry. The user communities are supposed to pay monthly water use fees and other charges as set out in their respective by-laws for rehabilitation, operations and maintenance.

Mr. Speaker, Sir, in the recent past, however, some communities in the district have received financial support for rehabilitation of stalled wells from the Local Authorities Transfer Fund (LATF), Constituency Development Fund (CDF) and some NGOs. Following the enactment of the Water Act 2002, the Ministry is advising the communities to seek support from the Water Services Trust Fund (WSTF) as well.

Prof. Mango: Mr. Speaker, Sir, while all these bodies are there to rehabilitate the water situation in Butula Constituency, could the Minister tell the House how much money he allocated to Butula Constituency in the last financial year?

Mr. Katuku: Mr. Speaker, Sir, as relates to the last financial year and in relation to this project, I would say we did not allocate any money for this project.

Mr. Midiwo: Mr. Speaker, Sir, in the recent past, the Minister has told this House that money has been allocated to sink several water boreholes in the country.

Mr. Speaker, Sir, in the last few weeks, there has been politics being played around with this money that it will go to the areas where the by-election campaigns are going on.

Mr. Speaker, Sir, could the Minister provide this House with a map of specific constituencies, locations and sub-locations where the Minister will use this money to sink boreholes so that the campaign for votes in North Eastern Province in the pretext of providing

water does not occur?

Mr. Katuku: Mr. Speaker, Sir, I want to categorically deny that my Ministry is doing political activities with the money. As far as I am concerned, we are only doing projects where they have been designed to be done. Soon I will table my budget in this Parliament where I will show where this money is going to. The Kshs1.5 billion will only go to ASAL areas.

Prof. Mango: Mr. Speaker, Sir, the Minister is telling us about water projects being implemented in other areas. He does not seem to have a specific plan for Butula Constituency.

Mr. Speaker, Sir, is he in order to assume that Butula Constituency will continue surviving without water in view of the fact that water is life?

Mr. Katuku: Mr. Speaker, Sir, I did not say that my Ministry has no programme for Butula Constituency. I said that it has a programme in relation to these particular wells which were developed by my Ministry and the Finland Government. The concept is that, once they are complete, they will be handed over to the community. The communities are supposed to own and run them, and to ensure that they are properly maintained.

For purposes of ensuring the smooth flow of water in that area, we have established a water trust fund in my Ministry where the communities can apply for funds to rehabilitate water projects in their areas.

The hon. Member should assist her constituency by applying for those funds so that we can give them money to rehabilitate these projects. The money is available to the tune of Kshs1.2 billion.

Question No.255

LOCATION OF LAKE VICTORIA
NORTH WATER BOARD

Mr. Kipchumba asked the Minister for Water and Irrigation:-

- (a) whether he is aware that offices of Lake Victoria North Water Board are situated in Kakamega, quite far from many beneficiaries especially from North Rift; and,
- (b) if another branch office could be opened in Eldoret Municipality to facilitate better delivery of services.

The Minister for Water and Irrigation (Mr. Katuku): Mr. Speaker, Sir, I beg to reply.

(a) I am aware that the head office of Lake Victoria North Water Service Board which is situated in Kakamega is accessible to many of the beneficiaries within the board's area of jurisdiction. The head office serves eight districts in Western Province and four in North Rift. The former District Water Offices are now branch offices of the board.

(b) The service delivery to North Rift District is effectively co-ordinated from their respective branch offices and Eldoret Municipality is only a short distance from the Lake Victoria North Water Services Board headquarters.

Mr. Kipchumba: Mr. Speaker, Sir, 150 kilometres could be a very short distance for the hon. Minister, depending on where you come from. In my place, that is quite far. The officers in these water offices are not even aware that these offices are supposed to be branch offices of the main office. How could they be offices for the branch when the officers are not even aware?

Has the Minister issued a circular so that they are aware that people are supposed to use those offices?

Mr. Katuku: Mr. Speaker, Sir, I agree that distances are relative and I sympathise with the hon. Member. As far as I am concerned, the district offices are not far from his constituency and that is not an unreasonable distance. On the issue of the officers in those district offices not being

aware that they are supposed to serve under the board this could be one of the teething problems with the reforms. I do direct from the Floor of the House that they are supposed to serve in those boards as branch offices and that any district water office should be the branch of the water service in that given area.

I would also like to say that soon I will organise a forum for hon. Members because they seem not to understand the reforms which are critical to this nation.

Mr. Munya: Mr. Speaker, Sir, it is good to hear what the Minister is saying, but there is a lot of confusion over these reforms. Even the officers of the Ministry who are supposed to implement these reforms do not seem to understand them. There is a lot of confusion especially with regard to the shareholders. Companies are supposed to be started all over but the shareholders do not even know that these reforms are going on.

Mr. Speaker, Sir, what will the Ministry do in the soonest time possible to make sure that Kenyans own these reforms and that they are not being done for the sake of it?

Mr. Katuku: Mr. Speaker, Sir, I appreciate the comments which have been made by the hon. Member that so many Kenyans do not seem to understand those reforms. I have taken over this issue to ensure that every Kenyan understands those reforms. I would like to organise a forum here and in those board areas to educate hon. Members about those reforms. My staff are already aware of those reforms. Reforms come with resistance. Maybe you met with one of the officers who is resisting change. As far as the Act is concerned, the change must take place and we will push it to ensure that everybody understands and that the reforms take effect.

Mr. Speaker, Sir, soon, we will go to every region to hold conferences with other stakeholders so that people can know where to go when they have problems related to water.

Mr. Lesrima: Mr. Speaker, Sir, this Parliament passed the Water Act and so, we cannot blame the Minister. However, there are certain administrative issues which ought to be clarified. For example, we cannot understand why awarding of tenders for the construction of water dams and boreholes is done here in Nairobi by the National Water Conservation and Pipeline Corporation (NWPC).

Mr. Speaker, Sir, could the Minister explain why he cannot decentralise that function to the districts?

Mr. Katuku: Thank you, Mr. Speaker, Sir. As far as the Water Act 2002 is concerned, construction or development of water structures such as dams and boreholes is done by the NWPC. All the money we vote for towards that end goes to that corporation which decides where those boreholes should be drilled. So, the tendering process is done by that corporation under proper procedures. However, we do not have branches in the districts for the same. We are satisfied with the way the corporation handles that matter.

Mr. Kipchumba: Mr. Speaker, Sir, I request the Minister to consider re-grouping of districts that form the various boards. This is because various districts have unique problems. The four districts from Rift Valley Province are the water catchment area of that particular Board.

Since those districts have similar problems, could the Minister consider re-grouping them because of the various unique problems that they have?

Mr. Katuku: Mr. Speaker, Sir, I need to organise a seminar to educate hon. Members on these reforms. What the hon. Member has requested cannot be done because the concept behind the grouping of districts has nothing to do with tribes or origin. However, it has to do with the water catchment that you fall under. If you fall under a water catchment area--

Mr. Sambu: On a point of order, Mr. Speaker, Sir. Is the Minister in order to mislead the House by saying that grouping of districts is dependent on the water catchment area a district falls under, and yet all the rivers that flow into Trans Nzoia and Yala Rivers emanate from the North Rift? That area has been downgraded to go to Kakamega. We will stop those rivers from flowing

down there!

(Laughter)

Mr. Speaker: Order! This is quite interesting. Does the hon. Member for Mosop intend to reverse the law of gravity?

Yes, Mr. Minister!

Mr. Katuku: Mr. Speaker, Sir, I think the hon. Member will find it very difficult to do that because we will not allow him. The concept behind the regrouping of districts is that people should be placed under a board based on where their water comes from.

Mr. Speaker, Sir, if the people up-stream mess up with the environment, you will find the people downstream getting dirty water. We want all those people to be administered by one board so that the people who live up and downstream can be organised in one group. So, the hon. Member is agitating for *majimbo* in water which is not possible.

Mr. Speaker: Let us move on to Archbishop Ondiek's Question!

Mr. Ojaamong: Mr. Speaker, Sir, I want to send apologies from Archbishop Ondiek. He is held up in town. However, he has requested me to ask his Question on his behalf instead of it being dropped.

Mr. Speaker: Are you prepared to ask the Question on his behalf or should I defer it?

Mr. Ojaamong: Mr. Speaker, Sir, I am prepared to ask the Question because he is my neighbour at home.

Mr. Speaker: It is okay. Ask the Question if you have his authority!

Question No.356

ELECTRIFICATION OF
MARKETS/SCHOOLS IN
UGENYA CONSTITUENCY

Mr. Ojaamong, on behalf of **Archbishop Ondiek**, asked the Minister for Energy:-

(a) whether he is aware that installation of electricity in Aboke, Jera and Simero markets as well as Jera Secondary School, has not taken off despite availability and allocation of funds and also after promises to the House that the work on the same would commence immediately; and,

(b) what the Ministry is doing to ensure that work on the said projects commences without further delay.

The Assistant Minister for Energy (Mr. Kiunjuri): Mr. Speaker, Sir, I beg to reply.

(a) I am aware that installation of electricity in Aboke, Jera and Simero markets and Jera Secondary School has not taken off.

(b) Aboke Market Scheme has been awarded to a contractor and construction works are scheduled to commence this month. Jera Secondary School and market, and Simero Market are being tendered out and construction works are expected to start by August, 2006.

Mr. Ojaamong: Mr. Speaker, Sir, the projects the Assistant Minister has talked about were approved way back in 2003 and to date, no work has commenced. This has been attributed to the poor contractors who have been awarded tenders in Western Province in general and in Kisumu which is in Nyanza Province. What will the Assistant Minister do to ensure that the contractors who were awarded tenders to Jera and Simero markets have the ability to do the work?

Mr. Kiunjuri: Mr. Speaker, Sir, first of all, we had a major problem with Jera Secondary School. We even had to consult the Office of the Vice-President and Ministry of Home Affairs to

know exactly why we were having the prison name being used by a secondary school and that took us a long time. However, we have established that Jera is a secondary school and not a prison. However, we have gone ahead and awarded a tender to Roy's Power Systems. That firm will start work from this month.

Mr. Khamasi: Thank you, Mr. Speaker, Sir. Is the Assistant Minister aware that the contractors who have been awarded contracts in Western Province have so much on their hands that they are unable to do those contracts?

Mr. Speaker, Sir, could he consider off-loading some of the tenders awarded to those contractors to other people?

Mr. Kiunjuri: Mr. Speaker, Sir, that is true. We have contractors who have won more than ten tenders. We had a shortage of contractors because not many people have ventured in this business. However, we have recruited 18 more contractors. We will follow the advise given to us by the hon. Member. Those contractors who have been awarded more tenders than they can handle can off-load them to other people.

Mr. Ojaamong: Mr. Speaker, Sir, the Assistant Minister has just conceded that contractors were awarded more tenders than they can handle. This is one of the problems we are facing in Western and Nyanza provinces.

When will the Assistant Minister assess and approve the new contractors he has engaged so that tenders awarded to the earlier contractors who are very incompetent, lack financial base and cannot undertake any works so far can be off-loaded?

Mr. Kiunjuri: Mr. Speaker, Sir, some of those contractors are unable to do the work. However, the Kenya Power and Lighting Company (KPLC) also could not supply the required materials at the right time.

We have received that list and soon we will tender for pre-qualification for the contractors who will carry out construction work.

Mr. Speaker: Let us move on to Mr. J.K. Kilonzo' Question!

Question No.406

MURDER OF MR. MUSYOKA KIAE

Mr. C. Kilonzo, on behalf of **Mr. J.K. Kilonzo**, asked the Minister of State for Administration and National Security:-

(a) whether he is aware that Mr. Musyoka Kiae was found murdered at Kikuu Sub-location in Mwitika Location on 8th January, 2006;

(b) whether a post-

mortem was carried out to establish the cause of death; and,

(c) what investigations the police has conducted to establish the circumstances surrounding the death.

The Assistant Minister, Office of the President (Mr. Kingi): Mr. Speaker, Sir, I beg to reply.

(a) I am aware that Mr. Musyoka Kiae was found dead on 16th January, 2006.

