PARLIAMENT

REPUBLIC OF TRINIDAD AND TOBAGO

SE

4TH REPORT OF THE

JOINT SELECT COMMITTEE ON

STATE ENTERPRISES

on

An inquiry into the operations and administration of the Vehicle Management Corporation of Trinidad and Tobago [VMCOTT] (with specific focus on the repair and acquisition of vehicles for State Bodies.)

June 2017

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

The Joint Select Committee on State Enterprises
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PARLIAMENT
REPUBLIC OF TRINIDAD AND TOBAGO

Joint Select Committee on State Enterprises

The operations and administration of the Vehicle Management Corporation of Trinidad and Tobago (VMCOTT)

Fourth Report, 2016/2017 Session, Eleventh Parliament

Report, together with Minutes

Ordered to be printed

Date Laid
H.o.R: 30.06.2017

Date Laid
Senate: 04.07.2017

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The Joint Select Committee on State Enterprises

Establishment

1. The Joint Select Committee on State Enterprises was appointed pursuant to the directive encapsulated at section 66A of the Constitution of the Republic of Trinidad and Tobago. The House of Representatives and the Senate on Friday November 13, 2015 and Tuesday November 17, 2015, respectively agreed to a motion, which among other things, established this Committee to inquire into and report to Parliament on State Enterprises falling under its purview with regard to:

- their administration;
- the manner of exercise of their powers;
- their methods of functioning; and
- any criteria adopted by them in the exercise of their powers and functions.

Current Membership

2. The following Members were appointed to serve on the Committee:

Mr. David Small
Dr. Lester Henry
Mrs. Cherrie-Ann Crichlow-Cockburn
Mr. Fazal Karim
Brig. Gen. (Ret.) Ancil Antoine
Mr. Adrian Leonce
Mr. Wade Mark
Ms. Allyson Baksh

Powers

3. The Committee is one of the Departmental Select Committees, the powers of which are set out principally in Senate Standing Orders 91 and 101, and HOR Standing Orders 101 and 111. These are available on the Internet via www.ttparliament.org.

Secretarial Support

4. Secretarial support was provided by Mr. Brian Caesar, Clerk of the Senate, who served as Secretary to the Committee, Ms. Sheranne Samuel, Assistant Secretary and Mrs. Krystle Gittens, Graduate Research Assistant.

Contacts

5. All correspondence should be addressed to the Secretary to the Joint Select Committee on State Enterprises, Level 3, Tower D, Port of Spain International Waterfront Centre, 1A Wrightson Road, Port of Spain. The telephone number for general enquiries is 624-7275; the Committee's email address is jscse@ttparliament.org.

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General Findings

1. Based on the evidence provided, the Committee believes that VMCOTT has fallen short of the “recommended best practices” that should be guiding its operations.

2. Having reviewed the submissions received from VMCOTT, the Committee is cognisant of the magnitude of the challenge that VMCOTT faces.

3. In addition, the Committee is not satisfied that truly viable solutions are being considered by the company.

4. In light of the potential of the income stream from CNG Conversion of Public Sector vehicles, the Committee is hopeful that CNG Conversion will propel VMCOTT to a state of profitability.

5. Based on evidence provided, the Committee is concerned about the following:
    a. That VMCOTT’s staff costs are unsustainable, and will erode attempts to achieve a state of profitability.
    b. That staff have not been prepared for implementation of Public Procurement and Disposal of Public Property Act, 2015, particularly in light of current unsatisfactory procurement practices, as revealed by the Internal Audit.

6. Despite VMCOTT’s confidence that self-sufficiency will be attained by 2020, the Committee remains doubtful, in light of the evidence provided.

Summary of Recommendations

The following is a summary of the recommendations proposed by the Committee for the efficient operations of the Vehicle Management Corporation of Trinidad and Tobago (VMCOTT):

i. **VMCOTT immediately implement the recommendations outlined in the "Internal Audit Management Action Plan 2014-2017", in particular the recommendation to re-launch the Standard Operating Procedures.**

ii. **In light of the profitability of the car wash facility in San Fernando, VMCOTT proceed with a feasibility study to establish additional carwash facilities at operation centres.**

iii. **VMCOTT investigate additional options for product and service diversification, as identified in written submissions dated March 6, 2017.**

iv. **VMCOTT investigate the possibility of attaining certification as an approved centre to certify those mechanics and technicians in Trinidad and Tobago who may have knowledge, skills and competencies but no certification.**

v. **VMCOTT conduct an analysis of its key strengths that may provide a competitive advantage in the market, and opportunities that may be exploited.**

vi. **VMCOTT negotiate a partnership with National Energy Skills Centre (NESC), while they await approval from the Ministry of Energy and Energy Industries, with a view to immediately commence CNG conversion.**

vii. **VMCOTT conduct a manpower audit with the objective of reducing staff costs to a level that is more in line with operational capacity.**

viii. **VMCOTT provide training for all staff on Standard Operating Procedures and use of the Tranman Calendar Schedule, as contained in "Internal Audit Management Action Plan 2014-2017".**

ix. **VMCOTT maintain open lines of communication with its line ministries to lobby for support in the areas of accounts receivables, and approval for CNG conversion.**

x. **VMCOTT conduct procurement training with a view to preparing staff for the full implementation of the Public Procurement and Disposal of Public Property Act, 2015.**

xi. **VMCOTT immediately take all necessary steps to reduce costs, as well as pursue all avenues for gaining the support of the relevant Ministries, in aid of enforcing**

compliance with VMCOTT's mandate as the public service company designated to efficiently and effectively undertake vehicle maintenance on a centralised basis[1].

Report Summary

This report examines the operations and administration of the Vehicle Management Corporation of Trinidad and Tobago (VMCOTT) inclusive of its transparency, current and future projects, and viability as an organisation. Focus is given to the present issues and challenges faced by the Company. Recommendations are proposed by the Joint Select Committee on State Enterprises which are intended to steer VMCOTT to a more efficient and effective management of its operations.

A review of VMCOTT's balance sheet and annual drawdown on the revenue of the State attracted the attention of the Committee. For that reason, this report outlines VMCOTT's current state and the measures needed in order to achieve the objectives outlined in its Corporate Business Plan, Strategic Plan and Transformation Plan.

The intended role of VMCOTT as a State Enterprise makes it important to understand the interaction between VMCOTT and its line Ministry, the Ministry of Works and Transport (MOWT), and by extension the Ministry of Finance (MOF), through the Investments Division (ID). Consequently, this report examines whether there is sufficient interaction and support being provided to VMCOTT by these Ministries.

Based on the foregoing, there are many issues facing VMCOTT, as a result the Committee has submitted recommendations to treat with these issues as outlined hereunder.

[1] VMCOTT Corporate Business Plan 2014-2018

CHAPTER 1

Introduction

1.1 The Vehicle Management Corporation of Trinidad and Tobago (VMCOTT)

1.1.1 Birth in August 2000, out of a need for an organisation that offers comprehensive fleet management services, VMCOTT (The Vehicle Management Corporation of Trinidad and Tobago) was intended to become the premier fleet management organisation in the region.

