PAEC

PARLIAMENT

REPUBLIC OF TRINIDAD AND TOBAGO

EIGHTH REPORT OF THE

PUBLIC ACCOUNTS

(ENTERPRISES) COMMITTEE

SECOND SESSION OF THE 11TH PARLIAMENT

Examination of the Audited Accounts, Balance Sheet and other Financial Statements of The National Gas Company of Trinidad and Tobago Limited (NGC) for the financial years 2009 – 2015.

Public Accounts (Enterprises) Committee

The Public Accounts (Enterprises) Committee (P.A.(E).C) established under Section 119(5) of the Constitution of the Republic of Trinidad and Tobago is mandated to consider and report to the House of Representatives accordingly on:

"(a) the audited accounts, balance sheets and other financial statements of all enterprises that are owned or controlled by or on behalf of the state; and

(b) the Auditor General's Report on any such accounts, balance sheets and other financial statements."

Current membership

Mr. Wade Mark	Chairman
Dr. Tim Gopeesingh	Member
Mrs. Jennifer Baptiste-Primus	Member
Mr. Fitzgerald Hinds	Member
Mrs. Cherrie-Ann Crichlow-Cockburn	Member
Ms. Shamfa Cudjoe	Member
Mr. Foster Cummings	Member
Mr. David Small	Member

Committee Staff

The current staff members serving the Committee are:

Ms Keiba Jacob	Secretary to the Committee
Ms Hema Bhagaloo	Assistant Secretary to the Committee
Ms Melanie Chin	Research Assistant

Publication

An electronic copy of this report can be found on the Parliament website: www.ttparliament.org

Contacts

All correspondence should be addressed to:
The Secretary
Public Accounts (Enterprises) Committee
Office of the Parliament
Levels G-7, Tower D
The Port of Spain International Waterfront Centre
1A Wrightson Road Port of Spain Republic of Trinidad and Tobago
Tel: (868) 624-7275; Fax: (868) 625-4672
Email: paec@ttparliament.org

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MEMBERS OF THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE

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Ms. Shamfa Cudjoe
Member

Mrs. Jennifer Baptiste -Primus
Member

Mr. Fitzgerald Hinds
Member

Mr. David Small
Member

Ms. Cherrie-Ann Crichlow-Cockburn
Member

Mr. Foster Cummings
Member

EXECUTIVE SUMMARY

The Public Accounts (Enterprises) Committee (PA(E)C) is the Parliamentary Financial Oversight Committee tasked with the responsibility of examining the audited accounts of all State Enterprises that are owned or controlled by the state. The Committee examined **the Audited Accounts, Balance Sheet and other Financial Statements of The National Gas Company of Trinidad & Tobago for the financial years 2009 – 2015** and produced this report to highlight its findings and recommendations.

This report focuses on the issues, endorsements and recommendations made by the Committee in an attempt to assist NGC in better performing its duties while also commending their worthwhile initiatives. The issues identified are applicable to the period under examination (2009 to 2015).

During this inquiry, the following issues arose:

- The status of NGC's Strategic Plan;
- Increasing staff costs during a period of declining margins;
- The need for improved debt management;
- Human Resource policies and practices;
- Cost Overruns in Liquid Fuel Pipelines;
- Staff Loans;
- Poor risk management strategies in place;
- The status of the gas sales contract between NGC and T&TEC;
- High dividend pay-outs; and
- Exorbitant spending on Corporate Social Responsibility initiatives during the period 2012-2015.

Based on the Committee's examination, the following recommendations were proposed.

- The Ministry of Finance and the Line Ministry should approve NGC's Strategic Plan no later than July 31, 2017;
- NGC should improve its profitability before implementing any further wage increases;
- NGC should identify ways of reducing operating and administrative costs during the current fiscal year, in an attempt to enhance its profitability in the coming years;

- The Management of NGC should identify ways of enhancing revenues and reducing expenses to improve cash inflows that will assist in managing debt;
- NGC should conduct Exit Interviews with a view to fully understanding the underlying reasons for the human resource issues that exist at NGC;
- The company should establish an ESOP Programme to give a sense of encouragement to perform duties to their fullest potential;
- For future projects, NGC should establish more stringent controls to ensure that cost overruns do not occur and projects stay within the estimated range. These controls should include the use of lump sum contractual arrangements as well as engagement of specialty project management firms; NGC should pursue all avenues to recover all outstanding reimbursements from Petrotrin by July 31, 2017;
- The company should liaise with the Ministry of Finance-Investments Division and seek guidance on the obtaining of the approval for the staff loan initiative, by July 31, 2017;
- NGC should implement a well-established procurement unit by September 30, 2017;
- The Company should ensure that staff charged with the responsibility of operating NGC's critical facilities are provided with the necessary training and retraining at least bi-annually beginning July 31, 2017;
- NGC should comply with the recommendations made by the HSE to ensure that staff are provided with a safe work environment;
- NGC should take immediate steps to ensure that a well-defined contract with T&TEC is in place by August 31, 2017;
- NGC should seek an engagement between the line Ministries to develop a strategy so that T&TEC would be able to pay sums due as soon as they are billed;
- NGC should examine ways of improving the effects of high dividend payments on its financial statements; and
- The company should not pay dividends more than four (4) times per year.

INTRODUCTION

Establishment

The PA(E)C of the Eleventh Republican Parliament was established by resolution of the House of Representatives and the Senate at the sittings held on Friday November 13, 2015 and Tuesday November 17, 2015 respectively.

Mandate

The Constitution of the Republic of Trinidad and Tobago mandates that the Committee shall consider and report to the House on the audited accounts, balance sheets and other financial statements of all enterprises that are owned or controlled by, or on behalf of the State.

In addition to the Committee's powers entrenched in the Constitution, the Standing Orders of the House of Representatives and Senate also empower the Committee (but is not limited) to:

a) send for persons, papers and records;
b) have meetings whether or not the House is sitting;
c) meet in various locations;
d) report from time to time;
e) communicate with any other Committee on matters of common interest.

Ministerial Response

The Standing Orders[1] provide for the Minister responsible for the Ministry or Body under review to submit within sixty (60) days a paper to the House responding to any recommendations or comments contained in the Report which are addressed to it.

State Enterprises Performance Standards

The PAEC used the State Enterprises Performance Monitoring Manual as a benchmark for State Enterprises. The manual outlines the framework for compliance with official policy and the monitoring mechanisms to be used in assessing such compliance. The Government of Trinidad and Tobago monitors the performance of State Enterprises to ensure that these enterprises successfully execute their mandates and maximise value for money for the national stakeholders and shareholders.[2]

Election of the Chairman and Vice Chairman

In accordance with section 119(6) of the Constitution, the Chairman must be a member of the Opposition in the Senate. At the first meeting held on Wednesday December 2, 2015, Mr. Wade Mark was elected Chairman and Dr. Tim Gopeesingh was elected Vice Chairman of the Committee.

Establishment of Quorum

The Committee is required by the Standing Orders to have a quorum so that any decisions made by the Members during the meetings can be considered valid. A quorum of four (4) Members, inclusive of the Chair or Vice-Chairman), with representatives from both Houses was agreed to by the Committee at its First Meeting.

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[1] Standing Order 110 (6) in the House of Representatives and 100(6) of the Senate.

[2] http://www.finance.gov.tt/wp-content/uploads/2013/11/State-Enterprise-Performance-Monitoring-Manual-2011.pdf

METHODOLOGY

Determination of the Committee's Work Programme

At its second meeting on Wednesday January 13, 2016, the Committee agreed to prioritize thirty-four (34) State Enterprises as follows:

1. Caribbean Airlines Limited (CAL)
2. Caribbean New Media Group (CNMG)
3. Caroni Green Limited
4. Community Environmental & Protection Enhancement Programme Company Limited (CEPEP)
5. Education Facilities Company Limited (EFCL)
6. Estate Management and Business Development Company Ltd. (EMBDC)
7. Evolving Tecknologies and Enterprise Development Co. Ltd (eTECK)[*]
8. National Commission for Self Help Limited
9. National Entrepreneurship Development Company Ltd. (NEDCO)
10. National Enterprises Limited (NEL)
11. National Gas Company of Trinidad and Tobago Limited (NGC)
12. National Infrastructure Development Company Ltd. (NIDCO)*
13. National Insurance Property Development Company Ltd. (NIPDEC)
14. National Quarries Company Limited (NQCL)
15. National Schools Dietary Services (NSDSL)*
16. Palo Seco Agricultural Enterprises Ltd (PSAEL)
17. Petroleum Company of Trinidad and Tobago (PETROTRIN)
18. Point Lisas Industrial Port Development Corporation Ltd. (PLIPDECO)
19. Port of Spain Waterfront Development Ltd.
20. Rincon Development Ltd.
21. Rural Development Company of Trinidad and Tobago Ltd.
22. Sport Company of Trinidad and Tobago (SporTT)
23. Telecommunication Services of Trinidad, Tobago (TSTT)
24. Trinidad and Tobago Fashion Company Ltd.
25. Trinidad and Tobago Mortgage Finance Company Limited (TTMF)*
26. Trinidad and Tobago National Petroleum Limited (NP)
27. Tourism Development Corporation (TDC)
28. Union Estate Electricity Generation Company Limited
29. Urban Development Corporation of Trinidad and Tobago (UDECOTT)
30. Solid Waste Management Company Limited (SWMCOL)
31. Vehicle Management Corporation of Trinidad and Tobago (VMCOTT)
32. National Flour Mills Limited*
33. Community Improvement Services Limited
34. Government Human Resource Services Company Limited (GHRS)*

[*] Examined in the First Session of the Eleventh Parliament. The Report can be accessed via the following link: http://www.ttparliament.org/reports/p11-s1-J-20160913-PAEC-R1.pdf

At a meeting held on September 7, 2016, the Committee identified the following entities for examination in the Second Session of the 11th Parliament:

i. Sport Company of Trinidad and Tobago (SporTT);
ii. Community Improvement Services Limited (CISL);
iii. Community-Based Environmental Protection & Enhancement Programme (CEPEP);
iv. Point Lisas Industrial Port Development Corporation Limited (PLIPDECO);
v. Solid Waste Management Company Limited (SWMCOL); and
vi. Estate Management and Business Development Company Limited (EMBD);
vii. National Gas Company of Trinidad and Tobago (NGC);
viii. Telecommunications Services of Trinidad and Tobago (TSTT);
ix. Tourism Development Company of Trinidad and Tobago (TDC);
x. Caribbean Airlines Limited (CAL); and
xi. National Entrepreneurship Development Company Limited (NEDCO).

The Inquiry Process

The Inquiry Process outlines steps taken by the Committee to conduct the inquiry into the operations of NGC. The Inquiry Process agreed to by the PA(E)C included:

I. Identification of issues in the Audited Accounts, Balance Sheet and other Financial Statements of The National Gas Company of Trinidad and Tobago Limited (NGC) for the financial years 2009 – 2015;

II. Preparation of Inquiry Proposal for NGC. The Inquiry Proposal outlines:
   a. Background;
   b. Objective of Inquiry; and
   c. Proposed Questions.

III. Consideration and approval of Inquiry Proposal by the Committee. Approved questions were forwarded to NGC on February 1, 2016. Written responses were received from NGC on March 1, 2016;

IV. Preparation of an Issues Paper, based on written responses received from the NGC. The Issues Paper identified and summarised matters of concern identified in the responses provided by the NGC;

V. Determination of the need for a Public Hearing based on the analysis of written submissions. In this instance, a public hearing was held on Wednesday April 19, 2017.

VI. Submission of written request for additional information to the NGC, after the public hearing on April 20, 2017.

VII. Report Committee's findings and recommendations to Parliament upon conclusion of the inquiry.

NGC's PROFILE

Background:

The National Gas Company of Trinidad and Tobago Limited (NGC) is a key player in the development of the local natural gas industry of Trinidad and Tobago. Established by the Government of Trinidad and Tobago, in August 1975, NGC is today an investment grade company. Consistently profitable throughout its existence, NGC is a significant contributor of taxes and dividends to the state's coffers. The Company's financial performance has been its source of strength, allowing self-funding of a number of capital projects as well as access to funding on local and international money markets for major capital projects.

NGC's traditional business of compressing, purchasing, transporting and selling natural gas to industry provides over 75 per cent of its revenue stream. The gas aggregation and merchandizing roles have honed the Company's expertise in natural gas services including, pipeline maintenance and construction and gas transmission and commercial activities. NGC's highly-trained and experienced personnel can deliver world class capital projects on time and in accordance with international standards of excellence.

Vision:

"To be a valued partner in the global energy business."

Mission:

"To create exceptional national value from natural gas and energy businesses."

Line Ministry – Ministry of Energy and Energy Industries

Minister – The Hon. Franklin Khan

Permanent Secretary – Mr. Selwyn Lashley

Chairman- Mr. Gerry Brooks

President – Mr. Mark Loquan

ISSUES, OBSERVATIONS AND RECOMMENDATIONS

In the Committee's examination of NGC, the following issues were identified and the corresponding observations and recommendations proposed:

I. Status of NGC's Strategic Plan

The Committee sought clarification regarding the status of NGC's strategic plan and was advised that following its appointment in December 2015, the Board recognized that a strategic plan was not implemented for the period 2016-2020. It was noted with great concern that $90 million was spent on a Strategic Plan for the period 2016-2020 that was drafted by an international company, McKinsey and Company. NGC's executives were not in agreement with the plan, however so it was never approved. Consequently, during the past twelve (12) months, NGC's recently appointed Board and executives put measures in place to draft a strategic plan. The plan was completed in December 2016 and was accepted by the executives and other employees. The Company informed the Committee that the plan was expected to be submitted to the Ministry of Finance and Ministry of Energy and Energy Industries by the end of April, 2017, for approval. Moreover, NGC advised that in the absence of an official Strategic Plan during fiscal 2016, the President submitted an annualized plan to the Board for approval. The Board approved the annualized plan with key performance indicators and that plan guided the company during 2016.

Recommendations:

- ***The Ministry of Finance and the Line Ministry should approve NGC's Strategic Plan no later than July 31, 2017; and***
- ***NGC should submit a copy of the 2017-2020 Strategic Plan to the Committee no later than August 31, 2017.***
- ***NGC should provide the Committee with a detailed schedule of the activities and timelines regarding the implementation of the plan within three months of the approval of the plan.***

II. Staff Costs and Declining Profit Margins

It was noted that between the periods 2014 and 2015, wages and salaries increased from $338 million to $623 million, and total staff costs increased from $433.5 million to $750 million whilst gross profits declined from $8.4 billion to $4.5 billion. This significant increase in salaries and compensation costs were due to the finalization of market adjustments for the company. There were two cycles of market adjustments which were due in 2011 and 2013 that were not completed and those adjustments were only approved and paid in 2015.

Furthermore, staff costs were presented under two categories in NGC's financial statements. These included Cost of Sales and Selling/ General Administrative Expenses of $151 million and $623 million respectively in 2015. It was explained that those categorized as "cost of sales" involved those employees who worked in the direct operations of the business, and all other staff were allocated under "selling/ general administrative expenses". The number of employees at NGC, inclusive of all its subsidiaries, were 1,047 people.