(b) A post-mortem was carried out but it was not carried out immediately because the family and clan members of the deceased prevailed upon the police officer who visited the scene not to take the body to the mortuary for post-mortem as they did not suspect any foul play as the cause of death.

(c) Nine people have recorded statements with the police. Five more people, including a prime suspect who was alleged to have been a debtor the deceased are being sought by police.

Following the information in the investigation, police exhumed the body for forensic examination.

Mr. C. Kilonzo: Thank you, Mr. Speaker, Sir. Why was the deceased buried without a post-mortem being carried out?

Mr. Kingi: Mr. Speaker, Sir, I have said that the family members who were at the scene had requested to be allowed to bury the body. They recorded a statement to that effect.

Mr. C. Kilonzo: Mr. Speaker, Sir, I find that amusing. The police found somebody who had been murdered and refused to carry out a post-mortem simply because family members had asked to be given the body to bury. Did the police do the right thing?

Mr. Kingi: Mr. Speaker, Sir, the cause of death has not been established even as I speak here now. So, the issue of murder does not arise.

Question No.251

UPGRADING OF KIRIANI-KIAMBUTHIA-
KAIRO ROAD

Mr. Kamotho asked the Minister for Roads and Public Works:-

(a) whether he is aware that Kiriani-Kiambuthia-Kairo Road which also serves Kiru Tea Factory was last gravelled in the year 2003 under the El-Nino Emergency Project; and,

(b) when funds will be allocated to improve the 10 kilometre road to bitumen standard.

The Assistant Minister for Roads and Public Works (Eng. Toro): Mr. Speaker, Sir, I beg to reply.

(a) I am aware that the Kiriani-Kiambuthia-Kairo Road which also serves Kiru Tea Factory was last gravelled in 2003 under the El-Nino Emergency Project.

(b) The 10 kilometre road is classified as Class D. The road, therefore, falls under the District Roads Committee (DRC). In this regard, therefore, the DRC needs to prioritize it in its work-plan so that it is considered for design and improvement to bitumen standard.

Mr. Kamotho: Mr. Speaker, Sir, I am glad the Assistant Minister is aware that this road serves a tea-growing area, and he knows the importance of that crop to the economy of this country.

Is he telling us that when a factory like this is constructed there are no plans by the Government to tarmac a road that serves it?

Eng. Toro: Mr. Speaker, Sir, due to the economic importance of the area that this road serves, it was found important to gravel it and make it an all-weather road. Whereas bitumen lasts longer than gravel, both of them serve the same purpose and roads become all-weather and vehicles do not get stuck anywhere throughout the year.

Mr. Angwenyi: Mr. Speaker, Sir, when will the Assistant Minister realise that roads in tea growing areas where there is plenty of rainfall cannot be managed through gravelling? The roads should be up graded to bitumen standards. When will the Ministry realise this and change the up grading policy?

Eng. Toro: Mr. Speaker, Sir, we have already realised that roads serving the high attitude agricultural area, especially the tea zones, cannot be managed by gravelling alone. However, since all the roads cannot be up graded to bitumen standards, we are up grading as many roads as possible to gravel standards to arrest the situation at the moment. The policy is that eventually we should bitumenise all the roads.

Mr. Kamotho: Mr. Speaker, Sir, is the Assistant Minister aware that most hon. Members

have lost interest in the activities of the District Road Committees (DRCs)? The recommendations of the DRCs or the District Development Committees (DDCs) are never followed by the respective Ministries.

Mr. Speaker, Sir, recommendations which have been made over the years are just in files lying in Ministries and Ministries come up with their own priorities.

Therefore, the answer to part "b" of the Question is absolutely irrelevant. Could the Assistant Minister comment on that particular matter?

Eng. Toro: Mr. Speaker, Sir, DRCs all over the Republic are making recommendations. The DDCs also make their recommendations.

However, all the recommendations cannot be implemented because of the scarcity of funds. This also happened when Mr. Kamotho was a Minister in the former KANU Government. He can bear me witness that the recommendations of the DDCs were never actualised.

Question No.310

HIGH PUPIL/TEACHER RATIO IN PRIMARY SCHOOLS

Mr. Sambu asked the Minister for Education:-

- (a) whether he is aware that there is lack of effective teaching going on in primary schools due to high pupil to teacher ratio which stands at 70 to 1;
- (b) whether he could confirm that the compulsory free primary education is serving any useful purpose, given the very high pupil to teacher ratio; and,
- (c) what immediate action he is taking to ensure

that teachers are recruited to meet the shortfall in primary schools throughout the country.

The Assistant Minister for Education (Mrs. Mugo): Mr. Speaker, Sir, I beg to reply.

(a) I am aware that teaching could be enhanced in some of our primary schools if we reduced the teacher/pupil ratio. With the advent of the free primary education, many children including the poor, orphaned, the girl-child and the vulnerable ones have enrolled in schools and teaching is going on in all the schools. The Ministry provides instructional and other learning materials and also enhances the teachers' skills through training and capacity building.

(b) I confirm that the free primary education is serving a useful purpose because it addresses major social issues which have previously disadvantaged sections of our society. It has led to improved access to educational opportunity and to equitable provision of both learning and teaching materials in all public schools and non-formal education centres that serve over-aged children who have in the past missed primary school education.

(c) The Ministry has been replacing teachers who leave the service through natural attrition annually after competitive recruitment. To address these shortfalls in primary schools, we are discussing with the Treasury for additional resources.

Once we receive additional financial resources, recruitment of additional teachers will be carried out.

Mr. Speaker, Sir, let me also add that as of now, plans are under-way to replace teachers as they depart through natural attrition.

Mr. Sambu: Mr. Speaker, Sir, when a teachers teaches a class of about 80 to 90 pupils, it actually amounts to no teaching. Half of the pupils will be sleeping because the teacher cannot make all of them follow what he or she is teaching.

Mr. Speaker, Sir, will the Ministry recruit enough teachers, so that a teacher will only be

teaching a class of a maximum of 40 pupils?

Mrs. Mugo: Mr. Speaker, Sir, we intend to do that as soon as funds are availed to us. As I said, we are discussing with the Treasury for more funds. I am sure the hon. Member is aware of many children who were missing school before and are in school now. Even over-aged children now have an opportunity to get education.

However, we are having regular capacity building workshops for our teachers and management committees. We have given guidelines on how to deal with classes which have too many pupils.

Mr. Speaker, Sir, we have also recommended that lower classes should have a multi-shift teaching system where some pupils could attend classes in the morning and the others in the afternoon. We have made many other recommendations which are being implemented gradually.

Mr. Speaker, Sir, quality teaching is going on in public primary schools. This can be demonstrated by the fact that during the previous examinations, public schools were leading. Therefore, the quality of primary education in public schools is not as bad as it is being made to appear. It is actually quite good and we are working on it continuously.

Mr. Speaker: I have to finish with this Question now because of the time. I want to save five minutes.

Mr. Karaba: Mr. Speaker, Sir, the number of pupils in primary schools has risen from 5.9 million to 7.2 million.

Mr. Speaker, Sir, could the Assistant Minister tell the House how many teachers have been recruited since the inception of the compulsory free primary education?

Mrs. Mugo: Mr. Speaker, Sir, that is a completely different Question. I will have to check the figures. I did not carry the figures with me. However, in 2003, 4,000 teachers were recruited; in 2004, 5,000 teachers; in 2005, 6,200 teachers and come August this year, we will advertise to recruit more teachers.

This House approves funds for every Ministry. The Ministry of Education is lucky to have received the largest share of funds in this year's Budget and we are doing our best with it. Should this House decide to give the Ministry more money than what we have received currently, we will be happy to employ more teachers. However, we are coping with the increased number of pupils in public primary schools.

Mr. Sambu: Mr. Speaker, Sir, giving the money is rather obvious. It is a well known fact that the only thing that this House can do is talk about deficit in the Budget. Nonetheless, could the Assistant Minister give a firm commitment that new teachers will be employed to replace those who have retired or died through natural attrition? Last year, hon. Prof. Saitoti stood there and said he will use Kshs3 billion to employ new teachers. In the end what has been done is just to replace those who have retired due to old age or those who have passed away through natural attrition. Could the Assistant Minister employ new teachers so that we have one teacher teaching only 30 to 40 pupils? That is what education is all about. What we have now is a scenario where children are masquerading as pupils and sitting on dust.

Mrs. Mugo: Mr. Speaker, Sir, the hon. Member of Parliament who was even a Minister in the past Government is really misleading this House. We have improved education more than ever before in this country and we are giving all children an opportunity to learn, unlike in the past when a lot of children went without education. That created discrimination for some parts of our society.

Mr. Speaker, Sir, it is our intention to employ adequate teachers as soon as enough funds are collected in taxes and given to us. We have no problem with employing teachers. However, I think hon. Members must also know that funds are also required in other Ministries and I do not think we will get a lot of money to employ many teachers.

Mr. Speaker, Sir, may I also bring to the notice of the hon. Member that the latest survey of

United Nations Educational, Scientific and Cultural Organization (UNESCO) said that Kenyan teachers work the least hours in the whole world. That is why we are also investigating districts where head-teachers do not teach and overstaffing of teachers so that we can transfer them to areas where there is a shortage of teachers. So, it cannot be that there is such a big shortage as we are being made to understand. However, we accept the shortage is there and we are working on it.

Mr. Speaker: Order, hon. Members. I need the five minutes left for the Vice-President and Minister for Home Affairs to make a Ministerial Statement and I also think hon. Dr. Kituyi has some issue to pick. Is the hon. Member for Bahari here?

Mr. Khamisi: Yes, Mr. Speaker, Sir.

Mr. Speaker: Could I defer your Question to tomorrow morning or afternoon?

Mr. Khamisi: Mr. Speaker, Sir, please, defer it to tomorrow afternoon.

Mr. Speaker: Okay.

Question No.205

ALLOTMENT LETTER FOR
KARARACHA CENTRAL
PRIMARY SCHOOL PLOT

(Question deferred)

Question No.048

RECRUITMENT OF KACC OFFICERS

Mr. Speaker: Is hon. Ndolo here?

Hon. Members: No!

Mr. Speaker: I want to drop it because it would not have been dealt with anyway.

(Laughter)

The Minister for Justice and Constitutional Affairs (Ms. Karua): No, Mr. Speaker, Sir, I am here to deal with it.

Mr. Speaker: Oh, you are here! Then the Question is dropped since the Questioner is not here.

(Question dropped)

That is the end of Question Time.

Proceed, hon. Vice-President and Minister for Home Affairs!

MINISTERIAL STATEMENT

NOMINATION OF HOUSE BUSINESS
COMMITTEE MEMBERS

The Vice-President and Minister for Home Affairs (Mr. Awori): Mr. Speaker, Sir, the following Members have been nominated to serve in the House Business Committee:-

The Hon. Uhuru Kenyatta, EGH, MP

The Hon. Justin B.N. Muturi, MP
The Hon. Yusuf Haji, MP
The Hon. Henry Kosgey, EGH, MP
The Hon. J. Kamotho, EGH, MP
The Hon. Marsden Madoka, EGH, MP
The Hon. Chirsanthus Okemo, EGH, MP.
Thank you, Mr. Speaker, Sir.

(Applause)

Mr. Speaker: Hon. Dr. Kituyi, you had something to say.

POINT OF ORDER

UNFAIR CRITICISM OF TRADE AND
INDUSTRY MINISTER
BY DR. OBURU ODINGA

The Minister for Trade and Industry (Dr. Kituyi): Mr. Speaker, Sir, I stand to seek guidance from the Chair.

In the past, you have exhorted Ministers of Government to make their formal announcements of what work they are doing from the Floor of Parliament as partly a process that adds to the strength of this Legislature. I have adhered to this rather religiously beyond the minimum average of Ministers.

In this light, I have been offering to make statements on the Floor of this House about progress in our efforts to turn around Uchumi Supermarkets Limited.

Mr. Speaker, Sir, I promised this House last week before I left for Geneva that I will make such a statement again this week but in the intervening period there have been two things that I needed your guidance about.