1.1.2 VMCOTT has sought to provide an extensive range of fleet (vehicle) management functions including vehicle maintenance, vehicle telematics (tracking and diagnostics), driver management, fuel management and health and safety management.

1.1.3 Transport can play a major role for companies, therefore VMCOTT seeks to not only provide quality services but reduce the risks associated with vehicle investments while improving efficiency and productivity, all of which takes place at a reasonable cost. Support has also been provided for government agencies to be compliant with government legislation.

1.1.4 VMCOTT maintains three workshops located at Beetham, San Fernando and Tobago. These facilities provide diagnostics, fuel injection, electrical systems, air conditioning, brake systems and cooling systems.

1.1.5 In the near future, VMCOTT aims to be the primary centre for CNG conversion of State vehicles.

Board of Directors

1.1.6 The Company is governed by a Board of Directors:

- Lt. Col. Neil Bennet (Ret'd.) - (Chairman)
- Ms. Melissa Boodhoo-James - (Director)
- Mr. Marvin Gonzales - (Director)
- Mr. Mark Lee Son - (Director)
- Mr. Roddy Batchasingh - (Director)

Corporate Social Responsibility

1.1.7 VMCOTT views itself as a socially responsible organisation that seeks to utilise every opportunity to improve communities and increase participation in these communities.

1.1.8 Some of these initiatives include employment opportunities for qualified apprentices from recognised institutions such as National Energy Skills Center (NESC) and Metal Industries Company Limited. (MIC).

1.1.9 VMCOTT collaborates with Non-Government Organisations (NGOs) and community organisations to provide youth in the surrounding communities with a 3-6 month internship. Each intern is trained in a particular area, (e.g. Heavy/Light Equipment Technicians) as well as in other areas of the organisation (e.g. administration/purchasing/stores etc.).

Services

1.1.10 The services provided by VMCOTT include:

- Fleet Management
- Maintenance Services
- Accident Management
- Inspection Services
- Automatic Carwash Service – soon to be expanded to all service centres
- CNG Conversion Service – soon to be implemented

Customers[2]

- Trinidad and Tobago Police Service
- Ministry of Transport
- Ministry of Health
- Eastern Regional Health Authority (ERHA)
- South West Regional Health Authority (SWRHA)
- North Central Regional Health Authority (NCRHA)
- Ministry of Education
- Tobago House of Assembly
- Global Medical Response of Trinidad and Tobago
- Trinidad and Tobago Defence Force

Media Reports

1.1.11 VMCOTT has been categorised as unprofitable and weak in a survey conducted by the Caribbean Information and Credit Rating Services Limited (CariCRIS). These rates

[2] http://vmcott.com/apps/cms/templates/V1customers.aspx?articleid=38&zoneid=22- VMCOTT Website -Accessed on December 21st 2016.

speak to credit worthiness and the frequency of deficits that the company experiences[3]. CariCRIS has also highlighted the company's lack of presence and ability to compete in the area of vehicle management due to its steadily plummeting financial status and weak internal structure which can be attributed to poor management[4].

1.2 Rationale for inquiry

1.2.1 Based on the foregoing and considering:

- the operation of VMCOTT is financial cost to the State;
- the Corporation is insolvent; and
- the Corporation has been slow to submit reports to Parliament.

An inquiry into the Company's management and operations was deemed urgent to safeguard and preserve its long-term viability.

1.3 Objectives of the Inquiry

1.3.1 At its Twelfth meeting held on January 09, 2017, the Committee agreed that the following would be the objectives of the inquiry:

1. **To ensure that measures to boost and increase transparency and accountability are being implemented.**

2. **To outline the challenges associated with repairing and acquiring vehicles of state bodies.**

3. **To ensure that effective and efficient repairs are being conducted on state owned vehicles.**

4. **To ensure that timely and quality services are being provided by the company.**

5. **To assess the introduction of CNG vehicles into the VMCOTT fleet service.**

[3] http://www.caricris.com/index.php?option=com_pressrelease&view=pressrelease&id=257- CariCRIS website - Accessed on December 21st 2016.

[4] http://www.caricris.com/index.php?option=com_ratingrelease&view=ratingrelease&id=261 - CariCRIS website - Accessed on December 21st 2016.

1.4 Conduct of the Inquiry

1.4.1 On February 07, 2017 a public hearing was held with representatives of the Vehicle Management Corporation of Trinidad and Tobago (VMCOTT), at which time the Committee questioned the officials on the various matters in connection with the inquiry objectives.

1.4.2 VMCOTT was represented by the following officials:

Lt. Col. Neil Bennett (Ret).	Chairman
Mr. Ramesh Lackhan	Chief Executive Officer
Ms. Natasha Prince	Operations Manager
Mr. Terence Sammy	Ag. Finance Manager
Mr. Learie Cummings	Internal Auditor

1.4.3 Prior to the public hearing, notice was given as to the general objectives of the inquiry and in response, written submissions were received from VMCOTT on January 27, 2017. These responses provided a point of reference for the questions posed during the hearing.

1.4.4 During the public hearing the Committee proffered supplementary questions for written responses to be obtained subsequent to the hearing. These responses were received from the VMCOTT on March 6, 2017

1.4.5 Additionally, questions for written responses were requested and received from the Ministry of Works and Transport on March 14, 2017.

1.4.6 Subsequent to analysis of submissions received on March 6, 2017, supplementary questions for written response were requested. These responses were received from VMCOTT March 22, 2017.

1.4.7 The Minutes of the Meeting during which the public hearing was held are attached as **Appendix I** and the Verbatim Notes as **Appendix II**.

CHAPTER 2

Key Issues, Findings and Recommendations

2.1 Key Issues and Challenges

2.1.1 The Committee noted the following as the key issues and challenges facing Vehicle Management Corporation of Trinidad and Tobago (VMCOTT):

Transparency and Accountability

2.1.2 According to VMCOTT's submission received March 6, 2017, Transparency and Accountability is guided by *"recommended best practices"* with respect to *"duty of care, diligence and loyalty"*.

2.1.3 VMCOTT's accountability is governed by the following policies:

a. Conflict of Interest Policy
b. Related Party Transaction Policy
c. Tenders and Contract Policy
d. Procurement Policy
e. Purchasing Manual
f. Finance Manual
g. Fraud Manual

2.1.4 VMCOTT is also in the process of developing a Human Resources Policy Manual and a Whistle Blower Policy.

2.1.5 Additionally, VMCOTT's Internal Audit is used as a major tool to improve the organisation's operations.

2.1.6 However, the Committee's examination of VMCOTT's practices, as reported in its**Internal Audit Management Action Plan 2014-2017,** revealed VMCOTT's *"weak internal controls"*.

2.1.7 A major flaw highlighted by the internal audit is VMCOTT's failure to adhere to the Standard Operating Procedures that should be governing all operations of the organisation.