Recommendations:

- ***NGC should improve its profitability before implementing any further wage increases;***
- ***NGC should identify ways of reducing operating and administrative costs during the current fiscal year, in an attempt to enhance its profitability in the coming years.***
- ***The company should provide the Committee with a dis-aggregated schedule showing the total number of staff, the various groups of staff (Commercial, Administrative, Engineering etc) and the total wages and salaries paid to each staff grouping by July 31, 2017; and***
- ***The company should reconsider its method of financial reporting and group all staff costs as one.***

III. Internal Controls

The Committee was advised that corrective measures were implemented to address the inadequacies in internal controls that were identified and reported to management and the audit committee. In oral response, it was stated that these corrective actions included new ethics policies, the regeneration of an enterprise-wide risk management system to identify areas of exposure at the strategic and operational levels, and additional focus on the procurement practices in the organization. Furthermore, internal audits were scheduled across all divisions in the company and audited statements were updated such that the 2016 audited statements were to be published in the near future. An improved project management policy was also implemented and the corporate compliance and governance of the company evolved such that reporting was done on a monthly basis to the Board and its subcommittees.

Moreover, the company appointed new auditors and continued to work closely with the internal and external audit departments to coordinate the work schedule and to ensure a close correlation on a line by line and project by project basis for proper oversight of projects.

Endorsements:

- ***The Committee endorses the corrective measures implemented by NGC to improve internal controls.***

IV. Debt Management

The area of debt management was an integral area of focus for NGC at the time of the inquiry. The company's debt service ratios showed a declining trend in coverage which was directly associated with the declining cash flows generated in NGC's business. It was noted that during the 2013 fiscal year, the debt service coverage ratio was fifteen (15) times with an interest cover of twenty-three (23). By the 2015 fiscal, the debt service coverage ratio had declined to three (3) times with an interest cover of six (6).

Recommendation:

- ***The Management of NGC should examine ways of enhancing revenues and reducing expenses to improve cash inflows that will assist in managing debt.***

V. Human Resource Issues

Some of the weaknesses identified in the 2011-2015 Strategic Plan related directly to the company's human resources. NGC advised that after the company's new strategic plan was rolled out, it would formulate a human resource strategy. The company stated that the focus in 2017 was on technical skills in an attempt to build the institutional capacity of NGC and align it with the objectives of the business strategy going forward.

Furthermore, the company indicated that the bonus plan but was being revamped and would be implemented after receiving the required approval. This bonus plan will evaluate group performance, company performance, and individual staff performance. The bonus plan will assess weightings and measures related to safety, cost and revenue management, quality and presentation of projects, organizational skills, and governance. NGC indicated that the revised plan should have been effective by May 2017.

Additionally, in an attempt to address the human resource issues at NGC, the company advised that the NESC, UTT and UWI were engaged to provide programmes to ensure improved skills of its employees through training. Also, promotion from within the NGC group is the preferred method of recruitment. The group has considered a group ESOP Programme to encourage its employees to perform and promote NGC whilst benefitting from shares and dividends.

Recommendations:

- ***NGC should conduct Exit interviews with a view to fully understanding the underlying reasons for the human resource issues that exist at NGC; and***
- ***The company should establish an ESOP Programme to encourage staff to perform to their fullest potential.***

VI. Cost Overruns- Liquid Fuel Pipelines

It was noted that a liquid fuel pipeline which was constructed on behalf of the Government of Trinidad and Tobago was originally budgeted at a cost of $585 million and ended at a total cost of $1.04 billion. Moreover, this project started in 2007 and was still incomplete at the time of the hearing. It was indicated that this project was designed to have multi-fuel pipelines run from the Point-a-Pierre refinery to Caroni and the reason for the delay in the completion of this project was linked to the history of steel price hikes that had been experienced during the course of the project. In addition, there was a series of project manager changes over the years and consequently, this delayed the completion of the project. Incomplete designs resulted in a scope that was not well defined, and this resulted in increases in costs and delays. Moreover, the company advised that Petrotrin was to reimburse NGC for all costs incurred but no reimbursements had been granted to date.

Recommendation:

- ***NGC should provide this committee with a detailed scope of the works needed complete the facility inclusive of the estimated costs to do so and the estimated date of completion.***
- ***For future projects, NGC should establish more stringent controls to ensure that cost overruns do not occur and projects stay within the estimated range. These***

controls should include the use of lump sum contractual arrangements as well as engagement of specialty project management firms; and

- ***NGC should pursue all avenues to recover all outstanding reimbursements from Petrotrin by September 30, 2017.***

VII. Staff Loans

The Committee was unclear about the practice adopted by NGC regarding staff loans. The company indicated that these loans were provided to employees and were repayable over a certain period of time. Approval was not sought from the Ministry of Finance for this practice, rather it was approved by the Line Ministry, HR, and the President and was governed by NGC policy. These loans were granted for medical expenses, the "employee initiated training programmes" and computer leases. In response to questions for additional information, the company advised that the number of persons who benefitted from staff loans was based on application made. For the year 2015, the number of employees receiving loans and outstanding balances were 236 employees and TT$2.1Mn.

Recommendations:

- ***The company should liaise with the Ministry of Finance-Investments Division to seek guidance regarding obtaining approval for this initiative by July 31, 2017; and***
- ***The company should provide a report on this decision to the Secretary of the PAEC by August 31, 2017.***

VIII. Return on Investments on ALNG Trains 1 and 4

In written submission, it was noted that the evaluation of investments on the ALNG Trains 1 and 4 was conducted internally but there was difficulty in sourcing information from Atlantic LNG. Therefore, the Committee was concerned about whether NGC was in a position to determine whether it was getting a proper return on its investments. The company clarified that the difficulty in sourcing information occurred in 2014 and this issue was resolved. The company was of the view that as an "investee", they were entitled to information as any other shareholder or director, and as such, conducted independent analyses on sensitivities, pricing and returns to ensure that investments were not impaired and they provided the level of returns required. Moreover, in response made to request for additional information, it was advised that the overall Internal Rate of Return on its investment in Atlantic Train I from its inception in 1998 to 2016 was 25% and 38% for the Atlantic Train IV over the period 2005 to 2016.

IX. Risk Management

The Committee sought an update on ten (10) major risks outlined by NGC in written submission. These risks included, but were not limited to, shortages of competent staff to operate NGC's critical facilities, the building of houses and projects next to the gas transmission and distribution pipelines, and late procurement of critical material, goods, works and services. Other risks included the untimely implementation of recommendations from internal and external auditors, HSE and regulatory authorities, and the take-or-pay gas sales arrangement. A national facilities audit was conducted across thirty (30) companies and it was noted that NGC was below the national average. Thus, the management of NGC took a strong view on rolling out an asset integrity programme throughout the company.

In an attempt to address these issues, NGC advised that as of September 2016, a Senior Manager-Reporting was appointed and was charged with the responsibility of reporting directly to the President on the safety issues at the organization. Additionally, the company, together with the relevant Ministry and Town and Country Planning, began the process of diverting some of the housing areas that were affected by close pipelines. With respect to procurement of critical material, goods, works and services, the company had begun the process of creating a new position in procurement and projects, and this position was expected to be filled within two (2) months.

Recommendations:

- ***NGC should implement a well-structured procurement unit by September 30, 2017;***
- ***The Company should ensure that staff charged with the responsibility of operating NGC's critical facilities are provided with the necessary training, at least bi-annually beginning July 31, 2017;***
- ***The Company should submit a copy of the recommendations made by the internal and external auditors and report on the status of these recommendations by July 31, 2017; and***
- ***NGC should comply by the recommendations made by the HSE to ensure that staff is provided with a safe work environment.***

X. The Status of Gas Sales Contract between NGC and T&TEC

Though NGC's contract with T&TEC had expired in 1994, the company continued to supply gas to T&TEC for power, based on letter of agreements and on a priority basis utilising the last agreed Gas Pricing terms inclusive of an annual escalation of three percent (3%) to the last RIC price consistent with previous years. NGC did not however receive payments on a regular basis. As of February 2017, the outstanding balance with T&TEC was US$516 million (TT$3.5 billion). NGC advised that within two months of the appointment of the new Board, the company was able to put a contract forward to T&TEC as it awaited final pricing arrangements from its upstream suppliers of gas.

Recommendations:

- ***NGC should take urgent steps to review the final pricing arrangement with T&TEC and submit a report to the PAEC by August 31, 2017;***
- ***NGC should take immediate steps to ensure that a well-defined contract with T&TEC is in place by August 31, 2017; and***
- ***NGC should seek an engagement between the line Ministries to develop a strategy so that T&TEC would be able to pay sums due as soon as they are billed.***

XI. Dividend Payout Plan

With the recent downgrades of NGC by credit rating agencies, Moody's and CariCRIS, the Committee sought clarification on one of the major issues raised by the agencies; that of the company's high dividend payments. It was noted that during the period 2012-2015, the dividends paid for each consecutive year were $1.2 billion, $4.2 billion, $3.8 billion and $6.8 billion, respectively. Moreover, for the fiscal year 2013, eleven (11) dividends were paid. In 2014 and 2015, eight (8) and eleven (11) dividends were paid respectively. Consequently, these significant number of payments bit into the company's retained earnings and caused a substantial decline in its asset base and thus, negatively impacted its balance sheet.

With respect to the dividend payments for the years 2013 and 2014, it was advised that the dividend policy allowed up to 50 percent but was changed in 2015 to allow the company to pay up to 100 percent of its profit after tax in dividends. The company advised that in dealing with dividend expectations, it sought to communicate with the Ministry of Finance in advance in terms of what the dividend outlook was for the fiscal year, as well as, provided on a quarterly basis what NGC could pay in terms of dividends.

Recommendations:

- ***NGC should liaise with the Ministry of Finance to seek guidance on a review of its dividend policy;***
- ***NGC should cease the practice of paying dividends from its retained earnings;***
- ***NGC should examine ways of improving the effects of high dividend payments on its financial statements; and***
- ***The company should not pay dividends more than four (4) times per year.***

XII. Corporate Social Responsibility

During the period 2012-2015, the company's corporate social responsibility expenditure rose from approximately $22 million to $73 million within the four (4) year gap. In addition, $370 million was spent on road works and the upgrade of recreational facilities. Furthermore, it was advised that of the total $617 million spent during the four year period, approximately $0.6 billion was spent on things that had nothing to do with the NGC's core business, including the paving of eight roads and construction of pavilions and refurbishment of play parks in areas outside of NGC's pipeline and fence line communities. With a new management team on board, it was advised that the company has refocused its CSR portfolio in alignment with its strategic plan. As such, the company has maintained support in key areas of sport, youth development, arts and culture, education and preservation of the environment, via partnerships with recognized NGOs, institutions, sporting bodies and organizations that practised sound financial reporting and were cautious with the fiduciary duties placed on them.

The Public Accounts (Enterprises) Committee respectfully submits this Report for the consideration of the Parliament.

Mr. Wade Mark **Chairman**	Dr. Tim Gopeesingh **Vice-Chairman**
Mr. Fitzgerald Hinds **Member**	Mrs. Cherrie-Ann Crichlow-Cockburn **Member**
Mrs. Jennifer Baptiste-Primus **Member**	Ms. Shamfa Cudjoe **Member**
Mr. Foster Cummings **Member**	Mr. David Small **Member**

Appendix 1
Minutes of Meetings

THE PUBLIC ACCOUNTS ENTERPRISES COMMITTEE – SECOND SESSION, ELEVENTH PARLIAMENT

MINUTES OF THE NINETEENTH MEETING HELD ON WEDNESDAY, APRIL 19, 2017 AT 9:39 A.M. IN THE ARNOLD THOMASOS MEETING ROOM (EAST) AND J. HAMILTON MAURICE ROOM, MEZZANINE FLOOR,OFFICE OF THE PARLIAMENT, TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD, PORT-OF-SPAIN.

Present were:

Mr. Wade Mark	-	Chairman
Mrs. Jennifer Baptiste-Primus	-	Member
Mr. Foster Cummings	-	Member
Mr. David Small	-	Member
Mrs. Cherrie-Ann Crichlow-Cockburn	-	Member

Ms. Candice Skerrette	-	Procedural Clerk
Ms. Hema Bhagaloo	-	Assistant Secretary
Ms. Melanie Chin	-	Research Assistant

Excused were:

Dr. Tim Gopeesingh	-	Vice Chairman
Mr. Fitzgerald Hinds	-	Member
Ms. Shamfa Cudjoe	-	Member

COMMENCEMENT

1.1 At 9:39 a.m. the Chairman called the meeting to order and welcomed those present. Dr. Tim Gopeesingh, Mr. Fitzgerald Hinds and Ms. Shamfa Cudjoe were excused from the meeting.

THE EXAMINATION OF THE MINUTES OF THE EIGHTEENTH MEETING

2.1 The Committee examined the Minutes of the Eighteenth (18th) Meeting held on Wednesday April 5, 2017.

2.2 There being no other omissions or corrections, the Minutes were confirmed on a motion moved by Mr. David Small and seconded by Mrs. Jennifer Baptiste-Primus.

MATTERS ARISING FROM THE MINUTES OF THE EIGHTEENTH MEETING

3.1 With reference to item 3.1, the Secretariat was directed to dispatch letters Re: Additional Questions to Ministerial Responses in relation to NSDSL, NQCL, NIDCO, TTMF and NFM.

3.2 With reference to item 3.2, the Chairman informed Members that the Committee Reports (CEPEP, CISL, SWMCOL and PLIPDECO) will be presented at the next Sitting of the Senate.

3.3 With reference to item 3.3, the Chairman informed the Committee that the press conference to launch the Committee's reports will be held after the examination of NGC.

PRE-HEARING DISCUSSION RE: THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO (NGC)

4.1 The Chairman reminded Members that the purpose of the meeting will be the examination of the Audited Accounts, Balance Sheet and other Financial Statements of the National Gas Company of Trinidad and Tobago for the period 2009 - 2015.

4.2 Mr. David Small declared his interest as a NGC Board Member during the period 2002-2010 and that NiQuan Energy (Mr. Small's current employer) and NGC were currently in negotiation of a gas supply contract. After some discussions, the Committee agreed that Mr. Small should confine his participation to exclude the period 2009-2012.

4.3 Members discussed the issues of concern and the general approach for the public hearing.

4.4 There being no further business for discussion *in camera*, the Chairman suspended the meeting at 10:23 a.m.

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO (NGC)

5.1 The Chairman called the public meeting to order at 10:31 a.m.

5.2 The Chairman welcomed officials from the Ministry of Finance – Investments Division, the Ministry of Energy and Energy Industries, NGC, members of the media and the public and introductions were exchanged.