I remember on Tuesday you telling this House that House Committees invite Ministers to assist them in their investigations of matters.

Mr. Speaker, Sir, if you look at the back page of today's *Daily Nation*, the Chairman of the Departmental Committee on Finance, Planning and Trade, hon. Dr. Oburu Odinga, purports to be summoning me to be investigated about Uchumi Supermarkets and in another newspaper the same hon. Oburu Odinga speaking at a funeral in South Nyanza, said that I have led to the collapse of Uchumi Supermarkets, Kenya Wines Agency Limited (KWAL) and Industrial and Commercial Development Corporation (ICDC).

Mr. Speaker, Sir, I need your guidance on two different things. The first one is: How do you relate when a Minister has an undertaking to make a Ministerial Statement before the House and the Chair has asked that there will be enough time for hon. Members to deliberate what the Minister has said and at the same time a Departmental Committee wants him to make a similar statement to it? It is like competition between the Departmental Committee and the main House.

Mr. Speaker, Sir, however, the second matter is: How do we deal with errant Members of Committees who go on ego trips about summoning and discuss Ministers at funerals about how they are going to deal with them in Parliament?

Hon. Members: Shame!

**COMMUNICATION FROM
THE CHAIR**

DEPARTMENTAL COMMITTEES CHAIRMEN SHOULD NOT SUMMON/DISCUSS
MINISTERS AT FUNERALS

Mr. Speaker: Order, hon. Members! First, I think I want to commend the Minister for Trade and Industry.

(Applause)

I think this Minister has been taking this House very seriously and has been letting this House know any aspect relating to the management of his Ministry and those parastatals under him without fail and that is commendable. Indeed, I would encourage others to do the same.

Secondly, I think there are certain hon. Members who think that when they have been elected chair of a committee they become the committee and proceed to issue all manner of edicts purporting to be that of the committee. Now, those Members must understand that they are not the committee and that the committee operates in accordance with the Standing Orders through its deliberations.

Mr. Speaker, Sir, the other day I also ordered such Members that if they continue with those methods that flout the Standing Orders, you may please yourself but nothing that you will ask in a funeral will ever be implemented by the Clerk of the National Assembly. I said that day that the Clerk of the National Assembly is under instructions from me, and it is hereby reiterated to ignore completely all those unlawful edicts.

Finally, if you have nothing to say at a funeral, please say nothing about Parliament.

(Laughter)

Parliament is not represented at funerals. Keep Parliament out of your funerals. We have nothing to do with the burial of your constituents. We may sympathise but silently so. However, much more importantly, I think the Chair and the Power and Privileges Committee will now have to be watchful on such errant Members because the effect of those illegal utterances is to lower the dignity of this House and Members are welcome to make complaints.

Hon. Members are welcome to make complaints to the Committee of Powers and Privileges so that inquiries are made, and those hon. Members can be brought to respect the rules of the House, uphold the dignity of the House and that of their colleagues. So, all Members stand warned that anybody attending funerals on Saturdays should talk about the dead, but not about the Committees!

Next Order!

Capt. Nakitare: On a point of order, Mr. Speaker, Sir.

Mr. Speaker: What is it?

Capt. Nakitare: Mr. Speaker, Sir, there is something I would like the Minister for Trade and Industry, Dr. Kituyi, to clarify to this House. At exactly 2.00 p.m., there was news in the media alleging that he was carjacked. Since he is here with us, could he tell us the correct position?

(Laughter)

Mr. Speaker: Order, hon. Members! I thought we were talking about Uchumi Chain of

Supermarkets. I do not know how Uchumi and the carjacking of the Minister are related. However, I have been let to know by the Minister himself that, indeed, last night he was carjacked. Fortunately, apart from losing all the possessions he had, he was not hurt.

Hon. Members: He needs a chase car!

Mr. Speaker: Order, hon. Members! Mercifully, he is all right. It is the unfortunate bit of life in Nairobi and some parts of this country.

Finally, to end this saga which I alluded to last week, every time that there is a big business in trouble, hon. Members, for unexplained reasons, either become the advocates of those concerns, not even inside the House, but they even use the time that is allowed to do other things on matters that have been discussed.

It is about time to ask: Are we genuinely interrogating those matters or are we doing other things? So, will the businesses that either thrive or collapse, please, hon. Members, stop agitating this House?

Hon. Members, as we get into the next Order, which is the Committee of Ways and Means, you will realise that the Chairman of the Committee will take the seat at the Table because the Motion, "That Mr. Speaker do Leave the Chair", was carried. Therefore, the Speaker will leave the Chair immediately. Now what this means is that we have finished discussing matters of policy and principle. What we will do now is to discuss taxation measures. It means we are not allowed to raise issues of policy matters at that stage. We will be asked by the Chairman of the Committee to point out what particular taxation we are unhappy with and what we want to be dealt with, whether to be reduced, removed altogether, or to be retained. The discussion in that Committee is strictly restricted in that regard.

Next order!

COMMITTEE OF WAYS AND MEANS

(Order for Committee Read)

IN THE COMMITTEE

[Mr. Chairman took the Chair]

Mr. Chairman: Order, hon. Members! We are now in the Committee of Ways and Means. As the Speaker has advised, we will strictly follow the rules on taxation measures relating to---

(Loud consultations)

Order, hon. Members! May I ask that those hon. Members who wish to leave the Chambers do so quietly?

Hon. Members, we are strictly going to discuss proposals relating to Excise Duties, Value Added Tax (VAT), Income Tax and Miscellaneous and other Taxes contained in the Financial Statement. I hope hon. Members have had time to look at the Financial Statement for the year of account, 2006/2007.

Mr. Kimunya, you may now move the Motion.

Mr. Khamasi: On a point of order, Mr. Chairman, Sir. You will realise that in accordance with our Standing Orders, we should have started this debate at 3.30 p.m. We, indeed, went past 3.30 p.m. Would I be in order to ask you to make good the time which has been lost?

Mr. Chairman: Indeed, that is a valid point of order. Owing to the business that has to be conducted, the five minutes that were utilised will be given at the end. Therefore, we will close the business of the House at 6.35 p.m.

Mr. Kimunya, proceed!

MOTION

APPROVAL OF TAXATION MEASURES

The Minister for Finance (Mr. Kimunya): Mr. Chairman, Sir, I beg to move:-

THAT, the proposals relating to:-

- (a) Excise Duties;
- (b) Value Added Tax;
- (c) Income Tax; and
- (d) Miscellaneous and Taxes that are contained in the Financial Statement for the year account, 2006/2007 be approved.

Mr. Chairman, Sir, His Excellency the President has signified his consent to the Motion. As mentioned during the Budget Speech, I have proposed a number of taxation measures aimed at removing administrative and legal barriers in order to address inequality and create an enabling environment for private sector growth. The measures proposed under the East Africa Community Customs Union (EACCU) will, however, be implemented immediately after publication by the Chairman of the East Africa Community Council of Ministers (EACCM).

Mr. Deputy Chairman, Sir, I have similarly proposed a number of excise measures as follows:-

- (i) The adjustment to the current specific excise tax on beer, wines, spirits and cigarettes to enhance compliance and address inequality, including within those categories.
- (ii) The introduction of excise stamps on spirits to improve compliance following the success we have had with similar a exercise on cigarettes.
- (iii) I have also proposed to zero-rate, for VAT purposes, wheat flour, computer equipment, parts and accessories, natural water, agricultural tractors, tractor tyres and transportation of unprocessed agricultural produce.

Again, for VAT purposes, in order to make these commodities and services affordable to Kenyans and to remove the load from the farmers, as I have indicated, I expect the producers and suppliers of these commodities and services to pass on the benefit to the consumers.

Mr. Chairman, Sir, I have also proposed a number of measures under the Income Tax Act which include the exemption from Income Tax of interests earned by investors who buy listed bonds as asset bulk securities for purposes of developing the infrastructure. This is aimed at encouraging participation by the private sector players in the rehabilitation and maintenance of infrastructure.

The construction of public schools, hospitals, roads or any other kind of social infrastructure has also been made tax-deductible. This proposal is made in furtherance of the public-private sector partnerships so that we can get more private sector players to invest in public goods.

Mr. Chairman, we are also proposing to increase the farm works allowance from 33.3 per cent to 50 per cent to promote and encourage---

Mr. Sungu: On a point of order, Mr. Chairman, Sir. I am trying to listen very carefully to the Minister as he moves this very important Motion. However, if the Minister for Planning and National Development is busy discussing loudly, I cannot hear what the Minister is saying! Could

you, please, protect us?

Mr. Chairman: Order, Mr. Sungu! Do not be too personal about it. You are out of order to say that he is making noise. If you feel that there is loud consultation, you should draw my attention to it. However, do not be specific and say that an hon. Member is making noise. Hon. Members do not make noise.

Mr. Sungu: I apologise, Mr. Chairman, Sir.

Mr. Chairman: Very well! Proceed, Mr. Minister!

The Minister for Finance (Mr. Kimunya): Mr. Chairman, Sir, I was saying that the farm works allowances have been increased from 33.3 per cent to 50 per cent to promote and encourage farming and agricultural productivity. This will mean that farmers will basically be able to recoup their investment within two years instead of three years. The other measure is the re-introduction of capital gains tax on transfer of property other than for vehicles and marketable securities. This measure is aimed at ensuring that there is equity by taxing incomes that have been derived from capital gains tax on properties and to recognise the societal injection's improvement in infrastructure which raises the value of that property.

Mr. Chairman, Sir, we have also introduced the exemption from Stamp Duty on land that is being purchased for expansion and development of schools. This is meant to encourage the expansion of learning facilities and improve the transition rate from primary to secondary schools following the successful introduction of universal free primary education and the need for other facilities in the future.

In terms of donations to charitable organisations, we have proposed that, that becomes tax-exempt and also projects that are approved by the Minister for Finance to be made tax-deductible to encourage the spirit of philanthropy and people to donate to these charitable causes.

Mr. Chairman, Sir, we have also proposed that we have the contributions to political parties by an individual or enterprise of up to Kshs1 million per annum which will be tax-deductible. Again, this measure is aimed at improving governance and transparency in political party funding.

We have also introduced a very simplified final turn-over tax which, at the rate of Kshs150,000 per annum or 3 per cent of turn-over, will make it easier for people whose turn-over is below Kshs5 million to comply with tax.

Mr. Chairman, Sir, I have just mentioned but a few of the proposals that are contained within the Customs, Value Added Tax (VAT), Income Tax and other taxes. Hon. Members will have the opportunity to address this and other measures, more specifically when we discuss the Finance Bill.

However, as of now, I would be calling upon hon. Members and appeal to them for their co-operation so that we can pull together in a constructive manner to achieve our national development objectives and raise the standards of living of the people by making life easier for them, making commodities affordable for them and the environment through which they pay taxes more conducive. This will ensure that they all contribute together and we build this nation together.

Mr. Chairman, Sir, with those few remarks, I beg to move.

(Loud consultations)

Mr. Chairman: Order, hon. Members! May I please draw your attention to the fact that we are going into taxation proposals. We cannot do so when there is too much loud consultation. I am, therefore, going to request and insist that we all work together on this very important matter. I am particularly addressing the corner at my right hand side.

The Vice-President and Minister for Home Affairs (Mr. Awori): Mr. Chairman, Sir, in seconding this Motion, will you allow me to say one or two things?

Mr. Chairman: Yes, your Excellency! I am sorry I was a bit fast.

The Vice-President and Minister for Home Affairs (Mr. Awori): Mr. Chairman, Sir, I would like to confine myself to one area and that is the amount that is to help the political parties, the Kshs1 million.

Let us not emphasise that at the expense of charitable organisations as well. We know that we have lots of charitable organisations that are supplementing the work of the Government.

Indeed, when a lot of people who are keen to help realise that they too can get their donations being tax-deductible, then they will help. What has not been clear is whether the Kshs1 million is only for the political parties or that also covers the charitable organisations. I hope the Minister will clarify that.

With those few remarks, I beg to second.