<u>Servicing of Vehicles and Diversification of Services</u>

2.1.8 The Committee learned that over the past 6 years, VMCOTT has had a 73% decline in the number of vehicles serviced.

2.1.9 It is the Committee's understanding that this is due to the following:

a. The poor brand reputation of VMCOTT.
b. Uncompetitive pricing of services.
c. Shortages of necessary parts for servicing of vehicles.
d. Cash flow limitations, due to outstanding receivables that constrain VMCOTTs ability to adequately meet the demands to service vehicles.

2.1.10 Additionally, of great concern to the Committee is VMCOTT's unsustainable Cost of Goods Sold (COGS) over the same period.

2.1.11 VMCOTT expressed its strategy to partner with the Trinidad and Tobago National Petroleum Marketing Company Limited (NP) to increase market share, and diversify its client base, to tap into the cash paying private sector market.

<u>CNG Conversion</u>

2.1.12 The Committee learned that a major potential income stream for VMCOTT is CNG Conversion.

2.1.13 A Memorandum of Understanding (MOU) was signed between VMCOTT and NGC CNG Company Limited on September 22, 2016, in a strategic alliance between the two State entities to convert *"over 17,500 GORTT vehicles over the next five (5) years"*.

2.1.14 VMCOTT is prepared to commence CNG Conversion within 30 days of receipt of license.

2.1.15 However, the Committee learned that there have been significant delays in receiving a license for CNG conversion from the Ministry of Energy and Energy Industries.

2.1.16 Correspondence dated March 14, 2017, received from the Ministry of Works and Transport, informed the Committee that the approval is in its final stages, subject to a response from the Ministry of Energy and Energy Industries concerning VMCOTT's provision of evidence pertaining to its land tenure for the establishment of a CNG Conversion Facility.

Machinery

2.1.17 The Committee learned that VMCOTT possesses state of the art equipment for the servicing of vehicles. However, due to the suppressed demand for services, they were operating at 40% of potential capacity.

Human Resource Capacity

2.1.18 The Committee's analysis of VMCOTT's staff complement revealed that staff costs, in the face of depressed outputs, were unsustainable.

2.1.19 In its submission dated March 20, 2017, VMCOTT explained that *"being a State entity, the administrative demands are higher than that of our competitors due to statutory reporting requirements"*

Viability of VMCOTT

2.1.20 The Committee's examination of financials provided via submissions received March 6, 2017, revealed the following **(see Appendix III):**

a. VMCOTT's possible insolvency;
b. VMCOTT's unsustainable Costs of Goods Sold;
c. VMCOTT's unsustainable Staff Costs

2.1.21 The Committee determined that a recovery from this state would be a challenging task for any enterprise.

2.1.22 In response to a request for VMCOTT's plans to address the issue of high Costs of Goods, the following strategies were provided via submission received March 20, 2017:

a. Negotiate with suppliers to improve pricing and supply in keeping with cash flow constraints.
b. Interact with clients to develop payment plans that will allow for collection of funds owed.
c. Implement strategy for the collection of outstanding receivables in the sum of $28 million.
d. Expand its automated car wash service.
e. Minimisation of overtime costs.

f. Move to in-house security, which has resulted in a net monthly savings of approximately $50,000.00.
g. Rebranding exercise.
h. Extension of opening hours to include Saturdays.

2.1.23 Additionally, VMCOTT in its Corporate Business Plan 2014-2018 outlined the following objectives:

a. Integration of performance management and business intelligence to facilitate business activity monitoring, workflow management and performance management to improve execution levels across the organisation.
b. Organisational readiness and business process management to assess workforce skills to close competency gaps and improve the organisation's overall readiness to implement the Strategic Plan.
c. VMCOTT will aggressively pursue further funding opportunities and improve collections to increase working capital available.
d. VMCOTT will review and rank its existing list of suppliers to optimise the supply of parts and rationalise its supplier base to achieve a reduction in the cost of parts.
e. VMCOTT will develop and sustain an innovative product and service mix to respond to the demand from customers and stakeholders.
f. VMCOTT will develop Partnership Agreements and Memorandums of Understanding to set clear expectations with partners and establish Service Level Agreements for the delivery of performance commitments.

2.1.24 In support of its Corporate Business Plan 2014-2018, VMCOTT developed a Transformation Plan 2016-2018 to tackle the issue of income generation, with the intention of generating a net profit by September 30, 2017. Aspects of the plan include:

a. Service/Repair TTPS vehicles
b. Service/Repair of PTSC Fleet
c. CNG Conversion
d. Auto car wash

e. Management of Regional Corporation Garages and supply of parts

2.1.25 In support of the Transformation Plan, VMCOTT requires that the Government mandate the State Enterprises, in particular TTPS and PTSC, utilise VMCOTT's services as first priority.

2.1.26 Additionally, intervention from the line Ministry, and possibly Cabinet, will assist VMCOTT in its pursuit of outstanding payments.

2.2 Findings and Recommendations

2.2.1 In response to the Key Issues and Challenges stated above, the Committee made the following Recommendations:

Transparency and Accountability

2.2.2 Based on the evidence provided, the Committee believes that VMCOTT has fallen short of the *"recommended best practices"* that should be guiding its operations.

Recommendation

2.2.3 VMCOTT should immediately implement the recommendations outlined in the **"Internal Audit Management Action Plan 2014-2017"**, in particular the recommendation to re-launch the Standard Operating Procedures.

Servicing of Vehicles and Diversification of Services

2.2.4 Having reviewed the submissions received from VMCOTT, the Committee is cognisant of the magnitude of the challenge that VMCOTT faces.

2.2.5 In addition, the Committee is uncertain that truly viable solutions have been suggested by the company.

Recommendation

2.2.6 Despite these concerns, the Committee recommends that VMCOTT:

a. In light of the profitability of the car wash facility in San Fernando, proceed with a feasibility study to determine the feasibility of establishing additional carwash facilities at operation centres;

b. Research additional options for product and service diversification, as identified in submissions;
c. Investigates the possibility of attaining certification as an approved centre to certify mechanics and technicians in our country who may have knowledge, skills and competencies, but no certification; and
d. Conducts an analysis of its key strengths that may provide a competitive advantage in the market, and opportunities that may be exploited.

CNG Conversion

2.2.7 In light of the potential of the income stream from CNG Conversion, the Committee is hopeful that CNG Conversion will propel VMCOTT to a state of profitability.

Recommendation

2.2.8 While VMCOTT negotiates the licensing issues, it is recommended that a partnership be established with National Energy Skills Center (NESC) to begin to implement the actionable aspects of the CNG conversion operations immediately.

Human Resource Capacity

2.2.9 Based on evidence provided, the Committee is concerned by the following:

a. That VMCOTT's staff costs are unsustainable, and will erode attempts to achieve a state of profitability.
b. That staff have not been prepared for implementation of Public Procurement and Disposal of Public Property Act, 2015, particularly in light of current poor procurement practices.