The following officials joined the meeting:

National Gas Company of Trinidad and Tobago

- Mr. Gerry Brooks - Chairman
- Mr. Mark Loquan - President
- Ms. Maria Thorne - VP, Corporate Compliance & Governance
- Mr. Narinejit Pariag - VP, Finance & Information Management
- Ms. Lisa Burkett - Manager, Corporate Communications

- Mr. Frank Look Kin - Consultant

Ministry of Energy and Energy Industries

- Mr. Selwyn Lashley - Permanent Secretary
- Ms. Margaret Edwards- Barran - Senior Energy Analyst (Ag.)
- Mr. Randy Maurice - Senior Energy Analyst (Ag.)
- Mr. Leroy Mayers - Advisor
- Mr. Sheldon Butcher - Senior Energy Analyst (Ag.)
- Ms. Penelope Bradshaw-Niles - Senior Petroleum Engineer

Ministry of Finance – Investments Division

- Ms. Yvette Babb - Director, Social and Economic Transformation (Ag.)
- Mr. Lester Herbert - Director Central Audit Committee

Key Issues Discussed

1. The role of PA(E)C in assisting the NGC to improve its delivery of services in an efficient, effective and economic manner.
2. The status of the 2016-2020 and 2017-2020 Strategic Plans.
3. The process to secure the services of international company to prepare the 2016-2020 NGC Strategic Plan.
4. The reasons for the declining trend in sales and gross profits.
5. The clarification of Cost of Sales- Staff Costs and Administrative Costs- Staff Costs.
6. The number of staff employed by NGC.
7. The clarification of the term 'corrective actions' pertaining to address Internal Audit issues at NGC.
8. The status of 2015 whistleblower policy and the conflict of interest policy.
9. The plans to address the lower margins and increased operation costs.
10. The measures in place to boost cash flows and improve debt service ratios.
11. The measures in place to address human resource issues.
12. The process by which the current audit firm (Deloitte) was selected.
13. The measures in place to address the weaknesses in the Internal Control systems.
14. The reasons for the cost variances of the Liquid Fuel Pipeline from $585B to $1.04B.
15. The measures in place to address the weaknesses in project management capabilities.
16. The clarification of the terms and conditions of staff loans.
17. The determination of the allocation of the national gas supply.
18. The valuation of investments in the Atlantic LNG Trains 1 and 4.
19. The status of the risks experienced by NGC.
20. The status of the Gas Sales Contract between T&TEC and NGC.
21. The status of the Royalty Gas Contract between NGC and the Ministry of Energy and Energy Industries.
22. The status of the dividend payouts for 2016 and onwards.
23. The rationale for the increased Corporate Social Responsibility expenditures.

Please see Verbatim Notes for the detailed oral submission by the witnesses.

5.3 The Chairman thanked the representatives from the Ministry of Finance – Investments Division, the Ministry of Energy and Energy Industries and NGC for attending the Public Hearing.

SUSPENSION

6.1 At 12:53 p.m., the Chairman suspended the *in public* meeting.

ADJOURNMENT

7.1 The meeting was adjourned to **Wednesday May 3, 2017 at 9:30 a.m.**

We certify that these Minutes are true and correct.

CHAIRMAN

SECRETARY

April 20, 2017

Appendix 2

Attendees

Attendees

National Gas Company of Trinidad and Tobago

• Mr. Gerry Brooks	-	Chairman
• Mr. Mark Loquan	-	President
• Ms. Maria Thorne	-	VP, Corporate Compliance & Governance
• Mr. Narinejit Pariag	-	VP, Finance & Information Management
• Ms. Lisa Burkett	-	Manager, Corporate Communications
• Mr. Frank Look Kin	-	Consultant

Ministry of Energy and Energy Industries

• Mr. Selwyn Lashley	-	Permanent Secretary
• Ms. Margaret Edwards- Barran	-	Senior Energy Analyst (Ag.)
• Mr. Randy Maurice	-	Senior Energy Analyst (Ag.)
• Mr. Leroy Mayers	-	Advisor
• Mr. Sheldon Butcher	-	Senior Energy Analyst (Ag.)
• Ms. Penelope Bradshaw-Niles	-	Senior Petroleum Engineer

Ministry of Finance – Investments Division

• Ms. Yvette Babb	-	Director, Social and Economic Transformation (Ag.)
• Mr. Lester Herbert	-	Director Central Audit Committee

APPENDIX 3

List of entities falling under the purview of the PAEC:

1. Agricultural Development Bank (ADB)
2. Caribbean Airlines Limited (CAL)
3. Caribbean Leasing Company Ltd (owned by ExporTT)
4. Caribbean New Media Group Limited (CNMG)
5. Caroni Green Limited
6. Clico Trust Corporation Limited
7. Cocoa Development Company of Trinidad and Tobago Ltd
8. Community Environmental & Protection Enhancement Programme Company Limited

   (CEPEP)
9. Community Improvement Services Limited
10. East Port of Spain Development Company Limited
11. Education Facilities Company Limited (EFCL)
12. Estate Management & Business Development Company Ltd. (EMBDC)
13. Export Centers Company Limited
14. Export Import Bank of Trinidad & Tobago (EXIMBANK)
15. ExporTT (formerly BDC: Business Development Company Limited)
16. Evolving TecKnologies & Enterprise Development Company Limited (eTecK) (formerly Property & Industrial Development Company of Trinidad & Tobago)
17. First Citizens Bank (FCB)
18. First Citizens Holdings Limited
19. Government Human Resource Services Company Limited (GHRS)
20. Government Information Services Limited (GISL)
21. Human Capital Development Facilitation Company Limited
22. InvesTT
23. Lake Asphalt of Trinidad & Tobago (1978) Ltd.
24. La Brea Industrial Development Corporation
25. Metal Industries Company Limited (MIC)
26. National Agricultural Marketing Development Corporations Limited (NAMDEVCO)

27. National Commission For Self Help Limited
28. National Energy Corporation of Trinidad and Tobago Limited
29. National Entrepreneurship Development Company Ltd. (NEDCO)
30. National Enterprises Limited (NEL)
31. National Flour Mills Limited (NFM)
32. National Gas Company of Trinidad & Tobago Limited (NGC)
33. National Helicopter Services Limited
34. National Information & Communication Technology Company Limited (NICTCL)
35. (iGovTT) (ttconnect)
36. National Infrastructure Development Company Limited (NIDCO)
37. National Insurance Property Development Company Limited (NIPDEC)
38. National Maintenance, Training & Security Company Limited (MTS)
39. National Project Development Services Ltd
40. National Quarries Company Limited (NQCL)
41. National Schools Dietary Services Limited
42. National Training Agency (1997) Ltd.
43. Natpat Investments Company Ltd.
44. Oropune Development Ltd. (owned by UDECOTT)
45. Palo Seco Agricultural Enterprises Limited (PSAEL)
46. Petroleum Company of Trinidad & Tobago Limited (PETROTRIN)
47. Phoenix Park Gas Processors Ltd.
48. Point Lisas Industrial Port Development Corporation Ltd (PLIPDECO)
49. Point Lisas Terminals Ltd. (owned by PLIPDECO)
50. Portfolio Credit Management Limited
51. Port of Spain Waterfront Development Ltd.
52. Rincon Development Ltd.
53. Rural Development Company of Trinidad & Tobago Limited
54. Seafood Industry Development Company Limited
55. Sports Company of Trinidad & Tobago Limited (SporTT)
56. Taurus Services Limited

57. Telecommunications Services of Trinidad & Tobago Limited (TSTT)
58. Tourism Development Company Limited (TDC)
59. Trinidad Nitrogen Company Limited (TRINGEN)
60. Trinidad Northern Areas Ltd.
61. Trinidad & Tobago Entertainment Company Limited (TTent)
62. Trinidad & Tobago External Telecommunications Ltd.
63. Trinidad and Tobago Fashion Company Limited
64. Trinidad & Tobago Film Company Limited
65. Trinidad & Tobago Fish Processors Ltd.
66. Trinidad & Tobago Food Processors Ltd.
67. Trinidad & Tobago Free Zones Company Limited
68. Trinidad & Tobago International Financial Centre Management Company Limited
69. Trinidad & Tobago Marine Petroleum Company Ltd.
70. Trinidad & Tobago Mortgage Finance Company Limited (TTMF)
71. Trinidad and Tobago Music Company Limited
72. Trinidad & Tobago National Petroleum Marketing Company Limited (NP)
73. Trinidad & Tobago Solid Waste Management Co. Ltd. (SWMCOL)
74. Trinidad & Tobago Tourism Business Development Limited
75. Trintoc Services (owned by PETROTRIN)
76. Union Estate Electricity Generation Company Limited
77. Urban Development Corporation of Trinidad & Tobago Limited (UDECOTT)
78. Vehicle Management Corporation of Trinidad & Tobago Limited (VMCOTT)
79. Youth Training & Employment Partnership Programme Limited (YTEPP)

APPENDIX 4
VERBATIM

VERBATIM NOTES OF THE NINETEENTH MEETING OF THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE HELD IN THE ARNOLD THOMASOS Room (EAST), Level 6 (in camera), AND THE J. HAMILTON MAURICE ROOM, MEZZANINE FLOOR, (in PUBLIC), TOWER D, INTERNATIONAL WATERFRONT CENTRE, #1A WRIGHTSON ROAD, PORT OF SPAIN, ON WEDNESDAY, APRIL 19, 2017 AT 10.31 A.M.

PRESENT

Mr. Wade Mark	-	Chairman
Mrs. Jennifer Baptiste-Primus	-	Member
Mr. Foster Cummings	-	Member
Mr. David Small	-	Member
Mrs. Cherrie-Ann Crichlow-Cockburn	-	Member
Miss Hema Bhagaloo	-	Asst. Secretary
Miss Candice Skerrette	-	Procedural Clerk

ABSENT

Mr. Fitzgerald Hinds	-	Member
Dr. Tim Gopeesingh	-	Member
Miss Shamfa Cudjoe	-	Member

MINISTRY OF FINANCE, INVESTMENTS DIVISION

Ms. Sharon Mohammed	-	Director, Agro-Based Manufacturing and Servicing Sector (Ag.)
Ms. Yvette Babb	-	Director, Social and Economic Transformation (Ag.)

MINISTRY OF ENERGY AND ENERGY INDUSTRIES

Mr. Selwyn Lashley	-	Permanent Secretary
Ms. Margaret Edwards-Barran	-	Senior Energy Analyst (Ag.)
Mr. Randy Maurice	-	Senior Energy Analyst (Ag.)
Mr. Leroy Mayers	-	Advisor
Mr. Sheldon Butcher	-	Senior Energy Analyst (Ag.)
Ms. Penelope Bradshaw-Niles	-	Senior Petroleum Engineer

NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO

Mr. Gerry C. Brooks	-	Chairman
Mr. Mark Loquan	-	President
Ms. Maria Thorne	-	VP, Corporate Compliance & Governance
Mr. Narinejit Pariag	-	VP, Finance & Information Management
Ms. Lisa Burkett	-	Manager, Corporate Communications
Mr. Frank Look Kin	-	Consultant

Mr. Chairman: Good morning and may I, on behalf of the Public Accounts (Enterprises) Committee, welcome officials from the Ministry of Finance, Investments Division; the Ministry of Energy and Energy Industries; the National Gas Company of Trinidad and Tobago; members of the media; and the public.

May I also advise that this meeting is being held in public and it is being broadcast live on Parliament's Channel 11 and Radio 105.5 FM, as well as the Parliament's YouTube Channel *ParlView*. Viewers and listeners can send their comments related to today's topic via email, that is parl101@ttparliament.org; facebook.com/ttparliament; twitter@ttparliament.

Now, the purpose of this meeting of the Public Accounts (Enterprises) Committee is to examine the audited accounts, balance sheet and other financial statements of the National Gas Company of Trinidad and Tobago for the period 2009 to 2015. The Committee is desirous of hearing from the key stakeholders at NGC to learn the challenges being faced and determine some of the possible solutions and measures to overcome these challenges. The role of the Committee is to help the National Gas Company improve its delivery of the services in an efficient, effective and economic manner. May I emphasize, once again, the role of the Committee is to help NGC improve its delivery of services in an efficient, effective and economic manner.

At this time, I would like to introduce members of our Committee and after doing so, we will invite the officials from the Ministry of Finance, Investments Division to do the same followed by the Ministry of Energy and Energy Industries and finally, the National Gas Company of Trinidad and Tobago. So if I may start on my right, the members will introduce themselves.

[*Introductions made*]

Mr. Chairman: Okay, thank you very much. Thank you to all of you. May I, at this time, invite the Chairman of the National Gas Company to make a brief opening statement at this time. Mr. Brooks.

Mr. Brooks: Thank you very much, Chairman, and thank you to the Committee for the very warm welcome to the National Gas Company and in particular, the focus on a solution-oriented approach. We are pleased to be here with you to share our perspectives and insights for the period 2009 to 2015. All accounts have been submitted to you and we will assist by providing our best insights into this period based on the research of our board. The President and several executives were not present during the 2009 to 2015 period. That period, in fact, was chaired by Chan Chadeesingh and led by the then President Indar Maharaj.

Our board was appointed in September 2015 and instruments were received later that month. Our President, Mark Loquan, we are very fortunate to have him. He joined us in September of 2016, having done assignments in Africa, Australia and having led companies in Trinidad and Tobago. Since our appointment, we have made considerable progress in many critical areas of the company and group and with your leave, I would just like to share with your Committee and yourself some highlights on some of the legacy issues which we inherited and which we have worked assiduously to correct.

The first area, Chairman, is the area of governance. All of our audits for 2016 have been completed. Every audit for 2016 across the group has been completed. Statutory annual general meetings are being held and, in fact, have been held in many of the companies: national energy, NGC CNG, Phoenix Park and NGC will be held on the 24th of this month. Within 90 days of taking office in 2015, outstanding audits at the NGC were completed and all submissions were made to the line Ministry, to the Ministry of Finance and to the Companies Registry. All audits have been unqualified meeting IFRS, International Financial Reporting Standards; IAS, International Accounting Standards; and IIAS, which is the International Auditing Standards; and in fact, have satisfied best practice requirements.

We have implemented from a governance standpoint an enterprise-wide risk management system. We have functioning audit committees in every company. We have established audit charters. We have rigorous audit schedules that we are working with and those reports come to the board and are overseen by the board with regularly scheduled meetings.

Chairman, we have gone further. We have introduced in NGC what is called a flash report. The flash report allows us, on the first working day of each month, to have a clear look at the revenue, at the profitability of the company. So on the first working day at the end of each month, NGC and its companies are able to take a look at these results and say this is where we at with revenue, sales, margins and profitability. By the tenth working day of each month, management reports are produced which allow us to take a proactive look at the organization. We are working to reduce that to seven days and to five days. So we have made considerable progress emulating the best companies internationally.

In the area of performance, a review of NGC reveals a 25 per cent decline in sales between the

2013 to 2015 period. Sales would have reduced from $17.4 billion to $13.1 billion. Gross profit would have reduced from $4.87 billion to $2.352 billion—$2.2 billion reduction—and profit after tax fell from $4.442 billion to $0.605 million—an 87 per cent decline. That is being driven by reduced gas sales and gas curtailment. It has been affected by gas pricing; and in 2016, was affected by impairment charges of $2.6 billion. Those charges relate to $943 million related to the Beetham Wastewater Plant—$943 million, $0.9 billion—and Angostura Blocks (c) and 3(a) of $1.6 billion.

The 2016 trend line, when our results are announced and approved at the Annual General Meeting in 2016, will show a considerable improvement on our 2015 result. Indeed, at Phoenix Park which I can report on because you had an Annual General Meeting and an approval by the shareholder of those results, its profitability has moved from US $55 million to US $64.3 million, a 15.1 per cent improvement in 2016, and that is the kind of trend line that one would see across the group.