(Question proposed)

Mr. Kipchumba: Mr. Chairman, Sir, I would like to support the proposals outlined by the Minister for Finance. However, there are a few issues that we must address as a House. While I appreciate that zero-rating of tax will in the final analysis allow Kenyans to purchase items at lower prices, I would like to request the Minister to look at the issue of zero-rating wheat. What would be the impact of zero-rating wheat? The price of maize flour may finally be lower but what happens to the locally produced wheat? There is a danger that imported wheat flour could easily be cheaper because people do not import wheat but wheat flour. Therefore, if it is zero-rated, it means that the wheat flour that is imported will be very cheap. That will flood the local market and kill the production locally.

*(Mr. O.K. Mwangi
consulted loudly)*

Mr. Chairman: Order, hon. Members! Mr. O.K. Mwangi, may I, again, repeat that if you wish to consult as loudly as you are doing, please, give us some peace!

Proceed, Mr. Kipchumba!

Mr. Kipchumba: Mr. Chairman, Sir, my second biggest problem with these taxation measures is the abolition of the road licences for vehicles. I have raised this issue before. That finally led to the increase of the Road Maintenance Fuel Levy by Kshs3.20 per litre. I have seen the argument as given by the Minister and it is not satisfactory. That will raise Kshs5 billion.

Out of that amount, each constituency will be given up to Kshs11 million, an additional of another almost 100 per cent.

Mr. Chairman Sir, what will happen to the extra Kshs3 billion to be raised by every Kenyan? Everybody who will purchase fuel will pay the additional Kshs3.20 per litre. This taxation will cause a shift from what the Minister intended to achieve, namely to reduce income inequality among Kenyans. Therefore, the removal of the licence fees, which is Kshs3,000 per year, and the increase in fuel price will only increase the tax burden on the common man. My argument here is that the tractors that we use on our farms do consume fuel, whose price has been raised by Kshs3.20 per litre. Our tractors and posho mills will have to pay this additional Kshs3.20 per litre. However, they do not use roads. I wish to suggest that farmers, whose tractors and posho mills do not use roads, be exempted from this additional Kshs3.20 per litre tax. This Kshs3.20 per litre is a lot of money to farmers. I appeal to the Minister to reconsider this matter because it will create inflation.

Alternatively, this Kshs3.20 should be levied on petrol only. This is because diesel is mostly used by the common man. It is used by our *Matatus*, tractors and posho mills. Any extra taxation on diesel should be removed. Those of us who use petrol, especially the rich people and

Members of Parliament, should pay the extra tax on petrol and thereby meet the loss in revenue that will result from the reduction of the tax on diesel. We should not allow additional taxation on the common man. Increasing fuel price will make life unaffordable by Kenyans. I would like to plead with the Minister to only increase the price of petrol and other related products and exempt diesel from the price increase. This will enable the economy of this country to grow.

All constituencies will consume Kshs2.32 billion. The Minister's argument is that this Kshs3 billion will be used to build new roads. In fact, the roads that we have are sufficient and we do not need new roads. They are sufficient because constructing more roads without having money to maintain them is a waste of resources. Let us maintain the roads that we have. If we are unable to maintain the roads that we have, why should we build more? By constructing more roads, we will make life very difficult for ourselves.

I have seen that the tax threshold has been increased to Kshs5 million. This is a commendable measure. This means that everybody will be paying a flat rate of Kshs150,000. This will enable the Kenya Revenue Authority (KRA) to reduce administrative costs. We should never shift administrative problems to the common man.

Finally, I wish to say that the introduction of deductible tax on charitable expenditure is commendable. But I wish to request the Minister to extend this measure to cover Harambee money contributed by hon. Members every weekend. If this is done, then the argument that Members of Parliament should have their allowances taxed will be reasonable. In fact, our allowances are used to pay Harambee and medical bills for our voters. Treating Harambee contributions as charitable expenditure will help us a lot.

I also wish to support the removal of Stamp Duty on land used for development and expansion of schools. But this exemption should be applicable only to expenditure on expansion of schools and not to all development expenditure. This is because exemption on development of new schools can easily be abused. Many people will pretend to be developing schools, but will abandon development of those schools after enjoying a tax exemption. I want to request that we waive Stamp Duty on only land meant for expansion of schools.

With those few remarks, I beg to support.

The Assistant for Foreign Affairs (Mr. Wetangula): Thank you, Mr. Chairman Sir, for giving me this opportunity.

I want to support this Motion on taxation. I have only one or two things to point out.

When I contributed to the Budget Speech, I expressed my displeasure on the issue of the Sugar Development Levy. We hon. Members from sugar growing areas know that the introduction of the Sugar Development Levy was a punitive measure against sugar importers. Indeed, it is this levy that has made imported sugar bear a higher price than that of local sugar. The proposal to amend the law relating to the Sugar Development Levy is totally unacceptable to those of us who represent sugar cane farmers. We are now giving a free hand to sugar importers to enjoy a tax break of up to 7 per cent. We are talking of people who import sugar worth billions of shillings. When you talk of removal of 7 per cent tax on a consignment of sugar amounting to 100,000 tonnes, you are handing over billions of shillings to its importers. That is the money that would have been used to support the sugar-cane industry.

I want to plead with my brother, the Minister for Finance, to impose the Sugar Development Levy on imported sugar. All the sugar imported into this country should bear the Sugar Development Levy, otherwise the Minister's action will not promote the interests of sugar cane farmers. The taxation measures we are debating here will have devastating effects on the sugar cane industry. It is going to "kill" sugar-cane farmers.

I heard the Minister say that other crops are also taxed. But in relation to coffee taxation, he only referred to cess. Sugar cane farmers also pay cess over and above the Sugar Development Levy. Although he said this levy will be operational from January 2007, I urge all my colleagues

from sugar-cane growing areas to talk boldly on this matter, because we are going to annihilate, economically, the people we represent. This is not right. I wish to plead with the Minister to reconsider this issue. He said that he would carry out wide consultations on it. I wish to inform him that my voice is that of all my colleagues from the sugar cane growing areas. This is something we should address.

Mr. Chairman, Sir, I also wish to support the increase in the fuel levy. Contrary to what hon. Kipchumba said, the state of roads in this country is horrible. What we want is our roads to be improved. Many Kenyans are ready to pay tax provided they get value for it. If the extra Kshs3 billion that we will raise from the fuel price increase is used to repair our roads, we will see no reason why it should not be levied.

Mr. Chairman, Sir, it is impractical, in terms of administration, to say that tractor owners and posho mill owners are exempted from paying levy on diesel. How do you police such a measure? It is simply not possible.

Secondly, the trucks that destroy our roads; and whose owners must be taxed, all use diesel. All the heavy trucks that carry goods to Uganda, Rwanda and other countries use diesel and if a tax is going to be imposed on fuel, then it must cut across board. It is unfortunate that everybody will be caught in the net, but what we require of the Minister for Finance and his colleagues in line Ministries is that money should be put to good use. Once that is done every Kenyan, including hon. Kipchumba, will now have fun driving to his constituencies. Doing that now is a nightmare.

Mr. Chairman, Sir, all we want is our roads to be fixed. Once the roads are good, the time it takes to travel from Nairobi to Bungoma will be much less. Prudence will require that the owners of public vehicles reduce the cost of travelling.

Mr. Chairman, Sir, with those remarks and a passionate plea to my colleague to deal with the Sugar Development Levy, I beg to support.

Mr. Sungu: Mr. Chairman, Sir, allow me to congratulate my colleague hon. Wetangula for talking about the sugar industry boldly.

It is imperative for the Government to support those sectors of the economy that support the large masses of our country. It is also important to ensure that we practise affirmative action. It is clear that the vast areas in this country that represent the sugarcane-growing areas and which sustain over 10 million people are being discriminated against by the Government. I would have been so happy had my colleague, the Assistant Minister for Foreign Affairs, hon. Wetangula, said that if the Minister for Finance does not listen to him, then he will resign from this Government. This amounts to discrimination against the people of Western Kenya and even the Coast Province where we intend to start growing sugarcane.

Mr. Chairman, Sir, with this matter of Sugar Development Levy, I wish to plead with the Minister that the mark of greatness is to be able to walk backwards in order to accommodate everybody. "Please, reconsider your decision to transfer this tax to the farmer and ensure that even the importers are included so that we do not destroy this industry." I speak with enormous respect for the Minister because I believe he is a human being and that he will understand the problems of this country. We do not want laws to be changed through the back-door. We want laws changed through Bills in this House. That matter of the Sugar Development Levy is so important because it is going to affect so many people. In fact, all of us from the sugarcane-growing areas might never come back to this House if the Minister proceeds with what he has proposed to do.

Mr. Chairman, Sir, allow me to comment on an issue which is also very close to your heart and this is in relation to retirement benefits. The Minister has proposed that these benefits should be taxed if one does not withdraw them after attaining the age of 50 years. Again, this amounts to discrimination. Those benefits are already taxed! Why would the Minister want to discriminate against those who want to leave their jobs so that they can also contribute in other ways to the economy by going, say, into business? People who retire early, most probably, would like to join

other sectors of the economy so that they can build this country better. If you want to tax their benefits when they are retiring; that is, when they are still very young, then I beg to submit that this will, in fact, amount to retardation of the economy and double taxation.

The interest on mortgages is an issue that is very close to the hearts of many Kenyans. These interest rates are too high. If you compared our situation with other countries, say, the United Kingdom, their interest rates never go beyond 6 per cent. However, in our case we pay over 12 per cent which is too high. That is why I want to say that the creation of the Transfer Tax should be looked into. It amounts to discouraging investment in the housing industry.

Mr. Chairman, Sir, we need to encourage people who want to buy houses because most of our people are still very poor. In fact, those who want to buy houses are people who are just coming up and yet they are required to pay 10 per cent deposit. Then there is the transfer cut which is 6 per cent. As if that is not enough, there is the lawyers fee and other fees to pay. This amounts to discouraging people from buying houses and yet we want our people to own houses so that they can develop from the early stages. We do not want to wait until one is 25 years old or above to be able to buy property. We want to encourage property ownership. Therefore, to address this issue we must also look at the question of reducing those taxes.

Mr. Chairman, Sir, I was very happy when I learnt that the Minister was increasing duty on things like beer and cigarettes. These are what are called goods of ostentation. They are not necessary. Things that people cannot do without are called necessities. We can all do without beer or cigarettes. It has been proved that some of these items are actually dangerous to human life. Therefore, I would like to encourage the Minister to even double the taxes levied on such commodities to discourage our people from consuming them.

With respect to the question of zero-rating of wheat, even though the Minister is deeply engrossed in conversation with his colleagues and might not hear my plea, this is amounting to encouraging importers to flood the market with imported wheat. This is what has happened in the sugar industry. What kind of people will we be if we keep on encouraging people with money to import products that we can actually produce here by creating a tax-free environment for them? Take the example of the sugar industry.

I, therefore, want to plead with the Minister to reconsider that matter because it will only amount to discrimination against farmers.

Instead of zero-rating wheat *per se*, why can the Minister not zero-rate all the implements and inputs that are necessary for the production of crops such as wheat and other cash crops that our people need to grow in order to live well.

Mr. Chairman, Sir, I will now talk about Income Tax. On the question of development of infrastructure by investors and inclusion of taxes thereof, I applaud the Minister on that move because it is supposed to encourage further development of our infrastructure which is already in a pathetic state. However, it is very necessary for the Minister to institute measures to ensure that there is no misuse of such a facility. This is because such a facility is often taken advantage of by the people who have a lot of money. The same comment will pass for the investment made in the public sector, for example, building of hospitals and construction of roads. We all need that kind of investment and we welcome any investment by the private sector which is necessary. We really support that. However, we want to make sure that there is no misuse of this facility.

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

The Assistant Minister for East African Community (Dr. Khalwale): Mr. Chairman, Sir, I rise to support this Motion. I am, however, reminded by the Budget Speech that the broadest objective of the set of taxes that the Minister proposed was to reduce poverty and to address inequality in this country.

Mr. Chairman, Sir, when you look at the Budget, its gist is such that it actually increases poverty amongst farmers and the

people in eastern Kenya and north rift. This is because when you shift the onus of paying the Sugar Development Levy from the consumer to the farmer the net effect is that you will find the sugarcane farmer in the position where you find the maize farmer today.