Recommendation

2.2.10 The Committee recommends that:

a. VMCOTT conducts a manpower audit with the objective of better managing staff costs.
b. VMCOTT should provide training for all staff on Standard Operating Procedures and use of the Tranman Calendar Schedule.

VMCOTT's Viability

2.2.11 Despite VMCOTT's confidence in its Corporate Business Plan 2014-2018 and Transformation Plan 2016-2018, the Committee remains doubtful, in light of the evidence provided, particularly in relation to VMCOTT's ability to sufficiently reduce costs and generate income.

Recommendation

2.2.12 Nonetheless, the Committee is of the opinion that the best way forward would be to immediately take all necessary steps to reduce costs, as well as pursue all avenues for gaining the support of the relevant Ministries, in aid of enforcing compliance with VMCOTT's mandate.

2.3 Conclusion

2.3.1 The Vehicle Management Corporation of Trinidad and Tobago (VMCOTT) has the potential to become a valuable contributor to the State through its provision of services.

2.3.2 However, the Company has encountered many obstacles, particularly in relation to client retention, product diversification and collections.

2.3.3 The Company has committed to making the necessary adjustments in order to achieve a state of sustainability.

2.3.4 In light of the above, the Committee is optimistic that with the embracing and diligent implementation of the recommendations proffered, the Company can overcome the present challenges and emerge as a viable organisation.

2.3.5 Your Committee therefore awaits the response of the Minister of Works and Transport to the recommendations listed on pages 1 and 2, in accordance with Standing Orders 100(6) and 110(6) of the Senate and the House of Representatives respectively which states inter alia that –

> *"The Minister responsible for the Ministry or Body under review shall, not later than sixty (60) days after a report from a Standing Committee relating to the Ministry or Body, has been laid upon the Table, present a paper to the House responding to any recommendations or comments contained in the report which are addressed to it…."*.

2.3.6 Your Committee therefore respectfully submits this Report for the consideration of the Houses.

Sgd.
Mr. David Small
Chairman

Sgd.
Dr. Lester Henry
Vice-Chairman

Sgd.
Mrs. Cherrie-Ann Crichlow Cockburn, MP
Member

Sgd.
Mr. Wade Mark
Member

Sgd.
Mr. Fazal Karim, MP
Member

Sgd.
Brig. Gen. (Ret.) Ancil Antoine, MP
Member

Sgd.
Mr. Adrian Leonce, MP
Member

Sgd.
Mrs. Allyson Baksh
Member

APPENDICES

Appendix I

Minutes of Proceedings

MINUTES OF THE THIRTEENTH MEETING OF THE JOINT SELECT COMMITTEE ON STATE ENTERPRISES, HELD IN THE J.HAMILTON MAURICE ROOM, MEZZANINE FLOOR, TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD, PORT OF SPAIN ON FEBRUARY 07, 2017

Present were:

Mr. David Small	Chairman
Dr. Lester Henry	Vice-Chairman
Mr. Wade Mark	Member
Mr. Fazal Karim, MP	Member
Mr. Brian Caesar	Secretary
Ms. Sheranne Samuel	Assistant Secretary
Mrs. Krystle Gittens	Parliamentary Intern

Absent were:

Mrs. Cherrie-Ann Crichlow-Cockburn, MP	Member (Excused)
Mr. Adrian Leonce, MP	Member (Excused)
Brig. Gen. (Ret.) Ancil Antoine, MP	Member (Excused)
Ms. Allyson Baksh	Member (Excused)

Also Present were:

Officials of the Vehicle Management Corporation of Trinidad and Tobago (VMCOTT)

Lt. Col. Neil Bennett (Ret).	Chairman
Mr. Ramesh Lackhan	Chief Executive Officer
Ms. Natasha Prince	Operations Manager
Mr. Terence Sammy	Finance Manager (Ag.)
Mr. Learie Cummings	Internal Auditor

PUBLIC HEARING WITH OFFICIALS OF VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO

1.1 The Chairman called the public meeting to order at 10:21 a.m. *in public*, in the J. Hamilton Maurice Room.

1.2 The Chairman welcomed officials of VMCOTT and introductions were exchanged.

1.3 The Chairman acknowledged receipt of the written submission from VMCOTT.

Opening Remarks

1.4 The Chairman of VMCOTT made opening remarks.

1.5 Detailed hereunder are the issues/concerns raised and the responses proffered during the hearing with the officials of VMCOTT:

(i) Operations

- In 2011, the Corporation lost two major clients: the Public Transport Service Corporation (PTSC) and the Trinidad and Tobago Police Service (TTPS). Other major clients of the Corporation include the Ministry of Health, the Community Based Environmental Protection and Enhancement Programme (CEPEP) and the Trinidad and Tobago Electricity Commission (T&TEC). The relationship with the TTPS was re-established.
- The Government undertook a review of VMCOTT's maintenance services and there was a realignment of the company to engage in fleet management. This facilitated the offer of services to both the public and private sector.
- Cash flow issues has prevented VMCOTT from purchasing and acquiring spares to do repairs resulting in the service being outsourced. VMCOTT has since certified three (3) garages to which it outsources repair services. However, clients chose to go elsewhere.
- Officials shared plans to expand VMCOTT's automated car wash service.
- The Corporation signed an MOU with the Rio Claro/Mayaro Regional Corporation for the provision of services.
- There has been a 73% decline in the number of vehicles serviced by VMCOTT over the last 6 years.
- The Committee expressed concern about the poor brand reputation of VMCOTT. Officials admitted that budget constraints prevented an aggressive marketing campaign.
- Officials revealed a partnership with the Trinidad and Tobago National Petroleum Marketing Company Limited (NP) to provide a line of ultra-care products. The Corporation also plans to partner with NP for the establishment of a fuel point.
- The Committee was informed that VMCOTT possesses state of the art equipment.
- Officials also highlighted underutilisation of VMCOTT's capacity.

(ii) Profitability/Financial Status

- Officials described the Corporation as insolvent.
- The Corporation has been unable to collect receivables in the amount of $28 million ($16 million from the TTPS and 12.8 million from the PTSC). It has sought the assistance of its line Ministry to recover outstanding balances.
- VMCOTT revealed it receives a government subvention of approximately $800, 000 per month.
- VMCOTT accumulated significant losses over the past 5 years. The Corporation was able to reduce its net losses by approximately 50%.
- Officials acknowledged the need for VMCOTT to diversify the services offered, as well as expand its client base;
- VMCOTT has projected self-sufficiency by 2020.
- The Committee sought clarity on the competitive strengths of VMCOTT.
- Efforts were being made to address VMCOTT's credit worthiness and weak internal controls.

(iii) Human Resources

- The Corporation has 83 persons on staff, comprised of both technical and administrative personnel.
- VMCOTT trainers have been NESC certified;
- Officials indicated that members of staff are being prepared for implementation of Public Procurement and Disposal of Public Property Act, 2015.