So despite the challenge of depressed energy prices, in which oil fell to $27.67 in February of 2016, Henry Hub fell to less than $2 in 2016 and in fact had an annual average price of US $2.49, methanol prices trended at $178 per tonne which is 31 per cent less than the 2015 year, you will see NGC—because of its approach to cost efficiency, reengineering of its business, a focus on competitiveness and productivity and a strategic realignment and the support of the team at NGC—we have begun to show improved results and we are cautiously optimistic about 2017. That is important for NGC and it is important for the country.

From a strategic standpoint, point number two—I spoke about governance previously—from a strategy standpoint, we met a company which had no strategic plan for the period 2016 to 2020. It was entering a markedly different period: shale gas; new gas jurisdictions emerging in Australia, Eastern Europe; falling demand for its products; and gas curtailment. There was no plan. An international company had been retained; $90 million had been spent by the NGC and across the group, executives did not buy into the plan nor did they support the plan.

Within 12 months and after many late nights and weekend sessions, an excellent plan has emerged, fully subscribed to, supported and contributed to by the executives of NGC, by the Presidents of NGC, which plan is based on four pillars. One, how do we develop and build the organization? Two, how do we secure the current business and move the business forward inclusive of gas supply and gas certainty? How do we grow this organization locally and internationally and then how do we strengthen our national contribution?—that is to ensure that we have more estates, more vibrant estates and build the country. It has been rolled out to the NGC group. It has been informed by the Poten & Partners Gas Master Plan. It has been accepted. It is our intention to submit that plan before the end of April to the Ministry of Finance and the Ministry of Energy and Energy Industries and having gotten the approval, we will move forward.

On the question, Chairman and colleagues, of gas supply which is the second pillar of our plan, our focus is on securing our business and ensuring gas supply certainty. From a high of 4.2 Bcf of gas, supplies have fallen to 3.2 Bcf, split between the domestic and the export. It is a story of depleting reservoirs and the need for upstream investments in a more timely fashion as evidenced by the Poten & Partners report and by the Rystad Energy report. It has manifested itself in contract shortages and in some cases, non-renewal of agreements at most untimely moments.

I must caution that Trinidad and Tobago has enough long-term resources which resources have been calibrated in the order of about 30 to 45 Tcf by BP and by Poten of between 20 to 40 Tcf to satisfy domestic and export demand in the medium and longer term. The challenge is how do we navigate the short term to ensure that those long-term resources are brought to book to be able to support our export sector and to be able to support our domestic sector. And we, Chairman, and team have been hard at work on that.

In 2016, we accelerated and completed all of the negotiations around TROC which is the Trinidad Regional Onshore Compression Project. That project required a series of bilateral agreements between ourselves and BP and multilateral agreements involving some of the partners of Atlantic LNG. We were able, in the case of Juniper, through national energy, to provide the heavy lift platform and other critical support on Juniper which will see us winning 590 million scf of gas. TROC adds 200 million scf of gas.

Following the Prime Minister's intervention in Venezuela and his visit in which a memorandum of understanding was signed and executed, we were able, with Shell and with PDVSA, to execute a heads of agreement. We have formed technical teams which technical teams are comprised of PDVSA executives, Shell executives and NGC executives, both from a technical standpoint and from a commercial standpoint, and I am pleased to report that those teams are hard at work. We have set ourselves and the Ministry has set us a target, the Minister has set us a target of completing the gas supply agreement by July and we are assiduously working towards that target, as well as completing technical work and commercial work.

And quite recently, we were able to sign off on the BP/Angelin contract. These activities will not solve our problems but certainly they will help to stem the decline. We have got to look beyond the period 2019 to 2023 to see how we—and I am going to use a golf term—tee up some of the required supply to ensure that as we look to that post-period, there is gas certainty and there is gas supply.

In the case of contracts, many of these discussions are at an advanced stage and the company is actively engaged in multilateral discussions both on the upstream side with EOG, Shell, BP, BHP and on the downstream side. Many of these discussions should have started and should have been completed by 2014 and by 2015. Unfortunately, they were not and it is our responsibility to work through these very complex agreements, which were negotiated at a time when the gas architecture was very different, and to bring those to completion. That work is ongoing and is moving at a very rapid clip.

Chairman, in the case of claims, the company has received $4.53 billion in claims directly related to gas curtailments in the 2010 to 2015 period. NGC does not accept these claims and is legally challenging these claims. These claims go back to that period and regrettably very little work was done on those claims. Some claimers have commenced arbitration proceedings, others have commenced mediation proceedings. Notwithstanding our legal view, the fact of arbitration and mediation requires a constructive, purposeful approach to resolution. We have been able to extinguish, in a very short period, approximately US $250 million, or $1.6 billion, of these claims without payment and without admission of liability—without payment and without admission of liability.

Each contract is different. In some cases, the shareholders are intertwined by interlocking shareholders and in other cases, they operate independently. We are aware that our discussions in this public forum could lead to affidavit evidence and therefore, we must be extremely careful in what we do and what we say. We are very encouraged and we are going to focus on this to try to resolve them in the shortest possible period but we have to work carefully, purposefully and constructively.

The response of the NGC team, Chairman and colleagues, at the leadership level and at the company level, has been very, very heartening. The team and the staff have sacrificed and they have been very professional. Our problem at NGC and in Trinidad is a global problem. It is not a problem confined to the NGC or to our sector. Many countries are facing a similar problem. Petrobras in Brazil, the shale sector in the US, in Canada and many of the majors have taken the appropriate cuts and steps to rationalize their business. The question is what is our strategic response and our resolve and we are very encouraged because we are working strategically and purposefully to address these issues.

In the case of internationalization of our business, we see ourselves as aggregators, marketers, transporters and we have rekindled many of the very interesting opportunities that arise internationally in Ghana, in Guyana, Cuba, and Venezuela to leverage things like our pipeline technology. Our efficiency and our pipelines are 99.9 per cent, the envy of many developing countries and even developed countries. Our gas fractionation is avant-garde. We have good port and estate technology and good engineering and we certainly have good institutions like the UTT and UWI with good intellectual knowledge and capacity which would allow us, not only to lift the

NGC but to lift the entire energy services sector bringing valued foreign exchange, equity and dividend income and service fee income.

So, Chairman, we are cautiously optimistic. A lot of work has taken place in the last 16 months. We have completed our strategic plan. We are showing improved results. The bench strength and capacity of our team has improved and we are cautiously optimistic. It is going to require considerable hard work, focus and excellence in execution as we move forward. So, Chairman, that is a brief overview and we thank you for the opportunity to do that and we welcome your questions at this stage. Thank you very much.

Mr. Chairman: Well, let me on behalf of the Committee extend to you another warm welcome and to thank you for your overview of where the NGC stands at this time. If I may ask very early, you mentioned in your opening remarks that the NGC does not have at this time a strategic plan but you are about to submit one by the end of this month to the Ministry of Finance, Investments Division and the corporation sole, the Minister of Finance. In the absence of a strategic plan for the last 18 months, how has NGC been operating? You know, the good book says where there is no vision, the people perish. So I would like you to explain to this Committee, in the absence of a strategic plan for the last period, 18 months, how has the company been managing its affairs?

Mr. Brooks: Mr. Chairman, perhaps I did not explain myself properly. The company has a strategic plan. What I did say is that the company spent the last 12 months, having gotten into office and recognizing that there was no strategic plan, immediately set about to craft a strategic plan. The process that we took is that we involved all of the executives in the NGC—the Presidents, the executives of the various companies—to formulate this plan. This is the document here. That plan has four pillars and I outlined those four pillars which, perhaps, I can do again.

Mr. Chairman: No, there is no need for that.

Mr. Brooks: So that there is a strategic plan. That plan is guiding the company. That plan has been validated and tested with the executives and to the extent that the company is now very clear and very comfortable with this strategic plan, the intent is to submit that plan this month to the Ministry of Finance, to the Ministry of Energy and Energy Industries, and progress it.

Mr. Chairman: Could you tell us how long that plan has been completed?

Mr. Brooks: That plan was completed towards the end of December which we are using to inform our 2017 activity. It is a work-in-progress, it is dynamic. So that is when it was completed, Chairman.

Mr. Chairman: So from the period when this board was appointed, was it September of 2015 you said?

Mr. Brooks: It was late September of 2015.

Mr. Chairman: To the present time. The company would have functioned for at least a year without a plan.

Mr. Brooks: Not correct, Chairman. I do not mean to be rude. What we did is that we put in place for 2016 an annualized plan. Each President submitted an annualized plan which plan went to the board. Those boards approved those plans with key performance indicators which guided the company for 2016, each of the companies. What we did, however, is that we recognized that we could not run a business on the basis of an annualized plan. And what we sought to do was to put in place a longer-term plan taking into consideration what we thought were all of the key elements for 2017—2016 to 2020—and that is the process that we followed. Because we could not—on coming in in 2016, in September/October, craft a longer-term plan in any credible, sensible plan and more than that, we faced a situation in which the executive said to us that the plan which had been developed, they completely disagreed with and wished to distance themselves from.

Mr. Chairman: So when that plan is submitted in April, you expect approval within what period of time, Mr. Brooks?

Mr. Brooks: Chair, I cannot talk on behalf of the Ministry so I would not be so bold. We are hoping that the—the Ministry has a process, we will follow that process and we will hopefully get to consensus on it in the shortest possible time.

Mr. Chairman: Would you be kind enough to make a copy of your plan available to this Committee?

Mr. Brooks: Sure, Chairman, we would be more than happy to make a copy available but I think in the best form, it perhaps should go to the Ministry first, get the approval and once we have gotten the approval, we will submit it to this Committee.

Mr. Chairman: Now, I want to also raise the issue of salaries—[*Interruption*] Okay, before I go to salaries, I will ask my colleague here to—

Mrs. Crichlow-Cockburn: Thank you, Mr. Brooks. I noted you indicated that $90 million was spent on the plan but that the executives totally disagreed with it. Could you give us an idea of what was the process because I would expect if a strategic plan is being developed, the executives should have been involved. So I have a difficulty coming to terms with after $90 million being spent that they totally disagreed with the plan. Could you set some light on that for us, please?

Ms. Thorne: Well, I think what Mr. Brooks is saying basically is that the plan was developed, yes, with the executives but there was no final approval or final buy-in into the plan. Okay? The plan had not been finalized and the executives had not actually bought into the plan. It had not reached to that stage. So I think that is what Mr. Brooks is saying. That the final plan was never actually approved or been bought in by the Presidents of the various organizations within the group.

Mr. Chairman: Would you want to tell us, Mr. Chairman, which agency or body was responsible for formulating this plan on behalf of the NGC which cost the taxpayers $90 million?

11.00 a.m.

Mr. Brooks: The plan, from our research, would have been led by the then President, Indar Maraj. It involved an international organization. Regrettably, and to our surprise, none of the executives seemed to support it. Many claimed that they had not been fully involved in the process. They disagreed with its contents. We took the pains as a board to read through that plan very carefully, to meet with the executives, to share our concerns and the plan and to ask of this organization that no further money be spent to develop any strategic plan going forward and to engage the executives who willingly agreed to build out what we felt and what they felt would have been a more relevant, a more credible and a more forward-looking plan.

Mrs. Baptiste-Primus: Chairman, I think it is important—good morning everyone once again—that we establish the period of time for this strategic plan. What is that period of time?

Mr. Brooks: Thank you very much, Mrs. Baptiste-Primus. The period of time for the plan is 2017 to 2020. That is the plan period.

Mr. Chairman: Is that the initial plan or your plan?

Mr. Brooks: The initial plan was meant to be 2016 to 2020. It was an unfinished document, as Maria said. It was not accepted by the executive and was incomplete in our view, missing several key areas. What we then sought to do is to engage the executive, develop what, in the view of the executive and team, was a far more comprehensive document, which is what we have today and which is what we are going to be submitting to the Ministry.

Mr. Chairman: Yes.

Mrs. Crichlow-Cockburn: Mr. Brooks, could you shed some light, in terms of what was the process utilized to secure the services of this international company?

Mr. Brooks: Maria.

Ms. Thorne: At the time certain companies were looked at and they were considered as a preferred supplier of the services, having been an internationally-recognized company, having done this kind of work over the period, over time. So it was treated as a—they were treated as a preferred supplier and they were engaged, having been approved by the board of directors at the time.

Mrs. Crichlow-Cockburn: Single preferred supplier?

Ms. Thorne: As a preferred supplier, yes, "uh-huh".

Mrs. Crichlow-Cockburn: Thank you.

Mr. Chairman: Would you want to share with us, Mr. Chairman, the name of this international company, and would you be kind enough to supply us with a copy of the draft strategic plan of that company?

Mr. Brooks: Sure, Chairman. I would prefer to just submit that in writing to you, rather than name that company publicly.

Mr. Chairman: Okay. Let me just ask. On the question of sales and gross profit, we observed in 2014, as you indicated, gas sales was about $15.8 billion. I guess that was the peak of prices, high prices, commodity prices, volumes, among other things. And in 2015, it went to $12.5 billion. The gross profits went from 8.4 to 4.5, according to the figures I have before me. What I would like you to clarify for us is that wages and salaries moved from $338 million to $623 million between the period 2014 to 2015, and total staff cost increased from $433.5 million in 2014 to $750 million in 2015. Could you explain to this committee what was responsible for these huge increases?

Mr. Brooks: Sure, Chair, may I just ask our Vice-President, Finance to address that question?

Mr. Pariag: Morning again and thank you very much. In 2015, you would have seen a significant increase in salaries and compensation cost from $433 million total to $750 million from 2014 to 2015. What happened in the company over the years, the company compensation is made up of merit and market and there was a lag in terms of the completion of market adjustments for the company. So there were two cycles of market adjustments; market adjustments which were due in 2011 and 2013 that were not completed and those adjustments were approved and paid out in 2015 and consequently that is what would have led to the increase in salaries cost from 2014 to 2015.

Mr. Chairman: Could you explain to this committee why these matters were not approved at the appropriate time? What were some of the factors causing that situation to arise so that you had to pay everything in 2015?

Mr. Pariag: Chair, what I could say is that the company at the time would have made gone through the requisite process, in terms of seeking approval from the line Ministry for the payment of wages and salaries to all employees. There were significant delays in terms of those approvals. I cannot speak in terms of what caused the delays at the Ministry. But the approvals were received and paid in 2015.

Mr. Chairman: I am looking at your accounts for 2015, 31st December. I am on page 70 and 71, respectively. I have under the cost of sales, I see you have staff cost amounting to $151 million in 2015. And then I see also under administrative maintenance and general expenses, another component called staff cost, amounting to $623 million. Could you explain why we have these two components and why not one?

Mr. Pariag: Mr. Chair this is the presentation of how costs are presented in the financial statements. So the cost is presented. You will see there are two elements: cost of sales, those are the costs directly involved in the operations of the business and, therefore, the salaries costs relating to those employees who work in the direct operations of the business would be allocated under cost of sales and all the other staff would be allocated under selling/general administrative expenses.

Mr. Chairman: Would you want to provide us with the number of employees in the categories of employees under the two headings? How many workers are employed in NGC under this broad heading of staff cost, under cost of sales and their respective offices? And the second category under administrative maintenance and general expenses, $623.171 million, could you again give us a detailed breakdown of the category of workers? And as you are on that could you give us a ballpark figure as to the total employees of that company?