We respect the Minister and he must actually listen to what we are saying. I know that, probably, he has never seen how sugar-cane looks like and that is why he is taking the issue lightly. He must listen to us. That strong appeal is the reason for me to believe that the Minister does not want to go down in the annals of history as the first Minister for Finance who deliberately killed the sugar-cane industry in Kenya.

Mr. Chairman, Sir, I want to comment on the proposal by the Minister to zero-rate duty charged on baby diapers, napkins and feeding bottles. This is commendable. However, I would like to urge him to use the usual inter-Ministerial relationship to do so if his aim is to support child bearing in this country. He should also ensure maternity fees are abolished in all Government hospitals. We have many young mothers who are detained in hospitals for many weeks because they cannot clear their bills.

Mr. Chairman, Sir, the Minister should be commended for removing duty on completely knocked-down kits for bicycles. Bicycles are very important in this country. So, the move by the Minister is very commendable. However, I would like to appeal to him to consider the possibility of removing duty on motor scooters. This will make work easier for the *boda boda* operators. Instead of using bicycles they will use "*tuk-tuks*" which are expensive at the moment because of the duty imposed on them. I am making this appeal because when we talk to those young people who are engaged in *boda boda* business, we find that it is not a light matter.

Mr. Chairman, Sir, in fact, the wives of *boda boda* operators complain in the evening when they come back home because of what they are supposed to do at night.

Mr. Chairman, Sir, the Minister also proposed to remove duty on energy saving bulbs. This is very good. However, I urge him to consider the possibility of removing duty on generators. He should also allow projects funded through the Constituencies Development Fund (CDF) to import generators directly without paying duty. This will make the CDF projects cheaper.

Mr. Chairman, Sir, the Minister also proposed to exempt Value Added Tax (VAT) on entertainment services. This is excellent and commendable. But, again, there is room for us to be sympathetic to these performing artists. There is room for the Minister to talk to his colleagues and ensure that performing artists are protected from piracy. Many of them die paupers because of piracy. Time is now for us to protect them.

Mr. Chairman, Sir, it is only a few months ago when the people of western Kenya buried Mr. Jacob Luseno who had ruled the airwaves of this country for many years. But he died a pauper at 70 years old, courtesy to piracy.

Mr. Chairman, Sir, finally, I would like to make a remark about the issue of the removal of road licence fees. This idea, when we follow the argument of the Minister, makes a lot of sense. But when we look at it critically, we wonder whether it was not a clever way of trying to collect more money and actually hoodwink Kenyans that they will not pay for road licence. For example, I travel to my constituency four times in a month. I spent Kshs10,000 to fuel my car. At that rate, if I am paying Kshs3.20 for road maintenance for every litre of fuel, it means that every week I will pay Kshs3,200. If we multiply that by the four times I go home in a month, it comes to Kshs12,800 per month. That adds up to Kshs153,600 per year.

Mr. Chairman, Sir, given that on the same four-wheel-drive vehicle I was buying a road licence at Kshs10,000, to replace it with Kshs153,600 is a mockery of mathematics. The Minister should actually reduce the charge from Kshs3.20 to something more affordable.

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

Mr. Omingo: Thank you, Mr. Chairman, Sir, for giving me a chance to contribute to this

Motion. First of all, I will start by commending the Minister for having tailored a jacket for the first time to fit the size of his body as opposed to previous times when he was actually budgeting and planning in anticipation of some other in-flows from the "big brothers" who were actually making us suffer from the "big brother syndrome."

Mr. Chairman, Sir, as much as I support this Motion, there are a few things that I must give the Minister some sort of warning about. One such thing is the fact that he must start thinking of where to get money to fill in holes we will punch when it comes to fuel levy. We cannot accept that. We must propose an amendment. Fuel levy must come down. As Dr. Khalwale has said, the Minister is using his own figure. An average motorist spends about 15,000 litres of fuel. If we work it out at Kshs3.20, we have Kshs47,700 per year. When you minus Kshs5,000 from Kshs47,700, we actually end up paying a net extra expense to motorists of Kshs42,700.

The Minister wants to pretend that he will tell motorists not to charge more fares when the net expenditure is actually high. I would like to ask Minister to start thinking of where to get that money because his move will actually affect the poor people. This also goes down to affect the Ministry of Environment and Natural Resources. The forests are going to be affected because people will go for cheaper ways of getting fuel. Therefore, if it is a poor man's Budget, we want to see this figure reduced. I believe the Parliament has the capacity to remove this burden from Kenyans.

Mr. Chairman, Sir, coming to capital gains tax, this was suspended a while ago. That means that on any appreciation of a capital nature, including a house, we are going to pay tax on the differential. This means that we will discourage people from investing. We do appreciate that assets like houses appreciate faster. Therefore, people may not be able to develop and most Kenyans will always be tenants as opposed to owning houses.

Mr. Chairman, Sir, we are talking about zero-rating of products like flour. This Government, and most governments in the world, have had to remove the burden of taxation on people by zero-rating. That means that we can claim import taxes on purchases, but we do not have to charge and sell so that we remove the burden on the final consumer.

Ordinarily, this benefit is usually never translated to the final consumer. So, if the Minister has zero-rated that, we want to see the benefit transferred directly to the consumer, so that, that impact is felt among the rural folks.

It is commendable for the Minister to introduce tax relief for the people interested in buying bonds to develop infrastructure. That is a positive move. Therefore, we want to even reduce the cost of constructing one kilometre of tarmac road in this country which stands at Ksh60 million as opposed to our neighbouring countries where it is much less than that.

Mr. Chairman, Sir, the Minister has actually increased farmhouse deductions. It means any capital expenditure on farmhouse can be recouped in two years. This is a good motivation that we may be able to have our people investing a lot in agriculture.

However, I have serious misgivings on one item. I think this was the Minister's deliberate move to have one or so strong political parties, or the parties perceived to be forming the next Government; you find a floodgate of donors flooding into those parties. What Kenyans require is not the Executive to fund political parties. We require a Political Parties Bill as a panacea of this problem of party financing. We cannot guarantee who gives and for what purposes, because we also know that those who "smell power" get more advantage than the others. The solution to this is not to allow people to claim tax rebates on income from the Kenya Revenue Authority. After all, who is KRA? The KRA is Government, and they could also say this one never went to a political party. We do not want a situation of political liking and disliking. This will never be a solution to our problems. This is one of the things we must contain sufficiently with time.

Mr. Chairman, Sir, it is true that the Minister only takes and sees sugar on his table when he is taking tea. The net gain from a sugar-cane farmer per cane is less than Kshs500. That is what the Minister seeks to tax. If he wants the sugar-cane farmers to go down the drain, he should announce that on a hill-top. Therefore, the Minister should consider this issue of Sugar Development Levy either to encompass all or raise it higher on the importers so that it becomes all-inclusive. Otherwise, there is a danger of the Minister also losing some revenue from here if he does not consider it under his own initiative and propose an amendment to reduce it.

It is an encouraging move that the Minister waived tax on diapers. People are actually dying of the HIV/AIDS pandemic. So, we want to encourage young mothers to give us more babies because the joy of a politician is the population. Therefore, this is a welcome move. However, the Minister should have also waived tax on baby food supplements. We also want quality nutrition for our children so that they can grow up as healthy citizens of this country.

The issue of charging on energy saving bulbs; there are about 10 per cent of Kenyans who consume electricity. These benefits should have gone to kerosene so as to benefit more people. The Minister, unfortunately, is an accountant, and he just sees figures but does not see the face of a human being. He is a professional colleague, but I want him to have the Kenyan face in front of the figures. Therefore, I recommend that the energy saving bulbs that he has recommended tax reduction on needs to be translated to kerosene. He should also reduce fuel levy as a justification that our people who consume fuel can also benefit from this kind of arrangement.

With those remarks, I beg to support.

Mr. Khamasi: Thank you, Mr. Chairman, Sir, for giving me the chance to contribute to this Motion. I fear that we may be flouting our own rules by repeating the materials which have been used here. But I think you have been very kind to us so that we can tell the Minister the seriousness of some of the matters which have been included in his taxation proposals.

Mr. Chairman, Sir, the question of Sugar Development Levy being shifted from the consumer to the farmer is a serious matter. In fact, I was told once that accountants are people who do not have any feelings. They just look at figures. This is a very typical example. I cannot understand how the Minister, having known the history of sugar-cane growing in western Kenya, would ever do this sort of thing. This is a clear manifestation that he wants to kill that industry. This has been an ailing industry. You know this matter has been in this House for a very long time. Sugar-cane farmers have been complaining wanting their cane prices to be increased because they are literally earning too little out of it. But look at what the Minister has done!

I would only urge him to listen to the people of Kenya, particularly people from western Kenya. What you have done is not fair. Why select only sugar-cane farmers? It is better the Minister consults the people, and the people he can consult are here in this House, the representatives of the sugar-cane farmers. It is important that the Minister moves with speed to remove the levy. This being an election year, I would have thought that you would be very friendly particularly to the farmers who go out to vote.

Mr. Chairman, Sir, I want to talk about the waiver of road licences. I do not want to agree with my friends here. People who have vehicles have no problem paying road licences. If the Department had a problem in getting the money from the owners of the vehicles, that is an administrative matter which would have been dealt with at that level. People who have cars are capable of paying road licences. So, pretending that you are removing this requirement and saying that you now want to replace that income by increasing the price of petroleum products by Kshs3.20 was just too much. If you wanted to increase the price of petroleum products, perhaps you should have done so by Kshs1.50 at most. That would have made sense. But Kshs3.20 is just too much. It is hurting everybody. It is impacting negatively on everybody. This is a matter that you need to consider.

Mr. Chairman, Sir, I would also like to draw the attention of the Minister to the exercise of zero-rating of VAT on foodstuffs. When you do that, who benefits? Is that poor consumer in the village benefiting? Sometime last year, when a Budget was being presented here, the same proposals were made and I did not see any reduction in the price of LPG or petroleum products. The Minister this time round had repeated the same thing, saying he is zero-rating foodstuff and hope that the consumers will benefit from it.

There must be a mechanism in place where, if the Minister is taking this measure, at least the people selling should be put to task to make sure the consumers benefit.

Mr. Chairman, Sir, I want to quickly talk about the question of insurance where the Minister said that the insurers who want to buy motor vehicle insurance and fire insurance must make sure that the brokers remit the premiums on the same day. I argued here during our debate that it was not possible. What the Minister is literally saying is that the people who are seeking motor insurance or fire insurance should pay directly to underwriters and get the cover they want. This will actually hurt the brokers. I thought there was a law in place where a broker who does not remit the premiums in time is penalized. I think that issue should be left at that. There is no point for the Minister trying to force a measure like that onto the insuring public or the brokers, who are actually handling volumes of money---

Mr. Chairman: Mr. Khamasi, I want you to stick to the proposals because what you have just said was a policy matter.

Mr. Khamasi: This is part of what he has suggested, Mr. Chairman, Sir.

Mr. Chairman: Just proceed, but stay clear of policies because that matter of insurance premiums was dealt with sufficiently, as you said earlier.

Mr. Khamasi: Thank you, Mr. Chairman, Sir. I will comply.

The Minister removed duty of Completely Knocked Down (CKDs) kits on bicycles. That is very commendable because it affected the ordinary citizen. We hope that it will make a change. I would only ask him to extend the CKDs to motorcycles, as it is now a business. I want to support my colleague who said that if you improve it from the bicycles and go on to the motorcycles in their *boda boda* business, it may make a change in their lives and increase their income in that business.

Mr. Chairman, Sir, that is all I have to say about taxation proposals. I believe that the Minister being here today, is listening to what we are saying and he will act on some of these very serious matters that we are pointing out.

With those few remarks, I beg to support.