(iv) Accountability and Transparency

- Officials indicated that VMCOTT had a strategic plan out of which a transformational plan was developed. There was also a Corporate Business Plan.
- The Corporation indicated it was working to submit all outstanding Audited Financial Statements. Officials stated the objective to be fully up to date by 2018.
- The Corporation was up to date with its Annual Administrative Reports.
- Standard operating procedures were implemented to prevent the misuse of vehicles.

(v) CNG Conversion

- There was a delay in receiving a license for CNG conversion from the Ministry of Energy and Energy Industries (MEEI). The Corporation applied for the licence in September 2015.
- Officials assured that CNG Conversion should commence within 30 days of receipt of license.
- The Corporation signed an MOU with NGC/CNG.
- The Corporation started training technicians in anticipation of receiving the licence from the MEEI.

Requested Information:

2.1 Further to the discussion and the undertakings made during the hearing, the Committee agreed to request additional information from VMCOTT.

ADJOURNMENT

3.1 There being no other business, the Chairman thanked officials of VMCOTT, the media and members of the public and adjourned the meeting.

3.2 The adjournment was taken at 12:18 p.m.

I certify that these Minutes are true and correct.

Chairman

Secretary

March 09, 2017

Appendix II

Verbatim Notes

VERBATIM NOTES OF THE THIRTEENTH MEETING OF THE JOINT SELECT COMMITTEE ON STATE ENTERPRISES, HELD IN THE J. HAMILTON MAURICE ROOM (MEZZANINE FLOOR) (IN PUBLIC), OFFICE OF THE PARLIAMENT, TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, #1A WRIGHTSON ROAD, PORT OF SPAIN, ON TUESDAY, FEBRUARY 07, 2017 AT 10.21 A.M.

PRESENT

Mr. David Small	Chairman
Dr. Lester Henry	Vice-Chairman
Mr. Fazal Karim	Member
Mr. Wade Mark	Member
Mr. Brian Caesar	Secretary
Miss Sheranne Samuel	Assistant Secretary
Miss Krystle Gittens	Parliamentary Intern
Miss Vahini Jainarine	Legal Officer I

ABSENT

Mrs. Cherrie-Ann Crichlow-Cockburn	Member [*Excused*]
Miss Allyson Baksh	Member [*Excused*]
Brig. Gen. Ancil Antoine	Member [*Excused*]
Mr. Adrian Leonce	Member [*Excused*]

Mr. Chairman: Good morning everyone. I would like to welcome everyone to this meeting here this morning and this is the meeting of the Joint Select Committee on State Enterprises. I would like to welcome the officials of the Vehicle Management Corporation of Trinidad and Tobago, members of the media and my colleagues, members of this Committee.

The purpose of the meeting is to examine the operations of Vehicle Management Corporation of Trinidad and Tobago with a specific focus on the repair and acquisition of vehicles for state bodies and to explore what might be some of the possible solutions to the challenges being faced by the corporation.

The role of this Committee is, firstly, to examine the issues which arose based on

VMCOTT's written submissions in response to the Committee's questions.

Secondly, we are here to aid VMCOTT, to help you in improving your operations and administration and hopefully resulting in a more efficient and effective organization.

For your information, this meeting is being broadcast live on Parliament Channel 11, Parliament radio 105.5 FM and the Parliament YouTube's Channel *ParlView*. Viewers and listeners can participate by sending comments relating to today's engagement with VMCOTT via email to Parl101@ttparliament.org, on our Facebook page at Facebook@ttparliament or on Twitter@ttparliament.

So, I will now like to invite the members of the team from VMCOTT to introduce themselves.

Mr. Bennett: Mr. Chairman, a pleasant good morning to you and other members of the panel. I am Lt. Col. Neil Bennett (Ret). I am the Chairman of the board of directors at VMCOTT. To my right is my CEO who will introduce himself.

[*Introductions made*]

VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO (VMCOTT)

Lt. Col. Neil Bennett (Ret)	Chairman
Mr. Ramesh Lackhan	Chief Executive Officer
Ms. Natasha Prince	Operations Manager
Mr. Terrence Sammy	Ag. Finance Manager
Mr. Learie Cummings	Internal Auditor

Mr. Chairman: Thank you very much. I will start the introductions on this table by introducing myself. My name is David Small and I am the Chairman of this Committee. And I will invite members of this Committee to introduce themselves starting with the member on my extreme right.

[*Members introduce themselves*]

Mr. Chairman: Thank you very much. And in participating in this meeting too, we have members of the Parliament Secretariat team who ably support us in getting the work of this Committee done.

I will now like to request and to remind everyone to please make sure that your cell phones are either switched off or placed on silent mode. And I will like to start this morning by indicating that we acknowledge receiving all of the submissions from VMCOTT, and we thank you for providing written responses to the questions submitted by the Committee. And I think one of the submissions, you sent a correction which I confirmed we received in good time and members were able to review it. We appreciate you sending the information completely and on time.

I will now call on the Chairman of VMCOTT to make some brief opening remarks.

Mr. Bennett: Mr. Chairman, as the Chairman of VMCOTT I have the honour of being the Chairman of a board of directors who aid and assist in direct management of a state body that has a significant role to play. Given the economic climate that we are in, I see a greater need for VMCOTT in providing the full ambit of fleet management to the respective Ministries of the Government of the Republic of Trinidad and Tobago. And I will offer myself to answer any questions that you may have to pose to us today. Thank you very much.

Mr. Chairman: Thank you very much, Mr. Chairman, for keeping your remarks brief. It is much appreciated given our late starting time. And on behalf of the Committee, we want to apologize due to some challenges we had in terms of being here on time, but we will try to make the best of the time that we have available.

In terms of proceeding, I would like to make sure that as we go forward, that all members please remember to direct their questions through the Chair and that you would, please, in responding, please indicate by activating your microphone as you had done earlier.

I will now begin the proceedings and I have a couple of questions or directions that I would like to get from the Chairman or the CEO. I have noticed in your submission that on page 11, I have noted that there has been a 73 per cent reduction in the number of vehicles serviced by VMCOTT from 2010 to 2016, and I would like to understand what has happened, because a 73 per cent reduction over a six-year period is huge for the business that you are running. And the real thought in my mind, if you were geared up to handle 6,000 vehicles, are you at the same level to handle 1,600 vehicles? So something—I need to understand what has happened and whether or not the company, as is currently structured, is properly structured to manage this current state of operations? Or do you have a plan to turn this around? So, Mr. Chairman or Mr. CEO, I am flexible to who will start, to begin the response.

Mr. Bennett: Mr. Chairman, in the period 2010 you would see peak figures. What happened then is that our two most significant clients pulled out—that is, the Public Transport Service Corporation and the Trinidad and Tobago Police Service, and as a result of that our effectiveness was reduced significantly.

Mr. Chairman: Okay. Could you tell me what years did the PTSC and TTPS withdraw their services?

Mr. Bennett: They both withdrew their services at the end of 2011/2012.

Mr. Chairman: I know you are new to being the Chairman of the company, but would someone help us to understand, if this happened and you lost your two largest clients, what did the company do to try to keep its operations on an even keel?