Mr. Pariag: Sure Chair. With your permission I would like to submit that information, in terms of the head count for the company over the years to you.

Mr. Chairman: No, no, no, no, no. I am talking about two things. I am saying that you need to submit to us a detailed breakdown of the categories of workers, the numbers, which you would submit in writing. But you must know, right now as we speak, and the Chairman must be aware as to the number of employees of NGC. You do not have to submit that in writing. You can tell us that now.

Mr. Pariag: Sure.

Mr. Brooks: Chair, the number of employees at the NGC currently is 1,047 people. At NGC we have 759 people. At National Energy we have 126 people and at Phoenix Park we have 182 people, yielding a total of 1,047 persons.

Mr. Chairman: Thank you very much. What I would like, Mr. Chairman, is if you can provide us in writing a detailed breakdown of the categories of workers, the offices that they occupy, so we will be able to have that on our records. I would ask Mrs. Baptiste-Primus, you can proceed at this time.

Mrs. Baptiste-Primus: Thank you kindly, Mr. Chairman. Mr. Chairman of the committee, Mr. Chairman of NGC, I am focusing on issue No. 14, which has to do with auditing. In response to our question that was posed to NGC, how effective has the internal audit unit been in detecting inadequacies and misappropriation of funds, we were advised that inadequacies in internal controls were identified and reported to management and the audit committee for corrective action. My question is: what is meant by corrective action? What does that entail and what measures have been implemented to ensure no further recurrence of such inadequacies? It is under issue No. 14, auditing.

Mr. Pariag: Chair, could I have a repeat of the question, please?

Mrs. Baptiste-Primus: Certainly. In response to our question, we were advised on the inadequacies in internal controls which were identified and reported to management and the audit committee. My question therefore, is, what does corrective action entail and what measures have been implemented to ensure no further recurrence of these inadequacies?

Mr. Loquan: Thank you very much. Morning, I think I would just try to answer the high level and I would probably ask Narinejit our VP Finance to go in more detail.

Mrs. Baptiste-Primus: Certainly.

Mr. Loquan: You speak to the issue of internal controls. I would like to highlight, I guess some broad areas since the new management and board have come in place. Some of those areas include when we speak of corrective actions, means putting proper policies and procedures in place. That is one action, and those would extend to new ethics policies, conflict of interest policies, which are now approved by the board and sanctioned across the entire NGC group. So that was done in the last months.

We also have in place the regeneration of the enterprise-wide risk management system where we identify areas of exposure at the strategic and operational levels. That is, in essence, being worked through as a living process. That is going through the audit committee. So in fact today there is even a session with all the presidents and the executive leadership teams to go through those risks in more detail.

There is focus on the procurement practices in the organization. So the previous audits, with respect to the "procure to pay" in the SAP system would have been an area of exposure where you can have, for example, double invoicing, loopholes in your system. So those areas of exposure have been 95 per cent closed. It is in progress and I am sure the VP Finance can talk a bit more about that.

We also have internal audits that are scheduled across all divisions in the company. As the Chairman would have alluded to, the audited statements have been brought up to date and shortly we would be releasing the 2016 audited statement shortly. There is also the way how project management is being done in the company and what policies governing those kinds of projects where there are significant spend in the company. There is now a project management policy which includes procurement plans to be documented in accordance with the project management as well as individual stage gate decision-making, so that you can get to the right decisions being made on these projects.

I would also add that Ms. Thorne also has a new function. She is in charge of corporate compliance and governance, which was previously incorporated in the legal services and corporate services function. This is a dedicated function that is ensuring that our board minutes are up-to-date, all the committee minutes are up-to-date, all the compliances with the State enterprise manual is also being done and the compliance with the company Act. So this is a dedicated function which is evolving.

So that is a sort of a high-level answer I would give, in terms of corrective actions and I would ask the VP Finance to go in more detail.

Mr. Pariag: Thanks very much. Just a couple more initiatives, in terms of dealing with these issues. One is the whole issue of governance and reporting. So there is reporting on a monthly basis to the board and the board subcommittees. There are monthly meetings of the audit committee and the board of directors of which these issues of governance are reported directly up to those committees.

Further, with respect to reporting, as the Chairman would have alluded to in his opening statements, we are generating financial reports on the first working day and complete reports on the tenth working day.

We are looking at our performance relative to our budgets and plans and management has to account for any deviations from the plan. So from a reporting perspective there is opportunity for line of site, in terms of if there is anything going wrong. Yeah? So that is cost management governance.

In terms of the information technology platform, we have also placed significant focus in terms of our IT and governance controls. So we are way advanced in the completion exercise of looking at all our access privileges of employees to our IT system. We use the SAP system and we are looking at role configurations and the accesses by each employee to our IT system. That exercise is almost 95 per cent completed and that would strengthen our whole internal control process in the organization.

Additionally, on a weekly basis, at our weekly executive management meeting there is reporting on the closure of our P1, and P1 is our priority audit action items. So, on a weekly basis that matter is addressed at the executive meeting.

Mrs. Baptiste-Primus: Permit me, Mr. Chairman. I was particularly heartened, Mr. Chairman, in the information coming from yourself regarding the introduction of what you term a flash report which allows you and your board a clear look at revenue at one day at the beginning of each month and also the tenth working day management reports which are produced. Perhaps, it would be useful if you could share a little more information on how useful this new approach has been in placing the NGC on a growth path.

Mr. Brooks: Thank you very much, Mrs. Baptiste-Primus. Just to add one or two comments and I think shared would be evident to you and to the committee, the tremendous emphasis and work which has taken place on governance. And just to make a couple additional points. We actually did a request for proposal for all of our auditors when we got in. That was completed in 2016 and we have appointed new auditors. And more than that, we have worked very closely with our internal and external audit departments to coordinate their schedule of work to ensure no overlaps but to ensure that there is a close correlation to ensure that on a line by line and project by project basis there is proper oversight of projects.

On the question that you raised of the flash reporting, what we have done with the flash reporting is we have adopted some private sector approaches, which allow us to be far more proactive with our business. So that we have streamlined the report across the company, so that we take a look at revenue. We take a look at your sales. We take a look at your cost of sales. We take a look at your expenses and then we take a look at your profit before tax. So that gives us a high-level view, on the first day of the month, as to how we are performing. If there is any remediation action to be taken, we are in a position to take that a lot earlier. No longer are we waiting until three weeks, four weeks or a month with management accounts by the tenth working day. And that is the protocol that we are following.

What we also we did as well is that across the team, with our Presidents and our Vice-Presidents of Finance collaboratively, we streamlined the financial reporting across the group. So what it did is that it reduced the time for consolidations, improved the consolidation process and allowed us to have a group-wide look at the organization, which is the standard that international companies use.

We have also deepened the process by taking a line by line look at each of our expense items so that we are able to say, in the case of each expense item, where are we slipping, what can we improve, where are we doing well and then how do we move as an organization back to our KPIs and back to our strategic plan. So that is the process that we are taking Chairman and colleagues.

Mr. Cummings: Thank you very much, Chairman, and welcome to the members of the board and management of NGC and the Ministry of Energy and the Ministry of Finance.

In your written response to a question, NGC has stated in regards to the awarding of contracts, that NGC's awarding of contracts is governed by tender rules procedures, standing orders and NGC's delegation of authority. Could you give some clarity as to what is meant by NGC's delegation of authority in reference to the award of contract?

Ms. Thorne: Okay. Well, NGC's delegation of authority is a document which allows various levels of personnel within the organization to have certain authority with respect to approving contracts. Certainly, there are certain levels which have to go to the board and basically those would be like values of contract over a certain limit would go to the board. Then you would have those that would go to the tenders committee and then, obviously, there would be those that would be approved by the president and then it is then delegated down to management within the organization.

Okay, you also have that delegation, as I indicated, in terms of the President. He can delegate certain authorities, in terms of award of not only contracts but other areas within the organization, approving authority within the organization. So this is basically what the delegation of authorities manual allows for within the organization.

Mr. Cummings: Do you want to add something, Mr. President?

Mr. Loquan: I would just say that covers not only the award of contracts but also any variations to contracts. So we have a framework that approvals are required.

Mr. Cummings: Thank you. In relation to—also in your written response—the whistleblowing policy, I see here that a policy was drafted in 2015. What is the status of that policy?

Ms. Thorne: Okay. The policy was originally drafted to apply to NGC in 2015. Then it was felt in fact the position we have been taking within the organization, within the group actually, is to have group policies which would apply throughout the group. So we extended the policy to apply throughout the group. We have basically sought comments from the other members of the group and it is in a position now whereby there were some further comments that were submitted by one or two of the other companies. They are National Energy and Phoenix Park Gas Processors Limited. We are in the process of incorporating those comments and once we have finalized it then we will be submitting it to our various boards for approval.

Mr. Cummings: Is there any policy in place to deal with discrimination within the company or within the group?

Ms. Thorne: Well, our business ethics policy, basically would address areas of discrimination within the organization. Okay. And of course we would be governed by the laws of Trinidad and Tobago.

Mr. Cummings: My final question, does NGC have any policy in place to deal with issues of conflict of interest?

Ms. Thorne: Yes. In fact, just last year it was refreshed and it was—in fact we have—the policy is in effect. In fact, we have each employee is required to sign a conflict of interest declaration form on a yearly basis, and basically once it is signed it is filed and it is maintained within the organization.

Mr. Cummings: Thank you. President.

Mr. Loquan: Yes, that forms part of our new ethics policy as well. So everyone has to sign these conflict of interest documents, starting with me, every year.

Mr. Cummings: I am pleased to hear that. I had some other questions in relation to some of the period 2009—2015, but having heard from your Chairman, in terms of the direction that the company is now and in particular the governance structure that has been put in place, I think that I no longer need to ask those questions.

Mr. Small: Thank you, Mr. Chairman. Once again, thank you for giving me the floor. Welcome again members from all the entities before us.

My first question on the track I am going, I am diving straight into the numbers because I am noticing a certain trend here in the company's financial performance. Now, Mr. Chairman or Mr. President, whoever chooses to take this question, I have noted that the company's margins have dived significantly from 2013 to 2015, in particular, in terms of your margin, in terms of your revenue, as opposed to your expenses. Whereas in 2013 that margin was 31 per cent. In 2015, that margin was 9 per cent and I want to tie that into the increase in the cost of operations, as outlined earlier by, I think, the VP Finance, in terms of your increased staff cost.

I noted that your increased staff cost was approved and paid in 2015; a year your profits had decreased by 80 from the year before. So that I struggle with that just operationally, that in a year when your profits have declined by 80 per cent, you are increasing your operating costs, which is the larger number that is going to be fixed going forward, significantly.

So that I would like to understand what is the plan to treat with this, because your margins have decreased. That seems to be a trend that has been going on for the past three years. Your operating cost has increased, and I am struggling to the understand your profitable—how you are going to sustain yourselves? Because within your submission, under risk management you said right now your company's mainly financing its operations with debt. So that unless this statement is probably, I am not taking it in proper context, but when I marry those three things, your margins are decreasing, your costs are increasing, and then you are financing your operations with debt, I would like to understand what the plan is to bring the company back on a growth path.

Mr. Brooks: Thank you very much, may I call you Sen. Small, for that question?

Mr. Small: Certainly.

Mr. Brooks: Your observation is absolutely correct. We have to address our margins and we have addressed our margins as well as our costs. And to give you some examples of the work that we did. The Teak and Poui platform was costing the NGC $250 million in loss annually, quarter of a billion dollars. We were able to lease out that platform, come to an agreement with Repsol in

2016, rationalize that business and save a quarter of a billion dollars.

Insurances across the group, there were different arrangements, and because of our strategic focus and alignment as one group, we were able to reduce our insurance cost by 23 per cent and save $12 million.

We launched a vendor forum in 2016, speaking to all of our vendors and providers and saying to them that the jurisdiction of Trinidad and Tobago has to be more competitive and the NGC has to be more competitive if we are to win business. And we asked each of them to try to provide services at a reduced rate of 20 per cent less, because we were very conscious, as you are conscious, that that margin was not sustainable. The response that we have gotten is very positive. But we did more than simply ask you to reduce it. What we did is that we actively looked at the business flow and the business process to say one, how can we improve this in terms of efficiency; two, how could we better streamline it across the group; how could we manage our inventories better across the group; how could we manage our buy-in better across the group; how could we put supplies in place in a way on a contingent basis or a consignment basis without cost to the organization to fix it.

11.30 a.m.

We took a look at our investment portfolio and said, through the Finance and Investment Committee: how can we cause an investment portfolio to perform better by taking a look at the construct of the portfolio, the asset allocation and the investment strategy and move it forward?

What we met in 2015, relative to our staff, was an obligation which had crystalized. Our staff—and God bless them—the staff of the NGC is a tremendous group of people. As you know, there was a wage freeze in 2015 and 2016, and our staff understood where we were.

The dispensation going forward is one way we are going to have to be very careful, because the past is not going to look like the future, and so we have to manage our margins a lot more tightly. I have given you the context of competitiveness; I have given you the context of the focus on productivity—working smarter, using ICT to drive our business; the use of vendor forums and aligning more closely with our vendors; better management of our inventory; management of overtime and, indeed, all of our costs going back to our OEMs to say: how do we take cost out of this business to ensure that we are relevant going forward?

Our President may have some thoughts that he may wish to add, but that is the philosophical, commercial and overarching strategic approach that we use at the NGC.

Mr. Loquan: Sen. Small, I guess there are other things that the management is working on, and that is also enhancing revenue. So, one of the things to look at is the cost line and the other thing is to look at the revenue line. And you may ask: well, what can we do besides margins on contracts?

One of those areas actually lies with marketing and trading. So one of the areas that has started over the last four years and, particularly, in the last year, we have also been involved in third-party trading, which means that we actually buy and sell LNG that does not belong to NGC. We have gotten into government-to-government arrangements with places like Egypt and so on, and that has actually worked in the favour of Trinidad and Tobago.

I think you would also be aware that there are several countries looking to import gas going forward, and it is scheduled to go from 30 to 50 countries in the next decade. So there is an opportunity for marketing and trading to become even better across not only the NGC company, but also PPGPL as a subsidiary in the group. I think going forward even beyond that, possibly Petrotrin and the Ministry going forward.

So there are areas we are looking at on the revenue side, and we are also looking at areas in procurement such as e-tendering, possibly e-options in the future which can also help in some cost savings going forward.

Mr. Small: Thank you, Mr. President and Mr. Chairman. I note from the Chairman's response, in particular, the issue of how you manage your costs and in terms of how you sensitize your workforce, because a third party looking at the numbers here—you have a lil over 1,000 staff and your wage bill in 2015 was $555 million for 1,000 staff. It just seems like a large number. So that sensitizing your staff to the realities of the current state of the company, and not only the company but the business that you are in, is very, very important to stabilizing the company and plotting going forward.

Because also when I looked at the numbers, over the previous term, the average wage cost in terms of wages to revenue was about 2 per cent. In 2015, it jumped to 4 per cent. Now, that may not seem like a big jump to most people, but all along the history of the company that has been in the 2 per cent range, all of a sudden that is doubled. So that is something you need to, in my respectful view, keep close.