Mr. Maore: Mr. Chairman, Sir, I wanted to say a few words about these taxation measures. We have this history of Income Tax whereby a lot of Kenyans were having difficulties filling the Income Tax declaration forms. The Kenya Revenue Authority (KRA) asked tenants to provide the Personal Identification Numbers (PIN) of their landlords. I think this measure alone will reduce the amount of taxes that the Minister is going to collect as well as infringing on the privacy of the PINs of the landlords. As we all know, the PIN is not a public document. It is private and personal. So, I do not know if the Minister intends to publish all our PINs so that he can be able to tell who is a landlord so that he can be accessible to us.

Mr. Chairman, Sir, the other issue is that one of diesel. Some people own posho mills, tractors or some other items which do not actually use the roads. While I support that taxation measure myself, the Minister should devise a method of a refund system for those people who use tractors for ploughing, harvesting or crushing maize. We need a system whereby, after you have paid for the diesel, you are able to obtain a refund from the KRA.

Mr. Chairman, Sir, the other issue which was raised by the Minister was the Capital Gains Tax (CGT). If the Minister has been watching other Ministers for Finance when they read their

budgets and also follow politics, he should know that, for example, in the USA, elections are won or lost over that topic alone. If you can remember the issue of the Republicans and Democrats whereby people feared the Democrats because they were likely to raise the CGT and the Republicans could be trusted because they will maintain or lower it. We want to plead with the Minister to be content with the Stamp Duty that Kenyans pay at the moment instead of introducing another form of taxation measure under the guise of the CGT. There will be massive harassment of property owners and a lot of rich people within the departments that collect this tax, because they have to either underpay or undercut others. We hope that was a dream and that he will not implement it.

Mr. Chairman, Sir, the other issue is that of the retirement benefits. The Minister said that he only wants to allow those people who are emigrating from Kenya to other countries and without any intention of returning to reside in Kenya to access their retirement benefits. Given the fact that the Central Bureau of Statistics (CBS), which falls under the Ministry of Planning and National Development docket, is able to document the life expectancy of a Kenyan; the life expectancy of a Kenyan is not 55 years, I would plead that we peg the benefit to retirement to life expectancy of Kenyans and not the one that we put in our labour unions and other statutory requirements.

Mr. Chairman, Sir, very soon, we are going to require that we follow the Permanent Secretary, Secretary to the Cabinet and Head of Public Service, Amb. Muthaura, by saying that the retirement age should be 60 years. So, when we make 60 years to be the retirement age, very few people will be able to enjoy their retirement benefits or pension.

Mr. Chairman, Sir, the Minister also raised the issue of making donations to political parties or charitable organizations or foundations and schools tax deductible. This is a very, very noble idea. But with the kind of Government we have without any computerization of any level, this issue is subject to abuse. Actually, it is like giving a monkey a gun in the middle of a crowd. You do not know which direction it will shoot. We are not yet ready to have donations to political parties tax deductible.

Mr. Chairman, Sir, let us devise a mechanism whereby the Government can support political parties and have a structured forum. I will give a quick example. If we have NARC-Kenya represented in Parliament, and the original NARC, which is pretending to govern, four out of the 35 Ministers and Assistant Ministers will be from the Opposition.

Now, when they get Kshs1 million, will they say: "Four per cent of the Kshs1 million should go to KANU"? Again, NARC-Kenya happens to be having favour, instead of the actual NARC. When they get Kshs1 million, should it go to the original NARC or to NARC-Kenya, which seems to be sapping life from the original NARC?

This is quite a messy situation that the Minister should go back and review, though the idea is very good. We want a situation whereby, when people donate money to churches, schools and foundations, tax is deductible, but not the whole of it.

In the United States of America, for example, if you donate US\$1 million to a church, you cannot have US\$1 million deducted from your charity. There is a minimum and a maximum amount of money deductible. There is a certain percentage of that full donation which you are supposed to ask as entitlement of tax deductible.

So, the Minister is actually venturing into very dangerous territory, whereby we are going to have ruling parties turning into extortionists to businessmen, investors and everybody else. It will become like KANU in 1986, when you could not get service from a public office unless you had bought the KANU membership card. So, we want this very well thought out and structured. It is too early to introduce this initiative because the systems that we have today are not mature enough to even tell who is a charitable organisation. We know where the schools and the foundations are. We also know where many of the churches are, but there are too many of these institutions. We

need to have a proper mechanism put in place so that we can know who is a beneficiary, a looter and where the extortion will end.

With those few remarks, I beg to support.

Capt. Nakitare: Thank you, Mr. Chairman, Sir, for giving me the opportunity to contribute to this Motion.

While I stand to support this Motion, I have various misgivings on the proposed tax measures. A lot has been said about sugar-cane, sugar prices and sugar levy. However, the burden of proof now comes to the small-scale farmer, who feeds this country. The fuel levy will affect maize production, which will affect the consumer in the urban areas. The Minister should have looked at the aspect of food production first before he went into taxation. It is agreeable that the country would want to stand on its own feet without the donors' money.

Mr. Chairman, Sir, the cost of diesel has escalated because of waiver of the Road Licence. Tractors do not move on the road. They are all busy ploughing the land for planting of sugar-cane or maize, which is a cash crop as well as fodder. In areas where maize is grown, the cost of fuel will hurt the producers as well as the consumers. Who is more important in this aspect? Is it the consumer or the producer? If the producer is more important, then why do we have to overburden a farmer who uses a tractor, which runs on diesel? To produce a bag of maize will be very difficult.

Mr. Chairman, Sir, we have talked about the prices of sugar. We have talked about importation of sugar *vis-a-vis* the locally produced sugar. But we have not even talked about the price of maize. Maize farming is undertaken on a large scale in Kenya. This is the food crop that sustains this country. It is going to be very expensive. That is going to expose our country to importation of the necessary food that will have to sustain this country.

Mr. Chairman, Sir, it is a good idea to waive duty on napkins and diapers. But are we promoting over-population or are we supposed to be talking about family planning? I thought we should, at this time, focus on a one-family-three-children policy, so that we can afford to look after these children throughout their lives, as opposed to having 12 children because napkins, diapers and soaps are free. Kenya is now at crossroads.

Mr. Chairman, Sir, it is important to understand that Kenya is heavily taxed. In fact, Kenyans have a huge taxation burden. We are over-taxed. If you compare the level of taxation in Kenya with the level of taxation in developed countries, you will realise that Kenyans are over-burdened.

Mr. Chairman, Sir, I do not understand why the Minister chose to zero-rate unnecessary commodities and tax the necessary ones. I do not understand why he left out agricultural sustenance from tax exemption and included luxurious items in that exemption. Who benefits from tax relief? It is the well-to-do people. What benefits do *Jua Kali* artisans and small-scale farmers get after paying taxes? They neither get tax relief nor agricultural subsidies from the Government. So, we should look at taxes in broad ways and come to a conclusion.

The Government has waived tax on Liquefied Petroleum Gas (LPG), but how many people use LPG in this country? We depended on kerosene in school or at home doing preps in the night. If we make kerosene unaffordable, we are making education even more expensive. Children in the rural areas will not do their school homework because their parents will not afford to buy kerosene. This is preposterous when it comes to the welfare of our people. The proposed tax measures relating to Excise Duty, Value Added Tax, Income Tax and other Miscellaneous Taxes are based on the lifestyle of modern man in towns and cities. They will have a big negative effect on the rural population.

Mr. Chairman, Sir, therefore, I besiege the Minister for Finance to go back to the drawing board before this Motion is exhausted, and ensure that this Budget reflects Kenyans' needs. If he does not do that, he will be killing our economy rather than improving it.

If we do not reduce taxation in the food production area, we should expect to import food at about US\$4 billion to feed the 33 million people in this country, and yet the Minister has zero-rated certain commodities because he thinks that those commodities are more important than fuel and agricultural equipment.

We have to look into these taxation measures critically, because they are controversial. It is true that we have to raise revenue, but we do not have to extract milk from stone. Forcing the farmer to pay Kshs3.20 per litre of diesel in respect of fuel levy is like trying to extract milk from a stone.

Right now, diesel is selling at Kshs75 per litre. The control of fuel prices has been left in the hands of suppliers. Farmers are at the mercy of fuel suppliers who rocket fuel prices every 48 hours, yet the Government is quiet about it. I do not think that is viable. We must exhaust debate on this Motion by examining what will benefit the rural poor population, school-going children, the elderly and the retirees, because they will all be affected in terms of transport. Market places and hospitals will also be affected and will not be able to meet their basic requirements.

With those remarks, I feel that the Budget was good, although it has left a vacuum.

Mr. Muturi: Thank you, Mr. Chairman, Sir, for giving me this opportunity to make my comments on the Motion before the House. As we talk about taxation, we should look at the issue at hand, which is unconstitutional. Nobody should be subjected to double taxation.

A very glaring example of double taxation is that the Minister knows very well that if he visits the Kenya Revenue Authority (KRA), he will find out that there are people who had paid for road licences on probably the same day he read the Budget, two days or two weeks before. Soon after the Budget was read, those people were victims of the increase in the cost of fuel.

Mr. Chair, Sir, it is only fair that the Minister addresses the issue and makes some form of compensation to those people who were affected because it is possible to get that information from the KRA. There is a tax principal that, nobody should be subjected to double taxation. Therefore, I want to urge the Minister to examine the issue and avoid the suffering people are going through. Indeed, the Government should not also benefit from where it did not plough. In this case, the Government did not plough in terms of what people paid for road licences.

Mr. Chairman, Sir, the Minister said that it is good not to exempt stamp duty on certain considerations. However, stamp duty has been removed on land transactions where schools are to be built or expanded. However, as my colleague has said, I want to tell the Minister that it is important that evidence be sought of such intended development. We know that people can buy land for all manner of reasons, including speculation, and avoid paying duty. Sometimes such duty could run into millions of shillings.

I want to address the sugar-cane issue that my friend, Mr. Khamasi, has been talking about. We already published, on 15th June, Legal Notice No.53, The Professional Collection of Taxes and Duties Act, CAP. 415. On page 298, there is an order that was made by the Minister for Agriculture, hon. Kipruto arap Kirwa, dated 15th June, which reads--- This is in connection to avoidance of tax, the Sugar Act, 2001: "In exercise of powers conferred by Section 18 of the Sugar Act, 2001, the Minister for Agriculture, in consultation with the board, makes the following order--" and proceeds to go ahead and revoke Legal Notice No.385 of 2002, which had indicated how the Sugar Development Levy was to be collected.

Mr. Chairman, Sir, I see a situation where the Ministers are taking Kenyans and this House for a ride. We should be demanding the minutes of the Kenya Sugar Board meeting, showing that the Minister for Agriculture ever sat with the board members to make the order.

Mr. Chairman, Sir, as it will be demonstrated, there was no such meeting and the Minister cannot produce any evidence of such consultations. This is merely in compliance with the proposals by the Minister for Finance to transfer the sugar development levy from where it was

being collected earlier, to the grower and out-grower institutions, which is to be charged by the miller as an agent and each miller should remit the same within the 10th day of the month within which it was levied or collected.

Mr. Chairman, Sir, I am aware that in the Legal Notice, the order was to come into effect, just as the Minister for Finance said in his statement, on 1st January, 2007. You can see how things seem to be moving in tandem. The Minister for Finance said that the order would take effect from 1st January, 2007, while the Minister for Agriculture came in conveniently, saying he had consulted the board. We are being taken for a ride.

It is unfortunate that at the end of the day, when we are concluding this debate, all we shall be asked to say about the issue is either "aye" or "nay", notwithstanding the strong sentiments expressed by my colleagues from the sugar-cane growing areas.

Between now and 1st January, the Minister for Finance, in consultation with the Minister for Agriculture, should consult widely with hon. Members who come from sugar-cane growing areas and, indeed, with other stakeholders who come from the region, as well as the Kenya Sugar Board, which, in 2001, was enacted and mandated to be the mouthpiece of both the farmer and the miller, all of whom are represented in the board.

Mr. Chairman, Sir, I would wish that the Minister consults more and not take up the matter like his colleague, the Minister for Agriculture, who indicated that he had consulted the board.