Mr. Bennett: We have ventured into a number of initiatives, in addition to which the Government of the Republic of Trinidad and Tobago undertook a review of VMCOTT's maintenance services and we were realigned to do fleet management services allowing for the extension of services to all businesses and corporate entities both in the corporate and private sector. And based on those directives, our initiatives have been to go out there and to capture the market that is out there, because we have a large number of vehicles on our roads today. And these are some of the things we have done over the period, concentrating from '12 to present day. We have had a significant marketing and public awareness campaign and we are offering services to the wider public at this time. We have also approached many of the other Ministries that have vehicles and large vehicle fleets as well.

Mr. Chairman: Mr. Chairman, if you could permit me one more question on this same topic. I am questioning, my question is about the sustainability of the current business model, so I understand from 2012 you have undertaken initiatives. On the basis of what I have seen here, the initiatives do not seem to be bearing fruit. That company has the—the Parliament's records here show that we only have your accounts up until 2012. On your 2012 accounts you lost $28 million on revenue of $17 million. So that we, I am concerned to understand how sustainable is this business?

Because you have lost your two major clients. You have fixed costs that are approaching the—well, they have reached the stage where they are outstripping your revenue. So, we are trying to understand where you sit, when you sit as the Chairman, the sustainability of the business to be able to turn it around. I want to get, because we cannot continue operating this business, certainly if you were the Chairman, you would say, "Listen, guys, the business has some challenges. Here is how we plan to turn it around, and we need something that is showing results."

So from 2012 to now we have not seen, at least on the information that we have, that the strategies have caused a turnaround. So could you help us with a response to that, Mr. Chairman?

Mr. Bennett: What we have had with regard to our financial status is that our receivables have been carried over from a number of years. We have not been able to collect the outstanding moneys owed to us from the respective agencies that we have performed, worked for.

At the same time with regard to the sustainability of the organization, the organization itself can become viable if we have the support and the ability to recover receivables. Our receivables at this time amount to $28 million. We do not have the support of the respective Ministries as mandated by the Government, and once we have that support, VMCOTT will be a viable organization.

Mr. Chairman: I have one further question and if you do not have it, the Committee—I would like to understand, because we do not have the current information, so this Committee would like to understand: what is the accumulated losses of the company over the past five years? You may not have that in front of you, because while I hear you with the recovering of receivables. So if your receivables are $28 million, and let us say for the sake of argument, your accumulated losses are $100 million, then you still have a problem with the business model. So if you do not have the information here, the Committee would like to receive that information.

I think I have Senator, forgive me, MP Karim and then followed Sen. Henry. Yeah. So, MP Karim, you have the floor.

Mr. Karim: Thank you very much, Mr. Chairman. You did indicate, Mr. Chairman, that you lost your major providers in terms of your revenue stream. Why did they pull out? What was the reason for them pulling out? And after you indicate to us the reason for them pulling out or their withdrawing from you as providing the services, what did you do to recover? You said something just now that you may have gone outside and gotten some business. Tell us, I understand in 2014 you would have had a loss, if that is so, and have you had any profitability beyond that year? So the first question is: Why did they pull out? And secondly, what was the financial status post-2014 to current?

Mr. Bennett: In response to your question, I have to say that there were reasons beyond our control why they pulled out. It was not for want of the deliverables from VMCOTT. The implications of that were political at the time and hence the reason why PTSC in particular withdrew the maintenance of their vehicles back to PTSC's facility.

With regard to the police, around that same period they acquired new vehicles. So they were able to enjoy the maintenance and repair and service under the warranty of those new vehicles, and they continue to enjoy that at this time because their fleet has increased extensively and they are maximizing that. So it is the older vehicles that we are now repairing for the Trinidad and Tobago Police Service.

Mr. Karim: Prior to that, is it correct to say that under the period 2010, for example, if you go back into the history the company, is it correct to say that some of these repairs that were required of VMCOTT were outsourced to other garages even while you were operating? And if so, what was the reason for that?

Mr. Bennett: I would agree with you that some of the repairs were outsourced, and I am not in a position to answer the reason for that because that was a decision taken by the respective clients. In particular, it continues today.

One of the concerns that affects our ability to provide the service that may direct them to go and outsource it with the persons who have private garages outside is that, because of our restriction on cash flow, we cannot purchase and acquire spares to be able to give them the repairs that are required. So they take that opportunity to go outside and have it done, because the private enterprise is able to use the bank overdraft, purchase their spares, repair the vehicles and charge a higher amount of money for the work done.

Mr. Karim: But in terms of your responsibility, your mandate in 2000 was really to establish to service government vehicles. All right? That is when you look at the document that originated your raison d'être, as it were. Would you have developed, if you had to outsource and maybe—I am sure you would have had to outsource during the life, and not only necessarily in terms of the last couple of years—if you had to outsource, would you have been able to do an assessment to certify these garages to your standards? Did you have criteria and were you able to certify garages from VMCOTT to perform services that you could not have performed on your behalf?

Mr. Bennett: We have certified three such garages to date and those garages are grossly underutilized by the same client. So they choose to go elsewhere where they do not take the opportunity to use those garages that have been certified.

Mr. Karim: Could you give us a sense as to who are those garages you certified? And if you have information from your market intelligence, what are the other garages that being used now to service the very vehicles that you would have had and lost?

Mr. Bennett: The garages that were certified and met with our criterion, I would prefer if the Chairman would permit me to submit that in writing rather than making the names public. And the other garages that are being used, are being used by that particular client for tyre services, for battery services and for general repairs.

Mr. Karim: Might you be able to give us a sense, you said you had a substantial amount of money that will affect your viability. Might you be able to tell us who are some of those persons that continue to have outstanding, unpaid balances to your organization that affect your sustainability? And those, if you could tell us the name of the institution or the organization and the amounts? If not today, we will like to have that in writing, please. But if you can tell us now, it will be useful. I am sure you came well prepared for some of these questions.

Mr. Bennett: The existing outstanding amounts totalling $28 million is an accumulated sum of $16 million over the period 2000 to present from the Trinidad and Tobago Police Service and $12.8 million from the Public Transport Service Corporation.

Mr. Karim: Have you had any communication from them, any commitment as to when your outstanding amounts will be paid?

Mr. Bennett: We have been working closely in an effort to obtain receivables, but they themselves are limited by the amount of money that they have available under their respective budgets. The commitment, we just had a meeting recently with the Trinidad and Tobago Police Service and there is a commitment from the head of finance to try their best to see how they can draw down on that amount of receivables.

Mr. Karim: I just have one final question in this round. I will be asking some more. If it is that you are so strapped for cash and you have people to pay—and I would imagine we would want to find out what is the wages bill and so on—and it is difficult to get the moneys owed to you, do you seen yourself continuing in business? And if so, how do you plan to do that in the presence of continued deficits?