My second and final question in this round, I want to just ask regarding your debt management, I have seen that your debt service coverage ratio in 2013 was 15 times. In 2015, it is down to three times, and then your interest cover was 23 times in 2013. In 2015, it is down to six times, which means that your ability to service your debt has markedly reduced. So I would like to understand what—I have a good handle on what is causing it, I want to know what is the plan?

Mr. Pariag: Thank you very much. So the area of debt management is a key area of focus for the NGC at this point in time. Clearly, I mean, as you rightfully said, the ratios are declining in terms of the cover and that is directly associated with the cash flows being generated in the business and the declining cash flows and, therefore, as both the President and Chairman said before, it speaks to some of the initiatives that the company has to take in order to boost that top line and the cash-flow generation. So one is the initiatives in terms of the commodity trading, the whole issue of cost management. In the business, the specific focus on cost—cost in all areas of the business—looking at generating additional returns from our investment portfolios. So these are some of the initiatives that will boost our cash flows to improve on our coverage ratios as we move forward.

Mrs. Crichlow-Cockburn: Thank you, Mr. Chairman. Mr. Chairman, I wish to commend you and your team for recognizing the importance of having a strategic plan and having completed what you define as an excellent plan. When I look at the 2011—2015 strategic plan, there were some issues identified as weaknesses and they related directly to your human resources. You also just made the comment that thank God for your staff. So I am hoping that within the new strategic plan you would have taken action to, one, treat with the issues related to the human resources, because it says here:

While the company had been making strenuous efforts to correct many long-outstanding human resource issues, employees remain unconvinced.

So I would like you to share with this Committee what you have done thus far or what you have included in your strategic plan that treat with some of your human resource issues and whether you have, in fact, aligned your structure now with your new strategy.

Mr. Loquan: Thank you for that question. So I would certainly take this question. We would start with the fact that we now have a strategic plan. One of the first things we had to do is align the organization with the strategic plan and the budget for 2017. So one of the activities that was completed in the month of March 2017 was the roll-out of the strategic plan and the budget for 2017 to all divisions in the company. So all employees should have now been witness to this strategic plan—what are the areas of focus and why the company actually has to conduct its business in a certain way that is quite different for the future as we recognize.

The other issue that you raised is the issue of structure. You would have seen that—well, part of that discussion now going on is after the business strategy is rolled out, we are also formulating an HR strategy. The focus on 2017 is going to be a lot on skill, technical skill, because we recognize that we are trying to build the institutional capacity of NGC to meet the objectives of the business strategy going forward. You would find that in the area where we have a lot of commercial activity, particularly with expiring or expired contracts, for example, that is one area, we would recognize that there is a need for commercial restructuring as well as the focus on marketing and trading that I just mentioned and, of course, the legal side of the business has to be improved when it comes to having all these contracts in place. So that is just one example of what we are thinking and doing when it comes to revamping the structure of the company.

That exercise, we have used a consultant to help us through this exercise to see what are the needs that we have and how we have to meet some of those needs going forward. That still has to be discussed fully with the HR committee and the board. So that is work in progress.

The other things that we are doing is trying to communicate with the organization as I have just said, starting with the roll-out of the strategic plan, the budget. Soon enough, we are also revamping the bonus plan which still has to be fully finalized and approved, but once we have that, that would also be rolled out in the organization; and now the process over the next month would be to finalize what we call the IPCs or the performance measures for each of the individuals in the organization.

So, at least, we should have at the end of April or in May—early in May we should have, first of all, the strategic plan rolled out; we should have the budget that has been approved also rolled out to the organization in terms of what projects we are doing; what are the activities for 2017. We also would have the bonus plan approved and rolled out. That would be linked to supporting some of the strategic measures in the strategy. Safety is one of them; completion of our projects is one of them; governance is one of those areas. Right?

So as long as we have that alignment there and we kind of formalize it in terms of the performance contracts with the individuals then we should have a better roll-out and alignment in the organization, and then we plan to have quarterly sessions which would therefore inform where are we as an organization at the end of each quarter. So that is how we plan to run the business. So the first-quarter meeting should have happened this month—there were too many activities this month—they will happen in May. Right? So that is the broad view.

Mrs. Crichlow-Cockburn: Thank you very much, Mr. President.

Mrs. Baptiste-Primus: Chairman, if you would just permit me. Just to piggyback a bit and to refocus the President's attention to two points he made. I would like you to advise this Committee: what are your bonus plans? And what is the link between your bonus plans and the performance measures that you speak about?

Mr. Loquan: Okay, good question. That is actually a centre of discussion at the moment. Right? [*Laughter*] So that is going through the board, but the idea is that we would have a bonus plan that would have a few elements in it. One element would be how the group is performing; the other element is how the individual companies in the group are performing; and the last element is how the individuals are performing in that group. So that is sort of the very broad genesis of the bonus plan.

When we look at how we are shaping that bonus plan, we would look at weightings and measures that relate to the areas we want to improve in 2017 certainly. Those areas are five main areas: one is safety; and the other is our cost management, revenue management in the company; the third area is how we actually conduct our projects—whether we meet it on schedule, on time, et cetera without quality issues; the fourth area has to do with skill in the organization and how we actually improve that by the end of the year; and the fifth area has to do with governance. We spoke about the P1 items and the high-exposure risk areas. We would like to close those actions off.

So the bonus plan is actually linked around those elements. The individual measures, therefore, would have those elements included along with their technical functional areas to improve. So those are actually being formulated during the month of April. By May, we plan to have this fully approved and rolled out.

Mrs. Baptiste-Primus: I was not too clear, Chairman and, perhaps, it is my ability to internalize all that the President has just said. But is it that the bonus plans would be linked to percentage of the profitability of NGC or would it be linked to the annual income of the individual?

Mr. Loquan: Well, as I said, there are three elements and a portion of it will be linked to the group financial performance. That is one of the measures. It is not going to form the majority of bonus because that is dependent on performance, the company's performance, but there is an element where the group financial profitability is included for that bonus plan. If the group performs better than expected, there is also a slight increase. If it performs less than expected there is also less to be paid out. So it is designed around those kinds of principles.

The company side of things is really linked to the way how individuals are contributing to the results of the company in safety and those areas, and the individual level is where you can impact the input side of some of those measures. So, for example, if we take the company side, it is linked to safety performance where you want to have zero recordable injuries. For example, one of those areas that can impact that is how you are making your walk- around as an employee and making your safety walks and things like that. So those are the things that individuals can impact and be measured on to get the result at the company level. So those are the principles.

Mrs. Baptiste-Primus: Thank you, Chair.

Mr. Brooks: Chairman, may I just add one or two points, because Mrs. Cockburn asked the question around employees and what are we doing from an HR standpoint? I think our President and Vice-President, Finance, elaborated on some of the key areas. Just one or two areas to add. We are working very closely with the NESC, with UTT and with UWI in programmes with the NGC to ensure we improve the skills of people. So that, for example, we are talking to their engineering departments, their petroleum departments to craft programmes. We are also bringing in institutions to do broader training across the group in areas like FIDIC contracts, project management, et cetera. So that we are able to train larger groups of people. That is one.

Two, our philosophy is promotion from within the group. So if an opportunity emerges and you sit in Phoenix Park, but you happen to work at National Energy, you should have the opportunity to be able to be part of the promotion process for that opportunity, and we have made that very clear. So we want to promote across the group and deepen the skill bank across the group. If, of course, we do not have the right resource or skill set, we would go outside.

The third area that we are looking at is a group ESOP programme, an Employee Stock Ownership Programme, because we have TTNGL, the Trinidad and Tobago Natural Gas Limited Company, which is our subsidiary, which we launched, $1.6 billion. It is the largest and most successful IPO done in Trinidad and Tobago—we have an APO coming—and the capital appreciation in that has been over 20 per cent, with the dividend yield being over 6½ per cent. We want employees as they work and they promote NGC and do well, for them to also have the benefit of those shares and the dividend income as well. So that is part of our philosophy, which links many of the elements that our President and our Vice-President spoke to. I thank you for the opportunity just to share that with you.

Mr. Chairman: A couple areas of clarification. First of all, I would like to ask the Chairman to provide us with a copy of the delegation of authority of contract document that Mrs. Thorne made mention of earlier. I would also like to bring to your attention that we have requested, but it is yet to reach us, a copy of the management letter for 2015. So I do not know if you could make that available to us before you leave, or if you can get it to us before you leave, but that is a very crucial document we would like to look at.

I would also like to suggest, and even before I do, may I ask: Mr. Chairman, who is your new auditing firm or company?

Mr. Pariag: The firm of Deloitte & Touche Chartered Accountants was appointed in 2016 through an open-tender process. They were awarded a contract for three years.

Mr. Chairman: But they were there before, but they just went through a process?

Mr. Pariag: Yes.

Mr. Chairman: As you are on that. Mr. Chairman, I have observed that the management letters between 2009 2014, because I do not have 2015, one of the significant features throughout those management letters were—would have been, rather, the severe weaknesses of the internal control systems or processes within the NGC.

I must admit that when I look through Ernst & Young, they were very detailed and comprehensive as compared to Deloitte, which I find they just skim things over. But I would like to ask, as we seek to strengthen NGC, would you be kind enough to submit to us in writing a detailed outline of all the steps and measures taken to plug and to ensure that the various internal control weaknesses identified between 2009 to 2014—I do not have 2015, but I would imagine that that would have been a repeat in 2015—and if we could have that submitted in writing to this Committee, so we would be able to see what steps are being taken by the NGC to strengthen internal controls within your operations. So I would like to have that in writing.

The other thing I wanted to raise here is, I saw in 2000 and—I think it is 12. Yes. In 2012, Mr. Chairman, if you go to the management letter, on page 17, I do not know if you are in a position to explain to this Committee—cost overruns I am dealing with here. I am dealing with a liquid fuel pipeline which was constructed on behalf of the Government of Trinidad and Tobago. Its original budgeted cost, according to the document, was $585 million and it ended up at $1.04 billion which is a huge cost overrun, according to the document.

I wanted to ask whether the observations made by the auditing firm, Ernst & Young, at that time, on the weaknesses in the project management capabilities of the organization would have been addressed. Would you be in a position to tell us what would have been responsible for these cost increases and delays and the variation of the scope of work as it relates to this liquid fuel pipeline? Are you in a position to help us in this area?

Mr. Loquan: So, as we know—thank you for that question, Chairman—the project has been one of the legacy projects that we have had to try to finish in NGC. We recognize this project has been started since 2007, so we are really talking in the order of 10 years. This was designed to have multi-fuel pipeline run from Pointe-a-Pierre refinery to Caroni. This was, of course, in the context of road tankers on the road and things like that that this project was undertaken. In some of the explanations that we have received in terms of delays over the years have been linked to the history of steel price hikes that have been experienced over the project. That has been one factor. The details can be provided afterwards, but these are some of the high-level factors.

The other thing is, there have been a series of project manager changes over the years, which would of course have slowed down the project quite a lot. And there were incomplete designs which would have resulted in, of course, scope not being well defined and, therefore, increases in costs and delays associated with some of those factors.

The NGC's new management and board, we have undertaken to take this project in very close collaboration with Petrotrin and NP. This has been undertaken for the last months. We can say the current schedule is now expected to have the jet fuel and diesel completed by July of 2017 this year, and the gasoline portion would be completed by September 2017. So that is the latest information we have.

Mr. Chairman: Could you tell us what is the current cost of this project?

Mr. Loquan: The final cost as of March 2017 is forecast to be completed at $1.284 billion.

Mr. Chairman: And could you give us a breakdown? Supply us in writing a breakdown of what would have caused—apart from what you have outlined and if you can even give us in writing—the original figure of $585 million, now the final cost is $1.4—

Mr. Loquan: .284.

Mr. Chairman: $1.284 billion. So give us a detailed breakdown of that. The other area I wanted to raise—

Mrs. Crichlow-Cockburn: Mr. Chairman.

Mr. Chairman: Yes, go ahead, Ma'am.

Mrs. Crichlow-Cockburn: I am looking at Issue 3 here, and it states that Petrotrin would have reimbursed NGC for all costs incurred. Has NGC been reimbursed?

Mr. Brooks: We have not been reimbursed and this stage. We are working very closely with Petrotrin and National Petroleum on the project. In fact, there is some money owed to Petrotrin as well, that is going to come through the PSIP Programme. What we have focused on is to try to bring this legacy longstanding project to a close by July/September as our President said, and we are working very closely with the Ministry from a reimbursement PSIP perspective.

Mr. Chairman: All right. I also wanted to ask, there is a provision in your submission here that deals with long-term receivables and there is something called staff loans, Mr. Chairman. Could you explain to us, first of all, whether staff loans is a mechanism or an instrument that has been approved by the Minister of Finance as Corporation Sole? Could you provide this Committee with an appreciation of what this entails? How many people have accessed these staff loans? What is the volume, or the value, I should say, of these staff loans? What is the maximum one can access a staff loan at? What is the outstanding amounts owed by staff to the NGC?

As I said, whether this—this is not the first time we have encountered this. The last time we looked at it, we asked the particular agency that was before us, whether they had the approval of the Minister of Finance and they did not. So I do not know if it is the same with NGC. So could you explain to us this whole novel concept of staff loans?

Mr. Pariag: Chairman, thank you very much. With respect to staff loans, those would have been loans provided to employees to be repaid over a particular period of time. What I want to request from you is that the company can provide you with full details of all the staff loans and the approval process that would have been received.

Mr. Chairman: Well, could you tell us, Mr. Chairman, whether this is a matter that has been approved by the Minister of Finance?

Mr. Pariag: Chair, I would have to come back to you in terms of the approvals that would have been received.

Mr. Chairman: So are you telling this Committee that you were lending moneys to staff members and you did not have approval from the Minister of Finance? Because to come back to us means, what? Are you going to put it in writing or you do not want to disclose whether you got the approval of the Minister of Finance?

Mr. Pariag: What I am saying is, I do not have the information right now in terms of the approvals.

Mr. Chairman: Could you tell us, for instance, how many people were involved in this? Do you have information on this?

Mr. Pariag: Chair, the details, we do not have it at this moment.

Mr. Chairman: Listen, this is a very serious meeting. I take umbrage to a very important agency and company like the NGC coming before this Committee and telling us that you do not have basic information available, when in your submissions you have indicated these matters. So, at least, you ought to have the information available. Even if you cannot give us in detail, you can give us a summary and then subsequently provide us with the information, but you cannot be telling us every time we ask a question, you would get back in touch with us. That is not the purpose of our meeting. We need to get information and details can come later on, Mr. Chairman, but at least you must have an appreciation of what is involved here.

This is public money, you know. The NGC is owned by the taxpayers of the Republic of Trinidad and Tobago and, therefore, we are acting on their behalf and we want to get information. So that is all we are asking. Do not give us all the details, just give us a summary and then you could submit subsequently details. That is all I am asking on behalf of the Committee. If you want to come back to the point, Mr. Chairman, you can do so, but please provide us with some summary of this particular matter.