Mr. Chairman, Sir, I want to look into the area of Customs, if you look at the Customs and Excise Act, Cap 472, Laws of Kenya, you will find that there is power given to the Commissioner of Customs and Excise, to compound felonies so that even if you import any goods, whether you are Artur Margaryan or Sargasyan and there is no Criminal Report of Findings (CRF) and no inspection, the Commissioner of Customs can purport to compound a felony that you have brought in uncustomed goods under the Act. When he does that, he does it himself.

I want to urge the Minister to consider making an amendment to the Customs and Excise Act, so that the power to compound a felony under that Act is not left to one individual; the Commissioner alone. I know that it happens because I have a lot of knowledge in that area. That is the area where the Government is swindled all the duties due to it because, under that Act, once the Commissioner compounds a felony, he can impose a fine of as little as Kshs5,000.

I am saying that because even before I joined politics, I had dealt with such kind of cases in courts. People were brought before me and some of them even pleaded that they dealt with by the Commissioner and fined very little sums. I know that the Government loses a lot of money through that route. All that I am saying is: Let that power be exercised by a collegiate, and not by one person.

Mr. Chairman, Sir, I also urge the Minister for Finance, Mr. Kimunya, to also look at the Kenya Ports Authority Act. Again, there are exemptions in that Act which are made by the Managing Director. We all know that I have been dealing with those things in the Public Investments Committee (PIC). That power to give exemptions has been used as an avenue for corruption. That is because that discretionary power is exercised by the Managing Director alone.

Again, I suggest to the Minister that he looks at it again and propose an amendment so that a group of senior people in the Authority could hear any petitions regarding exemptions.

With those few remarks, I beg to support.

Mr. Chairman: Just before I give a chance to Mr. Kenneth, I want to say as a matter of record that these are provisional measures. We will debate the Finance Bill at another stage where, whatever is here will be discussed in detail. For example, what Mr. Muturi has said about sugar is under Clause 60 of the Finance Bill. So, we will still discuss it. So, these are just provisional measures which the Minister has proposed, so that he could proceed with the Finance Bill. This is just for the guidance of hon. Members.

The Assistant Minister for Finance (Mr. Kenneth): Mr. Chairman, Sir, thank you for clarifying that. That was going to be my opening remarks. What is on the table are provisional measures which will be discussed extensively in the Finance Bill. I was going to appeal to my colleagues to deal with the issues today and conclude them.

Mr. Chairman, Sir, taxation is very important. Any measure that goes towards it should be taken seriously because this developing country requires taxes for development. Indeed, compliance is so crucial! I would like to appeal to the people who ensure compliance to do their job, so that this country could get the much needed taxes to develop.

Mr. Chairman, Sir, a lot has been said about the Fuel Levy. I also think that we have not been realistic in whatever we have said about the Fuel Levy. An example was given by Dr. Khalwale this afternoon. But when you look at the figures he gave, they did not add up. I am assuming that anybody travelling to a very far point of this country will spend between 150 litres to 200 litres every weekend. So, if you are talking of 200 litres to go to Mwingi South, the actual extra cost will be Kshs600 for that trip. If you translate that into four weeks, assuming that you go every weekend, it is Kshs2,400. If you translate it to one year, it will come to about Kshs29,000. Knowing your car, you were paying about Kshs18,000 as road licence fee. So, the actual cost on your car is Kshs11,000 a year. That is assuming you do not travel out of the country at any one week in that year.

The Assistant Minister for Health (Dr. Kibunguchy): On a point of order, Mr. Chairman, Sir.

Mr. Chairman: Is it a point of order or a point of information?

The Assistant Minister for Health (Dr. Kibunguchy): It is a point of order, Mr. Chairman, Sir. Is it in order for the Minister to mislead this House that when you travel home, you do not travel extensively within the constituency?

The Assistant Minister for Finance (Mr. Kenneth): Mr. Chairman, Sir, Dr. Kibunguchy's car cannot consume more litres than it is designed for. I am assuming that the only petrol station in his constituency is the one at Kakamega town. So, he would have to refill his car before he gets there.

Mr. Chairman, Sir, the point that I am trying to make is this: We want to deal with our infrastructure and, therefore, we have to raise money. In fact, I consider the removal of the road licence fees as incidents or side-issues. The real issue on Fuel Levy should be towards the construction of our roads. The way I am looking at it is that, if we have good roads, we will save much more than what we are talking about in the Fuel Levy.

The challenge to everybody involved is on the construction and maintenance of our roads. Mr. Kipchumba asked: "Could we be told what will happen to the Kshs3 billion?" It is actually going to be collected by Kenya Roads Board (KRB). Their work will, basically, be to maintain roads and not construct new ones. That is why the Minister, in his wisdom, tripled the Development Budget of the Ministry of Roads and Public Works so that, they can construct roads while the KRB maintains them.

Mr. Chairman, Sir, I want to appeal to hon. Members that we lack strong consumer organisations in this country. On that afternoon when the Fuel Levy was increased by Kshs3.20, some pump prices went up to Kshs6! It is upon us to educate our constituents to go those petrol stations that stick to what the Government has done. Those are the ones that stick to what has been increased. The other day, I was doing some arithmetics of a 14-seater *matatu* that commutes between Nairobi and Thika, a journey that consumes 10 litres of fuel per every trip.

I assumed that the increase was Kshs32, because it takes 10 litres from Nairobi to Thika. The vehicle is a 14-seater, but the price increase per passenger was Kshs10. So, what those *matatus* did was to increase by Kshs140, whereas the actual increase was Kshs32. That is happening all

over the country.

I think the rationale of the Minister to peg third-party insurance to Kshs3 million was to help the transport industry. Insurance premiums were expected to come down. I think there must be a way to force the insurance industry to bring down the cost of insurance premiums.

Mr. Chairman, Sir, with regard to Sugar Development Levy, I have heard hon. Members from sugar growing areas talk about it. It is an issue of perception. But the truth will always be the truth. The truth of the matter is that the money raised to Kenya Sugar Board (KSB) does not go to the farmers. The challenge here is: Duty should be paid for any imported sugar.

If duty is paid on imported sugar, and it is our duty to ensure that, imported sugar will never be cheaper than sugar which is grown and produced locally. The situation we have now is that where we collect levies, half of those levies remain with the Authority. The other half is used to maintain or rehabilitate factories. The actual farmer does not get any benefits; not even the roads where that sugar-cane is transported. Anyway, the principle of that taxation measure is that the consumer should not be taxed.

I come from a coffee-growing area. The people who buy Nescafe are not taxed. It is us, the farmers, who are taxed! I think we also need to rationalise. As Mr. Muturi has said, the period is up to 1st, January. I think by that time, the issue of perception will be cleared. It is very important to clear perception. But it is also very important that all farmers should have harmonised taxation regimes. It cannot be one for consumers and another for growers only. That will not work. We are talking about building one country. If tea farmers pay taxes not as consumers of tea, and coffee farmers also pay taxes not as consumers of coffee, then it is important that the perception held by our brothers from sugar-cane growing areas must be sorted out.

Mr. Chairman, Sir, I want to speak about something that will enable us to comply with the measures that the Minister proposed. The Minister has proposed to have extra vehicles allocated to various Government offices withdrawn. I know that we have talked about it for a while. But we can only do it by action. The Treasury has started by showing the country how it should be done. We have given back the vehicles. In fact, the cost incurred has not been in purchasing the vehicles. It has been in maintaining them.

Time and again, you have seen on television what Government drivers do with the vehicles when they have fuel. When those vehicles are taken to the garages, they incur a lot of money. It becomes very expensive to maintain them.

Mr. Chairman, Sir, I want to make an appeal to everybody who is in the Government. That is also a tax measure. Let us return those vehicles. I am saying that because we have already started getting statements from certain corners. But everybody should return the vehicles. That is the only way we can save some money. We are talking about energy cost in terms of fuel. The idea of one person, one vehicle will save this Government a lot of money in terms of fuel cost.

Tied to that, I heard Mr. Omingo talk about energy saving bulbs. The rationale behind it is very clear. Whether we are saving kerosene or electricity, we are saving energy! We import generators to generate electricity. I support those tax measures. I also want to appeal to hon. Members to allow the Minister to respond today. As you have rightfully said, we will discuss the actual measures much more in the Finance Bill. That is when we will go clause by clause.

With those few remarks, I want to thank you for giving me the opportunity to support.

Prof. Olweny: Thank you, Mr. Chairman, Sir. I want to make a few comments in support of this Motion. I am impressed by some incentives that the Minister has given Kenyans who are using solar energy. That will boost education in rural areas without electricity. Schools in rural areas cannot make use of their laboratories effectively because of lack of electricity. They do not have the opportunity to use modern equipment like computers because of lack of electricity. The *Jua Kali* industry can also benefit from that. Some rural areas lag behind because of lack of

electricity.

However, I am not happy with the Minister on the issue of Value Added Tax (VAT). He has zero-rated VAT for a number of commodities. But I am not happy about sugar-cane. We have requested the Treasury to zero-rate VAT on sugar-cane quite a number of times. Sugar is an essential commodity. It is found in all our bodies. All animals and plants have sugar. So, sugar is very essential for life. I do not think coffee is essential in life. You can do without drinking coffee! But you will need sugar in milk. The natural milk - mother's milk - has sugar to feed babies. You do not need coffee, tea or some of those other crops to feed babies.

So, I am wondering why, year in, year out, we keep on requesting the Treasury to zero-rate VAT on sugar, and there is always a deaf ear! To me, it seems that the Government is not interested in strengthening and revamping the sugar industry. The Government has not done much to improve the sugar industry. Instead, the Government is taxing sugar-cane farmers even more. Farmers are not taxed across the world.

Mr. Chairman, Sir, it is only in this country that farmers are taxed. Go across to Uganda; farmers are not taxed! It is the same in the rest of Africa. Instead, farmers are subsidised by their governments. They are given incentives to produce commodities needed in their countries. After all, this country's economy depends on agriculture. Most of our factories are agro-based, either directly or indirectly. The Treasury does not care about that. It is very disappointing!

Mr. Chairman, Sir, during the NARC campaigns in 2002, Mr. Kibaki and other politicians, including ourselves, pledged that we would revive the sugar industry. We said that companies that had collapsed would be restructured and revived. That has been done on Kenya Co-operative Creameries (KCC). Congratulations to the Minister for Livestock and Fisheries Development! I do not know what is happening in the Ministry of Agriculture with regard to the revival of some of the factories that collapsed. Probably, the Minister for Finance is not giving the Minister for Agriculture the much needed support. If that is true, then that is very unfortunate.

Mr. Chairman, Sir, I am saying that because some of the measures the Minister for Finance has proposed portray him as if he is fighting the sugar industry. For example, he has increased the Sugar Development Levy. That levy was introduced to help the sugar industry to survive in the middle of a very hostile world economy. Outside there, sugar is very cheap. It is that cheap sugar that is imported into this country so as to undermine the local industry.

Mr. Chairman, Sir, our local sugar industry is totally undermined by importation. We are having serious problems. The Sugar Development Levy (SDL) is, on one hand, supposed to advance loans to any investor in the local sugar industry, while at the same time, tax those who are importing cheap sugar into this country. The Minister has proposed to tax the sugar-cane producers, while the sugar importers will go scot-free. That is very unfair to us and we are not happy about it. We shall keep fighting these measures. The Minister for Finance should know that we shall keep talking against it and we shall mobilise the farmers against the measures.

If the Minister does not do anything about it, we shall mobilise the voters, come next year. We are only one-and-a-half years away from the general elections, if at all they will not be held before December, 2007. He should be assured that we shall mobilise all the sugar-cane farmers against this Government.

The SDL is supposed to be used to create the Sugar Development Fund, which should be loaned out to the farmers, the millers, the transporters or any other investor in the local sugar industry. Unfortunately, this money is kept at the Treasury and not at the Kenya Sugar Board (KSB). If anybody applies for a loan from the Fund, it, of course, passes through the Ministry of Agriculture and then all the papers are taken to the Treasury. That is where they are kept. Many farmers' organisations and individual farmers who have applied for loans have failed to get them.

There are so many restrictions in the Treasury, and it is almost impossible to access this

Fund, which is meant to develop the sugar industry and support the local investors.