Mr. Bennett: In the presence of continued deficits, I have asked my line Minister to assist in helping us to obtain those receivables. He has had a business plan that was set out by VMCOTT presented to him, and we have been discussing with PTSC with regard to letting them come to the facility to maximize the services that we provide.

Mr. Karim: Would you say then that you have described what you are experiencing now as VMCOTT being an insolvent company?

Mr. Bennett: In reality when you look at the books, it is in fact an insolvent company because your current assets and your liabilities do not make you a solvent company. But if we had had the opportunity of our respective clients paying their bills in a timely fashion, we would have enjoyed solvency.

Mr. Chairman: Sen. Henry.

Dr. Henry: Good morning everyone, again. My question is to, first simple question to the CEO is: How long have you been with the company, Mr. CEO? And give us a size of the scale of operation of how many employees and so on, the basic information about the company.

Mr. Lackhan: Thank you. My tenure started in November 2013 to present. The staff is approximately 83 people in total and we have three facilities, one at Beetham, one at San Fernando and one in Tobago.

Dr. Henry: Okay. So relatively manageable size in terms of—and these 83 people mainly comprise of what, mechanics or?

Mr. Lackhan: You have the auto technicians, we have three levels, one, two, and three; we have the administrative staff, of course, the technical staff is weighted more because we provide services for the state entities. So, yes.

Dr. Henry: Okay. Could you give us an idea of the kind of controls you have to ensure accountability and transparency? What are your checks and balances in the company? And have there ever been any major issues with misuse of vehicles or problems at the company?

Mr. Lackhan: Well, in the recent past there have been zero misuse of vehicles. But, yes, I understand that in the past there were several instances where there was misuse of vehicles. I also know that the proper process happened in order for, you know, the transparency to take place to ensure the perpetrators and, you know, I think that everything was done at that level so that we know going forward we were able to put in standard operating procedures to ensure that, you know, it was kept tied to zero. Because if you look at the 2016 figures it was zero. Right? So, I think we are doing a pretty good in that aspect.

Dr. Henry: Can you give us a specific example of the kinds of misuse that might have occurred in the past?

Mr. Lackhan: You mean in terms of misuse?

Dr. Henry: Yes.

Mr. Lackhan: Where, let us say, for example, a technician would have used a vehicle without the knowledge of his supervisor to test it, and if for any reason it got damaged, then obviously there would have been an investigation as a result of that. This is how we would term "a misuse of vehicle".

Dr. Henry: And your annual reports seem to be like many of the entities that we bring here, it seems to be a bit behind. Are you moving to get those up to date speedily? What is the plan of action?

Mr. Lackhan: We are working assiduously to have the audited financials up to speed. We have had some setbacks where on two occasions the appointment of boards took, you know, anywhere between eight to nine months and that happened on two occasions. And what happened really was a snowballing effect where, without having an AGM, whilst we would have had our financials prepared, we would have had to wait sometimes for eight or nine months before we can have an AGM upon installation of a board. So, also maybe with the auditor at times setting dates that were out of our control, maybe a couple months later than we anticipated, would have also been a factor. But we have completed 2013 and we are in the process of doing 2014 and our objective is that by 2018 we will be fully up to date.

Dr. Henry: Okay. I was just, on this round, I just want to ask about something the Chairman alluded to before. In terms of the accumulated debt of the company and any kind of sign that you could even be viable to get a profit any time soon?

Mr. Lackhan: Most definitely. The answer is, yes. What I would like to add to the Chairman, what he said earlier, is that in the 2012 whilst the losses were $28 million, up to 2016 the losses were about $10 million. Yes. We do get a subvention and the subvention is approximately $800,000 a month, that is basically to pay salaries some of it. But even though the business has reduced in terms of the throughput of vehicles coming into the compound, we have been able to significantly improve the operations and the efficiency of the operations, so much so that we have been able to reduce our net losses by more than 50 per cent. We have been able to improve our efficiencies in terms of the time taken to repair vehicles. We have put in standard operating procedures that enable us to ensure that the customer now gets a first-class service.

We are in the process, we tweak it. We constantly tweak it. So that, you know, we feel that we are in a position right now, should we get the support, especially where receivables are concerned, for the outstanding moneys that VMCOTT—and also the enforcement of the mandate especially for state entities—that VMCOTT will become viable. We are in that position right now.

Dr. Henry: Okay. Just quickly: Who are your major clients now? We heard about the ones that left: the TTPS and the PTSC. Who are you servicing mainly now?

Mr. Lackhan: In terms of state entities right now, we have got the Ministry of Health; we have CEPEP; we have a number of them that come in, but not necessarily under a contract term. But we do have—T&TEC, for example, has been a new, pretty new client over the past year and a half and they are very much satisfied with our service and they continue to bring in their vehicles on a regular basis. And more importantly is that we have been able to use the limited resources that we have to go out to the general public to advertise VMCOTT to the public. And we have been able to successfully achieve in the San Fernando branch a Saturday operation, for that matter. VMCOTT was an institution where we were never open on a Saturday. Right? And we feel as a service provider for vehicles, that is something that we need or we should have done.

We have incorporated that in San Fernando about five or six months ago and we have just started at the Beetham facility. So, we are doing things. We are doing some ads. We are also engaged in other activities for income generation. For example, the Mayaro Regional Corporation is one corporation where we have recently signed an MOU. We are currently managing their facility and we charge them a fee to do so. We also supply them with parts to service and repair their vehicles. We train their staff, and there are other regional corporations that we are currently engaged with to do the same, to provide that service for them for fleet maintenance management.

10.50 a.m.

Mr. Mark: Thank you very much, Mr. Chairman. Good morning to the team. I just want to follow up on what Mr. Lester Henry, Dr. Henry rather, raised a short while ago, and that has to do with—could you tell us, or maybe submit in writing, who are your hard-core clients as opposed to your temporary clients who will come in and you are not sure to see them for the next year, or maybe the next six to eight months, whereas, as you said, T&TEC is a new kid on the block and you seem to have it locked down, could you provide to the Committee in writing your hard-core customers, and those that are purely temporary and transient in that respect?

Now, as Mr. Fazal Karim indicated earlier, when VMCOTT was established back then in 2000, its mandate was to service government vehicles, and not to compete with the private or corporate sector, because, obviously of unsatisfactory service, because of, maybe, high cost brought about by deficiencies and absence of speedy, quality delivery to your clients, you have had a withdrawal. Because, I do not believe that even though you buy new vehicles, as in the case of the police service, and they get warranties that could take them for a year, they would necessarily have to leave VMCOTT, because every one of us knows that when you buy a vehicle you get a warranty and it could last six months, maybe a max of a year, but after that you have to service your vehicles, so it appears to me Mr. Chairman that the malady is a little more serious, something is causing your big customers to leave your services and seek interventions from the private sector, and it is something that you all need to really look at very seriously.