12.00 noon

Mr. Chairman, maybe whilst the accounting officer is munching on this one, may I ask you the following; we have observed that the NGC seems to be the whipping horse when it comes to being asked by organizations to pay up. In other words, you are being sued. You just admitted that you have claims amounting to $5 billion and above, and you have said, or you have been able to address over $1 billion in claims thus far. What I would like to have clarified is this, when the NGC is entering into a long-term contract, gas supply contract with BP, or BHP, or EOG, is there any provision in those long-term contracts that would impose sanctions and penalties on these multinational giants if they fail to comply or they fail to supply NGC with the requisite supply of gas in the 20-year contract? I am asking this because I am realizing, Mr. Chairman, that other players are suing the NGC, based on what you have said, but you have not told us whether NGC is suing those other players who are supposed to be supplying you with gas for 20 years, and for some strange reason they have failed to supply you with gas.

So I would like to know, and the people of Trinidad and Tobago would like to know whether there are provisions in these long-terms gas supply contracts between NGC and these powerful energy giants that supply you with gas as it relates to shortfalls, and what action you can take on behalf of the people of Trinidad and Tobago whenever they fall short in supply, rather than you being sued consistently by other persons and organizations. So I would like to have some clarification on that, Mr. Chairman.

Mr. Brooks: Mr. Chairman, taking a step back, the NGC was very careful back in 1995 and 1996 to ensure that it properly contracted for supplies of gas during the 20-year period. These agreements were struck at a time when the NGC and the Government of Trinidad and Tobago were attempting to nurture a downstream petrochemical sector in gas, in ammonia, and in methanol, and, therefore, many of the agreements with the upstreamers, BP, BHP, EOG, in the construct of their liquidated damages provision, in the construct of their force majeure provisions all differed, and there is a misalignment between the penalty provisions and those contractual provisions with the upstreamers versus the downstreamers. The protection at the time was that given that for many years we had an overabundance of gas that it would not occur. In fact, it did occur, because the challenge is during the 2010 to 2015 period, when continuous investments which should have been made were not made, the NGC found itself in that difficult position. So let me answer the question very specifically, one is that, to the extent that the agreements allowed, NGC has prosecuted, in the case of each of these companies, recoveries. Those recoveries are substantially less than the obligations on the downstream side, which is the petrochemical side.

Those agreements were struck 20 years ago, and part of our renegotiation process is to improve the alignment, or the realignment between the contracts on the downstream side and the contracts on the upstream side. And you would have heard me say, my words, a route to branch review is required of these agreements going forward because we have a convergence of downstream and a convergence of upstream in the next period, and what we have to do is that we have to be very careful in the restructuring of these provisions across the entire agreement to ensure that we have a better match between the upstream and the downstream side, as we look at all of the terms and conditions, because the architecture in the energy sector has changed dramatically.

Mr. Chairman: I want to ask Mr. Lashley, the Permanent Secretary, a question, in the management letter dated 2014, under issue number four, dealing with Atlantic LNG, Trains 1 and 4; I wanted to ask Mr. Lashley: who determines in Trinidad and Tobago the splitting of national gas supplies—the Government or the multinational corporations? In other words, 50 per cent of our natural gas, as I understand it, and you can guide me, goes towards the LNG plant, and 50 per cent remains within the national domestic economy, could you tell this Committee whether you are in a position to state who determines the splitting? Is it the Government of the Republic of Trinidad and Tobago? Is it the multinational corporations? Or is it a combination of both?

Mr. Lashley: Thank you, Chair, and good morning to everyone, again. The direction or the allocation of gas there are—let me just answer you formally—at this time there is no formal allocation policy, gas is directed based on the contractual obligations that would be involved in the various arrangements. So, for instance, the upstreamers have contracts, as you just heard from the Chairman of the NGC, to supply gas to the NGC, certain volumes and prices, and there are also contractual arrangements to process gas into LNG and sell the LNG on a netback basis with entities external to Trinidad and Tobago. So that the direction or the allocation of volumes is guided by those contractual obligations. Now having said that, and having heard from the Chairman, you would realize that the decision in terms of direction of gas in a curtailed environment would, in large measure, be driven by what sort of value, on the one hand, but on the other hand in terms of penalties or provisions in the respective contracts for supplying less than the volumes required.

Mr. Chairman: You see, I raise this question against what is submitted before us, and I want to just indulge the Chairman and your good self. It says, and I quote, it was noted that the evaluation of these investments, that is in Trains 1 and 4, was done internally. NGC indicated that there was difficulty sourcing information from Atlantic and should have used the waver in the standard which allow exemption if sufficient information was unavailable. At the request of the auditors a third party was hired to do the review. The report was sent to the auditors on April 02, 2015, and, subsequently, was not used by the auditors as a result of insufficient information. So the question I am asking, essentially, is that the NGC has investment in Train 1 of the Trains 1 and 4, and for them to make a determination, Mr. Chairman, they need information, and what this is saying is that there is insufficient information available to NGC to make a determination, and in those circumstances how would NGC know, or be in a position to determine whether it is getting a proper return on its investments?

Now, my information, and tell me if I am wrong, I have been advised that in 2012/2013 the NGC served notice on the Atlantic LNG to get out of this contractual arrangement, and I think somebody mentioned earlier that NGC does its own marketing and trading internationally, and therefore you are able to get more value for your cargo than if you had gone through another agency within the Atlantic LNG. If that is so could you tell us whether the NGC is in a better position given this experience that I have outlined, and given what is taking place with NGC being able to trade and market its own cargo on the international global market? Mr. Chairman.

Mr. Brooks: Sure. Chair, I am going to respond, I am going to ask our President and Mr. Look Kin to support and to assist. That excerpt that you read is a 2014 excerpt, I think it is, the position has charged markedly. The position has changed markedly. Our view is that when we sit on a board and we are an "investee" we are entitled to information as any other shareholder and director. We are doing independent analysis today, sensitivities, pricing, return, to ensure that investments, one, are not impaired, and, two, they provide the level of return that they should. Mark Loquan, our President, sits on the Atlantic board, he is privy to all of the documentation and information as any other director in that board, and we are doing that independent analysis.

So the position that obtained with Mr. Maharaj in 2014 and Mr. Chadeesingh in 2014 no longer obtains, and that is the kind of work that is important for any company which has an investment in any subsidy. We also to have been very careful to ensure that if an investment is impaired we bring that to book quickly, and you would have seen that in our Angostura investment, as we work to try to improve the quality of people, the quality of investments that we have. So that is the point on that board. On the other question of the—there was another element to that question, Chairman, which I have forgotten, and if you could kindly remind me, please?

Mr. Chairman: Well, what I was asking is whether the value in terms of the returns to NGC is much more lucrative today than it would have been, let us say, before 2012 when you had another agency being charged with the responsibility of marketing and trading your cargo and telling you what returns you can gain from your cargo, but now that you have gotten out of that arrangement and you are now engaging directly in trading and marketing of your LNG cargo, are you getting better returns on it and what lessons are there to be drawn? Because I am advised that Petrotrin has three times the amount of cargoes that you have, and you are doing it on your own and, yet still, Petrotrin is tied up with the old marketing trading arrangement, which, from what we are picking up, it does not appear that we are getting a reasonable return on our investment through the Atlantic LNG process or project. That is what I was trying to get from you, Mr. Chairman.

Mr. Brooks: Mr. Chair, you have asked several questions in there, and I would try to distil one or two of them. One is that there is a contractual obligation with Atlantic LNG and its cargoes which we cannot break. Those are marketing arrangements which have been put in place and those contracts are sacrosanct. To the extent that we have cargoes, what we have seen since 2014, repeated in 2015 and 2016, is that the marketing of those cargoes by the NGC has been substantially more profitable. And, as the President said, we have used those cargoes to enable us to build a base to market third-party cargoes, which has also been done very profitably. We have to be very careful to manage the risk exposures on those cargoes, and recall too, Chairman, that we have been marketing LPG, butane for 25 years, and so it allows us to build a commodity trading desk across the group, and which would allow us over time to also take a look at the Minister's share of gas as a potential, to market that, should the opportunity become available, as well as, to work closely with Petrotrin, with whom we have been working to ensure that we deepen capacity and build out our skill set.

So the short answer to your question, Chair, is, yes, it has proven to be far more profitable as you manage the risk. We are also training people in that area as well, so they are working with major companies. We are sending them out to major companies now so that we have the capacity, the skill set, the bench strength to be able to build out that arm of the business which will provide a new stream of revenue, in addition to our traditional business, and, therefore, to help us in terms of volatility of income. So we are very encouraged by what is happening in this area.

Mr. Chairman: Yeah, well, I am happy that you have been able to respond to that. I just want to refer you to page 13, in terms of your submission, under risk management there is a table that deals with 10 risks, and I wanted to ask you if you can give us an update. The document that you submitted to us, I want to refer you to page 14—all right, under risk management, Mr. Chairman, you would observe that there is a kind of matrix where we dealt with, among other things, shortage of competent staff to operate NGC's critical facilities. Are you with me?

Mr. Brooks: Chair, we are just trying to find the page.

Mr. Chairman: Pages 8 and 9 of your submission, and you have said that the current level is very significant, according to what we have before us, and yet still the residual risk level is minor. There are about 10 risks, challenges that you have outlined, could you tell us what is the current situation, first of all, with risk number two, risk number four, risk number eight, and risk number nine, and the rest you can put in writing so that we will have an understanding of the position of the NGC insofar as these risks are concerned. So risk number two, for example, deals with the shortage of competent staff to operate NGC's critical facilities. The other one deals with, which is risk number four, the building of houses and projects next to the gas transmission and distribution pipelines. The other one deals with late procurement of critical material, goods, works and services. The other one, RH, deals with the untimely implementation of recommendations from internal and external auditors, HSE and regulatory authorities, et cetera, and the take-or-pay gas sales arrangement, if you could give us a little brief summary of where we are with these matters, and give us in writing a response to all that we have on those pages I have identified. So, Mr. Chairman, if you could just brief us, I will appreciate it very much.

Mr. Loquan: Thank you, Chair, for that. I would say, as a caveat, that the new strategic plan would includes the strategic risk in the organization which, of course, lends itself to issues around failure to supply gas to the downstream, failure to get gas from the upstream, those kinds of business risk are also being looked at and included in the strategic plan. What you would see here, of course, is more operational type risk, which of course is being revised even up to today with the entire teams across the group. But take some of the issues that have been raised here, the shortage of competent staff to operate NGC's critical facilities, where we have our programmes, I would link number R2 with the issue around building transmission close to transmission lines, and so on, and I would say that there is a focus on asset integrity; programme, you would have recognized that a national facilities audit would have been conducted across 30 companies in the last year or two. NGC was below the national average, and that is why the management has taken a very strong view on rolling out the asset integrity programme in a renewed basis across the company. This is being led from the top of the organization, and is structured in teams with a steering committee across the entire group. So, first of all, that is the context in which we are looking at our business. The issue of critical skills in the organization, it seems to be more in the area of the commercial/legal type skills that I referred to previously. That is, of course, areas that we have looked at.

Since coming in, I guess in September 2016, we have also raised the profile of safety in the organization so we now have a senior manager of safety reporting directly to the President, that was not so before, so that is also part of the issue. When it comes to the issue of houses and encroachment of residences close to gas pipelines, we have looked at some of the critical areas in Trinidad and Tobago and we have actually started a process together with the relevant Ministry and Town and Country Planning to divert some of these areas, rather than to acquire all the land in some of these areas. So a process of diversion is also being done in some of those critical areas at the moment. When it comes to the issue of untimely implementation of recommendations, that links back to one of the areas that I talked about in the bonus plan where we said from a governance standpoint we needed to reduce our risk on the P1 items, so the P1 items are actually being covering in these areas, and we are actually measuring the close out of those items in all departments.

With respect to procurement of critical material, goods, works and services, we would have also been forming a new position in procurement and projects, that position is close to completion, and that VP projects in procurement should actually be joining within the next month or two. That is a position that will encompass both the engineering and construction services who are requesting the procurement services, and it would also encompass procurement. So as a temporary measure, until we have the VP projects and procurement, we are having those two groups work very closely together. And, as I mentioned before, the project management policy rolled out across the group now requires you to have a procurement plan for all your projects as well. So those kinds of issues are going on in the organization. With respect to the take-or-pay gas sales and purchase volumes, as the Chairman would have mentioned, we are quite limited in some of the measures we can resort to, but we are taking those issues forward when it comes to the new negotiations taking place at the moment.

Mr. Chairman: Before I ask Mr. Small to come in, there are three areas I would like to just clarify—maybe you can put it in writing, Mr. Chairman—could you provide us with the returns on our investment in Atlantic LNG trains 1 and 4 for the period 2009 to 2015? That is the first question; the second question, this is directed to the Permanent Secretary in the Ministry of Energy and Energy Industries, the gas sales contract with T&TEC and NGC, maybe Mr. Brooks will answer this as well, what is the current status of that gas sales contract and the royalty gas agreement between your Ministry, Mr. Permanent Secretary, and the National Gas Company? The last information we had is that that agreement has not been finalized, so we would like to know if that agreement has now been finalized between your Ministry and the NGC in terms of the royalty gas arrangement, and what is the current status with the gas sales contract with T&TEC, and, of course, you would put it in writing, the returns on our investment in both trains 1 and 4 between 2009 and 2015. I would ask Mr. Small to come in.

Mr. Small: Thank you, Mr. Chairman, for ceding the floor once more, I thank you very much. I want to just change gears—

Mr. Chairman: Before you ask, they have to answer three questions.

Mr. Small: Forgive me.

Mr. Lashley: Just for clarification, you require that information in writing?

Mr. Chairman: Well, what I am saying, if you could give us a summary in a few words and then you will put it in writing after, both for your Ministry and NGC, re: the royalty gas arrangement, and the T&TEC gas sales contract.

Mr. Lashley: Let me ask Mark to just answer on the T&TEC contract, to give an update with respect to it.

Mr. Loquan: Okay. Thank you, Chairman. We recognize that the T&TEC contract has not been in place since 1994, so this is an area where NGC has continued to supply gas, of course, for power, and has not be able to receive payments on a regular basis. That has led to arrears, first of all, and it has led to underpayment back to the NGC for gas. So in terms of broad status, the outstanding balance with T&TEC is actually as of the end of February 2017, US $516 million, so that is in the order of TT $3.5 billion. The situation with the arrears, there has been a couple of meetings with the management, as well as the board of T&TEC, with the new board and the management. So that has been over the course of the last months. There are solutions being explored with respect to funding arrangements for the arrears. With respect to the specific question of the contract with T&TEC, we have a draft ready, so to speak, but we have been awaiting the final pricing arrangements from the upstream suppliers of gas to NGC, and, as you recognized, these are negotiations that are in advanced stages. So as soon as we are in a position to table that contract, and we take it, that should be within the next month or two, that we are able to then put a contract forward to T&TEC.

Mr. Chairman: Mr. Lashley, I will come back to you, but let Mr. Small raise his questions, please.

Mr. Small: Thank you very much, Mr. Chairman. Mr. Loquan's response answered one of my follow-up questions, but I just want to change course quickly, and I have a concern, again. I am following the trend in the company's accounts, in particular the last three years, 2013, 2014, 2015, I have seen where in 2013 the dividend payout was 80 per cent of your profit after tax. In 2014, your dividend payout was 123 per cent of your profit after tax. In 2015, the percentage is a ridiculous number, your dividend payout was 11 times your profit after tax; here is the context of my question, in the Caricris, who NGC ascribed the highest rating since the inception of Caricris, in their last report they downgraded NGC down to, I think, AA+, first time that has ever happened, and one of the concerns they raised is the issue of dividend payments. Similarly, Moody's, when they did the downgrade last year in April, they expressed the same question, the same issue that they are concerned about the way in which dividends have been paid by the NGC over the past couple of years.