Mr. Chairman, Sir, this is very discouraging to the farmers who are being taxed. It is discouraging to the millers. One of the sugar companies in my constituency applied for a loan from the SDL two-and-a-half years ago, and it only got a third of the money it had applied for. The Treasury has refused to release the rest of the money.

Two farmers' institutions in my constituency applied for loans in 2003 and up to today, not a single cent has been released and yet the Minister talked about the SDL here.

Mr. Chairman: Prof. Olweny, I just want you to restrict yourself on taxation and not on policy.

Prof. Olweny: Mr. Chairman, Sir, all these things boil down to taxation. At the end of the day, farmers are taxed.

With those few remarks, I beg to support Motion with a very heavy heart.

The Assistant Minister for Health (Dr. Kibunguchy): Thank you, Mr. Chairman, Sir, for giving me this chance. I will be very brief.

I want to talk about the Value Added Tax (VAT), specifically about the tax registers. I have always thought that probably the best way to collect the VAT is to collect it at the source. There are only two ways through which we get goods into this country. The first one is through production, for example, the Kenya Breweries produces beers and secondly, through importation. I can never understand why we do not levy VAT at that level. Maybe when the Minister stands up to respond, he will have to convince me why we do not levy VAT at that level rather than leave it to the traders, whom most of the time will either collect the tax and not remit it to the Kenya Revenue Authority (KRA) or collude with buyers not to ask for receipts. When traders do not issue receipts, then they do not charge VAT on whatever they sell. The Minister should convince me why we cannot have VAT levied at the source.

Mr. Chairman, Sir, although this might be repetition, I have to mention it. Those of use who come from the sugar growing areas are completely opposed to the SDL. I would like the Minister to take it that we from the sugar producing areas are completely opposed to this. Maybe between now and the end of this year, we shall convince the Minister to do away with the SDL, so that if there is a tax to be paid, everybody will pay it rather than impose it on the local sugar-cane growers only.

I would like to comment on retirement benefits. The Minister, in his proposals, allowed the people who are leaving this country to access their retirement benefits if they can prove that they are leaving this country and never to come back. When somebody is dying, that is a totality. When somebody has been retrenched or has lost his job, that is also a totality. So, I cannot understand why people who have been retrenched cannot access their retirement benefits until they attain a certain age. This is completely unfair, as some hon. Members have mentioned.

Life expectancy in this country has drastically dropped. It is only fair that at whatever level somebody leaves employment, he should access his retirement benefits and do something meaningful with that money.

Mr. Chairman, Sir, finally, I want to comment on the issue of tax deductible from people who donate money to political parties. The Minister should have considered all the charity organisations who have done a wonderful job in this country. For example, in Lugari Constituency, I have received a lot of support from the Safaricom Foundation, the Celtel Group of Companies and the Portland Cement. I want this to go on record. I wish a way could be found, so that anybody who is giving a donation for a worthy course can have his taxes deductible from that rather than just looking at the political parties.

With those few remarks, I beg to support.

The Assistant Minister for Information and Communications (Mr. Were): Mr.

Chairman, thank you for giving me this chance to contribute to this Motion. At the outset, I support the Motion except for two issues on which I differ. I represent sugar-cane farmers and of late sugar-cane growing has become unprofitable. With the change in the Sugar Development Levy (SDL) which requires that sugar-cane farmers pay 7 per cent on the gross amount payable to them, the farmers are going to lose more income.

Mr. Chairman, Sir, if we look at the recent increase of fuel prices, where Kshs3.20 was levied per litre, you will realise that most pump prices have gone up by between Kshs5 and Kshs7. This is an increase of about 8 per cent on the cost of fuel. You will realise that the net income for farmers from sugar-cane, after deducting ploughing, transporting and harvesting costs, is minimal.

Mr. Chairman, Sir, with the increase in the price of fuel, transportation, harvesting and ploughing costs for sugar-cane will go up. It is likely that the amount might increase by about 15 per cent. So, this is an amount which the sugar-cane farmer is going to be paying or lose from his income. The sugar-cane farmers' income has been decreasing every year, and with another increase of 7 per cent and a further reduction because of the increase of fuel prices, I foresee a problem with the income from sugar-cane.

Mr. Chairman, Sir, I have heard the Assistant Minister for Finance say that the SDL that has been paid before has not been coming to the farmers, but the question is: What guarantee do we have that this time this amount will benefit the farmers? It would be my opinion that whatever reason that has made this change come should be looked at so that even if it was still to be deducted directly from the cane producers, then the amount of 7 per cent should be reviewed.

I believe that since we have between now and 1st January, we should sit down and consult widely so that we come up with a proper percentage.

Capt. Nakitare: On a point of order, Mr. Chairman, Sir. Is it in order for the hon. Member to keep on repeating issues that have been talked about by other hon. Members as stipulated under Standing Order No.87? Can we have another format of addressing taxation?

Mr. Chairman: Capt. Nakitare, when you were speaking I did not interrupt you and at least on one occasion you repeated yourself. Let Mr. Were proceed!

The Assistant Minister for Information and Communications (Mr. Were) Mr. Chairman, Sir, I am talking about the SDL, and Capt. Nakitare represents maize farmers. So, I am sure he might not understand the gravity of this matter.

Mr. Chairman: Mr. Were, I understand your interest because if you do not speak about it, things will go bad in your constituency.

The Assistant Minister for Information and Communications (Mr. Were): Mr. Chairman, Sir, I am sure if it were you, you would talk about water too!

Mr. Chairman, Sir, the second item I want to talk about is the amendments to the Insurance Act. The guarantee that is always deposited with the Commissioner of Insurance is being increased from Kshs1 million to Kshs5 million. Even new brokers might not be able to register because from experience, since my background is insurance, it has been very difficult to raise that Kshs1 million as a guarantee. It might end up being very difficult to register new brokers. You will find that the agencies have now been allowed a large latitude in doing business because, right now, they are allowed to do business for many insurance companies unlike in the past. So, it might not be possible actually to come up with new brokers.

With those few remarks, I support.

Mr. Chairman: Well, it looks like there is no one else who wants to contribute. I will ask the Minister for Finance to reply.

The Minister for Finance (Mr. Kimunya): Mr. Chairman, Sir, let me start by thanking the hon. Members for their contributions and especially in terms of concurrence with all the broad taxation proposals with a few clarifications that may be required from myself. I want to address those clarifications now.

Mr. Chairman, Sir, sweet as sugar is, the sugar issue has become sour or hot, but we have another five months to go through it, understand it and see exactly where we are coming from. We want to save the farmer by making sure there is enough money going to the farmer for development of the sugar industry. We also want to save the consumer from paying an extra 7 per cent in addition to the 7 per cent paid by the sugar producer. We want to save our industries from paying unnecessarily higher rates on sugar and then making them uncompetitive within the region.

So, all in all, the measure we are taking is to achieve a win-win situation for the farmer, factories and end-consumer of sugar. When we work it out and every one understands it, you will see that in the end our sugar producers will still get enough money that they require for their development, and our consumers will pay less. The fear that has been expressed that imported sugar will be less expensive is something that I can promise this House and the Committee that we will protect our sugar-growing industries, expand them further and make sure that at no time will the imported sugar be more competitively priced than the locally produced sugar, because we will be failing in our duty if we do not protect the local farmer. I think I can give you that assurance, that I will be working on that in the course of the next five months, and we will meet and demonstrate to you how we intend to achieve that.

Mr. Chairman, Sir, the other issue which has caused a bit of confusion is the fuel levy. I think we all agree, whether we are talking at the national or constituency level, that we need good motorable roads. The punishment our vehicles are getting is too much. Right now, the beneficiaries are not ourselves as road users but the traders in spare parts and manufacturers of cars to whom we have to keep on going for new shock absorbers every time we make a trip upcountry. We want to reduce that cost in the long-term so that our children will not go through what we are going through.

Like I said last time, we have delayed in our road maintenance programme by about 11 years. If we can increase the funding towards road maintenance by Kshs5 billion per year, we will cut short that road maintenance programme from 11 years to just about six years, which means in six years' time, we will have better roads across the country and the sacrifices must be done now. I think it is not too expensive to ask every Kenyan to add an extra Kshs3.20 per litre. It is unfortunate that the traders are taking advantage of this, coupled with the lack of a consumer organisation, to charge us more. However, as leaders, if we can concentrate on educating the people and fighting for the reduction in transport costs, then we will get money for roads and at the same time affordable roads.

Mr. Chairman, Sir, the other thing I want to clarify is the zero-rating on wheat flour. I have done this to make it in tandem with the maize flour so that people can have their *chapati* and bread at affordable prices. Again, it is in our interest to make sure that we promote local production of wheat so that we can have more people employed and more of our own wheat getting to the table and not imported wheat. We are taking care of that through the duties that we impose.

Mr. Chairman, lastly, on the insurance and the brokers, it is in our interest to develop the insurance industry and I did promise earlier that we will be bringing here legislation on creating the new Insurance Regulatory Authority, which will bring normalcy in terms of the underwriters, brokers and agents. One of the measures we are taking with regard to brokers is to reduce their number. We want to make sure that the money given is insulated from not getting to the underwriter, which then raises the total cost for the whole industry. That is why I am proposing cash and carry on the very "hot" products like vehicles and fire insurance.

Mr. Chairman, Sir, in terms of the kind of guarantee we require, we want the brokers to graduate to where they can sustain guarantees of up to Kshs5 million. We will be giving them 18 months within which to build up that amount. Those who are doing small business and do not want to do brokerage work, we are giving them an opportunity of turning into agents by freeing the limitations that were there on the agents.

Mr. Chairman, Sir, I believe I have covered the areas that required clarification. Let me thank hon. Members for this historical occasion of clearing the tax proposals within the first Allotted Day because I believe we had simplified them. I hope by the time we come to the Finance Bill, we will clear it as fast as possible and get to other issues that we need to tackle in this House.

Mr. Chairman, Sir, with those---

Mr. Chairman: Mr. Kimunya, before I put the question, I wish you could respond to Mr. Muturi's question about the road licences, which were paid a day before you scrapped them. Did you respond to that? Maybe I could ask that question on behalf of the people of Mwingi South Constituency.

The Minister for Finance (Mr. Kimunya): Mr. Chairman, Sir, we recognise that as late as June, there were people who were still paying for their road licences, including myself. I could not refuse to pay without letting the cat out of the bag. I paid for a road licence for my car knowing very well that the road licence was to be scrapped. I did that knowing that there were many Kenyans like me who would be caught in it. We consulted and there is a provision for refund if people so insist by offsetting that against their tax. However, the spirit we are getting is that Kenyans are saying: "I paid on the last day." This is like if you had paid your tax and then it was lowered the next day, you cannot go back to ask for a refund. It is a contribution that people have made to their country.

I believe the solution will be, once we repair and construct new roads, people will feel: "Yes, I paid and I will continue paying the fuel levy so that I get a better road for me and my children to travel on."

Mr. Chairman, Sir, with those few remarks, I beg to move.

(Question put and agreed to)

The Minister for Finance (Mr. Kimunya): Mr. Chairman, Sir, I beg to move that the Committee doth report to the House its consideration of the proposals relating to Excise Duties, Value Added Tax (VAT), Income Tax and Miscellaneous Taxes and its approval thereof without amendments.

(Question proposed)

(Question put and agreed to)

(The House resumed)

[The Temporary Deputy Speaker

(Mr. Khamasi) in the Chair]

REPORT

APPROVAL OF TAXATION MEASURES

Mr. Musila: Mr. Temporary Deputy Speaker, Sir, I beg to report that the Committee of Ways and Means has considered the proposals relating to Excise Duties, Value Added Tax, Income Tax and Miscellaneous Taxes and has approved the same without amendment.

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

The Assistant Minister for Finance (Mr. Kenneth) seconded.

(Question proposed)

(Question put and agreed to)

ADJOURNMENT

The Temporary Deputy Speaker (Mr. Khamasi): Order, hon. Members. It is now time for the interruption of business. The House is, therefore, adjourned until tomorrow, Wednesday, 5th July, 2006, at 9.00 a.m.

The House rose at 5.47 p.m.