12.30 p.m.

So, that sets the frame for my current question. Could the company help the Committee to understand what is your plan? I understand that dividend payments are not totally within your purview to say yes or no, but I think the company has some ability to say, especially when you have international agencies downgrading you and part of the reasoning is that they are concerned about the high dividend payments. What is the plan for dividend payments for the year 2016? To the extent that you have had discussions with your line Ministry and of course, Corporation Sole, help us understand what is the plan going forward, because aligned to that, the company's retained earnings fell from $19 billion in 2013 to $12 billion in 2015. I do not know what it is now.

So that you have a double whammy: your retained earnings are significantly depleted by over 50 per cent and then you have the challenge with your rating agencies, to which you have international bond payments due, saying that, is there not a concern about the trend of the high dividend payments? In particular, 2015 is relatively speaking a financial aberration, because you paid 11 times your profit after tax in dividends. Essentially you took money from your savings to pay dividends. Could you help us with what is the plan for 2016 in terms of dividend payments, and to the extent that you have had discussions, anything you are able to share with us with your line Ministry on this issue?

Mr. Brooks: Thank you, Mr. Small. I am going to ask our Vice-President to assist me in this response. The dividend policy between 2007 and 2014—if you take a look at the dividends from 2012 to 2015, the company paid in 2012, $1.2 billion; in 2013, $4.2 billion; in 2014, $3.799 billion, 3.8; and in 2015, $6.8 billion. The profit in 2012 was $4.42 billion after tax. The dividends paid $4.2 billion. In 2013, $3.7 billion in dividends was paid; the profit after tax was $3.8 billion. That is a clear violation of the state enterprises manual by the then directors.

There were 11 dividend payments in 2013; there were eight dividend payments in 2014, and there were a significant number of payments in 2015, another 11. That surely cannot be the way business is run or conducted, and you are absolutely right, it certainly bit into retained earnings and caused a substantial decline in the asset base of the company; $15.9 billion was paid out in four years, which substantially weakens the balance sheet. Just as a comparison, the prior period, from 2009 to 2011, $1.7 billion was paid out. In 2015—Narinejit, correct me if I am wrong—the policy was changed to allow the company to pay up to 100 per cent of its profit after tax in dividends. No company does that.

So we have sought to do two things, and I will ask our Vice-President to assist. One is that we try to improve the earnings stream of the company with the cost measures, the productivity measures, the competitive measures, and we have also tried to bring the dividend policy back to a far more sensible, rational level to allow us to rebuild retained earnings and the balance sheet. Mr. Narinejit, if you could probably just expand a bit, please.

Mr. Pariag: Thanks, Chairman, just a couple of further thoughts; first with respect to the dividend payments for the years 2013 and 2014. Clearly it went above what was approved in the board policies of the company. The dividend policies for the company allowed up to a payment of 50 per cent of the distributable profit, and those numbers clearly indicated that there was a breach in terms of the policy of the company. In terms of the dividend payment: in 2015, $6.8 billion, a profit of $605 million, 11 times, and that has put the company under significant pressure, to the extent where the cash balances of the company fell to an all-time low and, therefore, it has forced daily cash management over the last year or so.

In terms of dealing with dividend expectations, we have up front communicated to the Ministry of Finance in terms of what is the dividend outlook for the fiscal year. So we have sought to do that up front. We have provided a schedule on a quarterly basis what the National Gas Company could pay in terms of dividends. To set the expectations up front, to clarify expectations.

Mr. Small: Mr. Chairman, to the extent that the company can share any of that information with the Committee in writing, regarding the expectations, so that we can have a sense of what the plan is going forward, because clearly there was no plan at this point in time in terms of this, so we would like, going forward, to understand what is the strategy of the company, at least what you have presented to shareholders.

Mr. Chairman, if you would permit me I have one quick follow-up question on a slightly different issue. This is the issue dealing with the expenditure on corporate communications and community relations. I go back again. I have spent some time with the accounts, so forgive me. When I look at back at your 2012 expenditures, $25 million on community expenses, community relations. By 2015, that number was $209 million. If you go back to all the years and the history, I mean, $25 million in 2012 was high compared to going back further, but to move from $25 million in 2012 to $209 million in community relations. I partly understand what happened here.

My position is, going forward, I would like to understand in terms of what happened in 2016. I would like to be informed that your community relations expenditure decreased significantly in 2016 and is going to continue in that trend going forward, but I would like you to enlighten the Committee. I cannot ask you, Mr. Chairman, what happened here, because you were not in office, but at least what is the plan? What happened in 2016 and what is the plan?

Mr. Brooks: Thank you, Mr. Small. Chairman, we are fortunate to have our Communications Manager with us. I will share one or two opening thoughts, and I will ask her and the President and the Vice-President to assist.

In 2011, the company's typical profile in terms of corporate social responsibility was in the order of $20 million or $22 million. That was the typical run rate up to 2012. In 2012 it moved to $40 million, in 2013, it moved to $53 million, in 2014 it moved to $81 million and then to $73 million; $247 million in a four-year time span between 2012 and 2015.

On top of that, you had an additional $370 million spent in road works and upgrade of recreational facilities.

Mr. Chairman: Could you repeat that figure please?

Mr. Brooks: $370 million, in addition to $247 million spent by the then board, chaired by Chan Chadeesingh and chaired by the President, Mr. Indar Maharaj, which is $617 million, $.6 billion, spent in corporate social responsibility on things that had nothing to do with the NGC's core business; not aligned to our pipeline or fence line communities and, quite frankly, which served to weaken the balance sheet of the company. In addition, you also had $941 million being spent on the Beetham Waste Water Project. So in total, $1.558 billion, $1.6 billion of NGC's money, one could not properly account for that in that period.

We have been very careful and diligent prospectively. We have returned the spend to a far more palatable number of $15 million or less, because we have to focus our resources on growing the NGC through acquisition activities, through organic growth and through investment in our people, and to get a competitive advantage. So the philosophy of the board, embraced by the management, has been very clear. We will refocus the organization. We are not trying to pave every road in Trinidad, or any road, because that is not our core business. We are not trying to get involved in water treatment; that is not our core business. We are in gas-related activity. We are in energy-related activity, and that has been our focus. So that has been the theme, the focus and the discipline of the organization. It has been embraced by the organization, and we are very grateful for their support. Lisa, I do not know if you want to add anything.

Ms. Burkett: Thank you, Chairman; thank you, Sen. Small. I just want to get a few minutes just to add some context to our NGC/CSR portfolio. Historically of course you know our portfolio has been aligned with the company's mission and vision, and tied closely to our operations. So that is, it is focused on fence line and pipeline communities, as our Chairman said, as well as, as a national company, on some specific focus areas, such as youth development, sport, arts and culture, the environment and education.

With regard to the specific period of which we are speaking, the CSR Division was managed by another manager. So the huge increases in CSR expenditure identified previously, of course, went into the paving of roads, which is a non-core area for NGC. A total of eight roads were paved, as well as construction of pavilions and refurbishment of play parks, in areas outside of NGC's pipeline and fence line communities.

While we have constructed play parks and pavilions in the past—and I am sure some members of the Committee may be well aware of this—it has always been in support of community engagement programmes tied to construction activities. For example, with the construction of the 56-inch zip pipeline, cross-island pipeline, many of the communities through which that pipeline ran, from Guayaguayare to Point Fortin, were the recipients of support. As a responsible corporate citizen, we are mandated to leave communities in a better position than we found them; however, these projects were always aligned with our business imperatives and best practice corporate social responsibility.

Mr. Chairman, the issue was not only one of spend, but also one of focus. Projects such as road paving and play parks and pavilions were outside of NGC's core business and corporate social remit, which could not be justified. Additionally, in a time of lowest gas prices, declining gas supplies, contracts ending, depleting reserves and the lowest profit in NGC's history, was the time right for changing NGC's focus?

Mr. Chairman, I am pleased to say that we have refocused our CSR portfolio in alignment with our new strategic plan, spoken of here this morning in great detail. We have maintained our support in key areas of sport, youth development, arts and culture, education and the preservation of the environment, via partnerships with recognized NGOs, institutions, sporting bodies and organizations that practise sound financial reporting and are very careful with the fiduciary duties placed on them.

Just a few more minutes I ask, Mr. Chairman, to state that while the issue is not only one of spend, as I said before, it was also one of, one, lack of adherence to sound tender rules, manipulation of tender rules to award multiple contracts to single contractors. It is an issue of lack of due diligence in selecting contractors, and also outsourcing of works to third parties in which NGC has no oversight, all in a very protracted period of 30 months—a very short time to spend half a billion dollars.

Mr. Chairman, now, how have we moved on and fixed these challenges? Permit me to say that we have instituted, one, more stringent processes for the approval of projects; have strengthened our governance of CSR projects via rigorous reporting mechanisms with our partners; demanded more structured reports for closer oversight, and we are conducting annual audits of all our sponsorships and partnerships, which will continue to be guided by MOUs. I do not know if the Chairman has anything else to add.

Mr. Chairman: May I just get back to some initial points I had raised. Mr. Permanent Secretary, you want to bring us up to speed with that gas contract? With the royalties, what is the status of that?

Mr. Lashley: Just to bring it in perspective, it is being handled in an integrated manner with the new gas contracting arrangements that are currently being put in place. So the royalty gas would form one element of the supply being made available to the NGC, so it is a work in progress. So that the T&TEC contract, the royalty gas, the contracts with the upstreamers, that are now being negotiated to finality, will all come into place at the same time.

Mr. Chairman: Okay. Mr. Pariag, you want to come back to the student loan arrangements, and just give us—seeing that you would have had information by now?

Mr. Loquan: Yes, Chairman. Just to elaborate, there are three areas that would cover loans. The majority has been actually through medical advance. The company pays 100 per cent of the cost up front, part recoverable from the medical insurance, and the balance is recovered from the employee.

The second area is in the area of what we call "employee initiated training programmes" or EITD;

75 per cent of the tuition fees are subsidized by NGC, and recovered by the employee. This covers certificate programmes, diplomas, undergrad and postgraduate study in line with the Employee Development Strategy. And the third area is the computer leases, where 100 per cent of the upfront cost is paid by NGC and recovered from the employee over a four-year period.

The high-level numbers that we have is in the order of $2.6 million. The medical is $1.8 million and the computer lease is $594,000, and the employee initiated training development programme is $135,000.

Mr. Chairman: Is this for the period 2009 to 2015 or is that for one year?

Mr. Loquan: That is at December 31, 2016, that is the balance. So if we have to go back in the previous years we would have to provide those numbers.

Mr. Chairman: How many employees are covered there? What is the current number?

Mr. Loquan: We have on the medical, 140 employees; computer leases, 79 employers and the Employee Initiated Training and Development, 12 employees.

Mr. Chairman: Could you tell us if you have gotten approval from the Ministry of Finance for this or is this an NGC-inherited initiative, driven by NGC, localized NGC, or is it something that has the Corporation Sole's knowledge and approval?

Mr. Loquan: The understanding is the Ministry of Finance is not required to approve these loans. This is actually approved by the line, the HR, the President and of course this is governed by NGC policy.

Mr. Chairman: How long has that been in existence, how many years?

Mr. Brooks: Mr. Look Kin said even in his time it was there when he was President.

Mr. Chairman: So since NGC was formed it was there?

Mr. Look Kin: Probably 10 years after. I cannot remember the exact—I remember the first item was really the computer loan, because at that time computers were being introduced and therefore we wanted to make sure all employees were computer literate, and therefore we provided that facility to employees. So, I think the first one was the computer loan and then it was the training programme also, which was really for employee betterment, in a sense employee training, but they took advantage and took the loan and did their own self-training you might say, rather than the company sending them specifically to a school or something like that. So therefore, I think that is how the company really assisted the employees in terms of training opportunities.

Mr. Chairman: So you are saying, Mr. Chairman, that that is a policy that does not require the Ministry of Finance's approval or the Corporation Sole? That is something that is driven by NGC?

Mr. Brooks: That is my understanding, Chairman, but out of an abundance of caution, when I leave here I will check to ensure that that is in fact the case. That has been our understanding of the practice and that seems to have been what has taken place.

Mr. Chairman: All right. I would like to ask at this time—I know one of our colleagues has to be excused because she has another commitment, so you can be excused if you wish. I would ask, Mr. Chairman, before we wrap up if you can provide us with your perspective on behalf of the company on the way forward, as it relates to tightening and giving a positive thrust to the NGC. I know your strategic plan would capture that, but we do not know when that would be approved and when it would arrive here. So we would like you to submit in writing for us some of your immediate recommendations, both in terms of the immediate, the short and medium and the long, as it relates to transforming, modernizing and advancing this organization called the NGC, which is a flagship state enterprise, and what steps are being taken by your board and management team to realize those objectives. I think if you could put that in writing and submit it to us we would appreciate it very much.

Mr. Brooks: We would be more than happy to do that. I hope this morning's conversation has been useful, to give the Committee some insights as to what we are doing with our flash reporting, with our management reporting. The fact that all our audits have been completed. The fact that we have tightened our internal audit control processes. We have rationalized our costs. We have rationalized our dividend policy. We are embarking on new areas of business internationally, in Guyana, in Ghana, in Cuba, in Venezuela. We have done substantial work in terms of our contractual agreements with TROC, with Juniper and with various other agreements.

Our staff is fully behind us, they support the strategic plan, and so you will see in 2016 an improvement in our result, and we are cautiously optimistic about 2017 and 2018. We feel that we have developed the appropriate strategies to move the organization forward and, by extension, Trinidad and Tobago. So we are cautiously optimistic. We are very focused and we are also very committed.

Mr. Chairman: Let me say on behalf of the Committee, we would like to thank you for coming today, and the Ministry of Energy and Energy Industries represented by Mr. Lashley and of course the Investments Division of the Ministry of Finance and all the officials from the National Gas Company for coming. We reserve the right to invite you again if we need to further our enquiry, but we will do so by writing to you in advance so at least you would have enough notice to come before our Committee. But thank you very much for coming and thank you for providing us with the information that you have done.

You have, in fact, given a commitment that you would supply us with a lot of information in writing. I would suggest that if you could do that within the next 10 days we will appreciate it very much, so that we can proceed; if we have to prepare a report, we can have the information available so that we can do justice to that report.

Mr. Brooks: Chair, if I may just crave your indulgence. We are in the midst of some very difficult, complex and sensitive negotiations which have timelines associated with them. So with your leave, if you could give us and the management team a bit more time, because if we slip on those agreements, the consequences could be quite onerous. So if you could manage to just give us a couple more days so that we are able to complete those things as well as provide you with a proper report.

Mr. Chairman: Is a two-week period good or would you prefer within, I would say, three weeks?

Mr. Brooks: Three weeks; thank you very much.

Mr. Chairman: Thank you very much, and this meeting is now adjourned.

12.53 p.m.: *Meeting adjourned.*