It brings me to the question of your strategic plan. I do not understand how an organization, experiencing the difficulties and challenges that you are currently experiencing, could proceed without a road map for recovery, for revival, for profitability, so the question that I wish to ask the chairman, through our Chairman, is there a strategic plan? Does VMCOTT have a strategic plan? If it does, what is the period of that plan? And could you make a copy or copies available to us so that we can better appreciate when the CEO says, to a question raised by Dr. Henry, that profitability is around the corner? That is easy to say, but what are the concrete plans? What are the concrete objectives of this organization to realize profitability within a period of two years or three years? So, I am asking the question, does VMCOTT have a strategic plan? And if it does, could you provide copies to this Committee?

Mr. Lackhan: Mr. Chair, in response to the question, we do have a strategic plan. It covers the period 2014 to present, and the board has reviewed that plan to extend it to 2018. We have also, coming out of that plan, a transformation plan, and I have a copy here, and I will provide for the Committee both plans at a later date.

Mr. Mark: So, that is very good, you have a strategic plan, you have a transformation plan, and you indicated earlier that you have a corporate business plan, which I suspect you will make available to this Committee. Could you share with us therefore what is your timeline for the turnaround of this organization? When do you expect this organization to remove itself from State dependency, and we would not have the responsibility as a state to provide VMCOTT with $800,000 every month to pay salary and wages? When are we going to see VMCOTT being able to break even and begin to make profits so it would not be dependent on the State for transfers? Could you share with us, what is your vision for a timeline to make VMCOTT profitable?

Mr. Lackhan: We have set a period of 2020 for VMCOTT to become profitable. We are well on the way to doing that, because we have significantly reduced our subventions over the period 2010 to present, reducing it to approximately $800,000 per month. So, we are benchmarking ourselves with the period 2020 to become fully profitable.

Mr. Mark: And if you do not become fully profitable by 2020, would you agree with me that the time would have arrived for us reconsider this business model and determine whether it should be re-examined with a view to taking measures to relieve that organization of its mandate in the future? In other words, should we close down VMCOTT if by 2020 we do not see it breaking even and making a profit, but it is more dependent on the State by that time, if we do not realize that objective or goal as you have defined? Do you think that the time would have arrived then by 2020 for us to reconsider that business model?

Mr. Lackhan: I do not agree with that. We have taken some initiatives, and one of the very important initiatives is the relationship we have with NGC/CNG. Government mandate has indicated that there is a requirement of 17,500 vehicles to be converted to CNG, and VMCOTT is the only state entity that has been considered to be the main player in doing this conversion. That also allows for the continued socioeconomic participation of the private sector. So, in addition to VMCOTT, there are three or four other private sector organizations that would be doing this conversion. And it is clear that the viability of VMCOTT can be achieved by 2020.

Mr. Mark: Now, could you, through the Chairman, provide us with a detailed timeline for VMCOTT's commencement of the CNG conversion of state vehicles, seeing that you are strategically placed, and you might be the only organization in this country to convert 17,500 vehicles—which, I believe the majority would be state vehicles, when are we going to commence, VMCOTT, that conversion process? Have you started? Could you tell us how many vehicles you have converted to CNG and how many you anticipate to convert within the next 12 months, as an example? Could you share with us that, Mr. Chairman?

Mr. Lackhan: We have started training our technicians while we wait on the Ministry of Energy and Energy Industries to give us the respective licence. We have applied for that licence since September 2015, and we have continued to provide them with all of the necessary requests they have sent to us to fulfil our application. In the meantime we have signed off on an MOU with the NGC/CNG, and we have already established a supplier for all of the respective kits. It is anticipated that once we get the licence, we just need a 30-day lead time to be able to commence. So, I could say to you, that if we get the licence in June of 2017 we can commence at the beginning of August 2017.

Mr. Mark: What, Mr. Chairman, would you attribute for the delay in issuing this licence to VMCOTT? I am astounded to hear that you have applied since 2015. This is February the 7th, 2017, and you have the equipment to convert 17,500 state vehicles to CNG, and we are yet to obtain a licence for VMCOTT from the Ministry of Energy and Energy Industries. Why has it taken so long? And, could you advise the Chairman, what can we do to help you acquire this licence to make your organization viable, and profitable, and avoid closure as a state entity?

Mr. Lackhan: Mr. Chairman, I want to thank the member for giving me the opportunity to ask for your intervention, because I am unable to indicate why it has taken this long. What I can say is that, we have been following up on a regular basis, and at present it is my understanding that the application is with the OSHA department of the Ministry of Energy and Energy Industries, going through the requisite checks to ensure that we are up to par with the application.

Mr. Mark: But Mr. Chairman, for a year, a whole year and almost three months, and they are still going through this process, something has to be wrong Mr. Chairman. I mean to say, we have a Chairman here who has been an energy expert in the same Ministry as a former expert, and maybe he will advise us privately what could be causing this, but it is amazing that it is taking so long for them to issue a licence to VMCOTT. But I will pause at this time, Mr. Chairman, and allow my other colleagues to continue.

Mr. Chairman: The Chairman would like to just follow up. I am listening to the responses and at this stage I am not convinced, but let me deal with the issue of the CNG. So, I saw this in your submission, and I understand you have the MOU. Here is how the Chairman has put this into a thought process. In 2010 VMCOTT was servicing, at least serviced 6,000 vehicles, and in 2016 you serviced 1,600, so that is 70 per cent reduction. I assume that your staff numbers have remained more or less stable during that period of time. If not, correct me.

Mr. Lackhan: Mr. Chairman, it has been reduced.

Mr. Chairman: It has been reduced by?

Mr. Lackhan: By about 25 per cent.

Mr. Chairman: Twenty-five per cent, okay. When I look at the proposal in the MOU in your submission, the plan is to convert 500 vehicles a month?

Mr. Lackhan: Mr. Chair, if you would permit me, that was a typographical error. It is supposed to be 50 a month. Five hundred way surpasses our capability, so that would have caused—

Mr. Chairman: You see where I was going?

Mr. Lackhan: Yes.

Mr. Chairman: Because I could not understand how you could hope to convert 500 vehicles, that would be 25 a day. That is logistically impossible. Well, you have helped me with that because it just did not seem to make any sense. So, that is a typo in your document, and I appreciate the clarification on that. But, let me ask one more question before I give the floor to another member, because I am trying to understand how, the various ways in which this company could survive. We have heard it from you, as it stands now VMCOTT is insolvent and has been insolvent for the last couple of years. That is on the record.

What we are trying to understand is the plan to get it out of insolvency and from dependence on the state purse. I think everyone here understands the current financial situation of the country, given the current revenue status of the Government, and we have to be a "lil" more proactive, try to understand ways in which we could turn enterprises around. As it currently exists, VMCOTT, while it may not be losing huge money, it is losing money, so I have a question here. I saw one of your initiatives is to introduce an automotive car wash facility in San Fernando and you are planning one at Beetham, I would like to understand what is the capital investment here and what are the returns? What is the investment and what is the returns—has the returns on the one in San Fernando yielded enough to be able to say that this has been a profitable venture?

Mr. Lackhan: Mr. Chairman, the capital investment on the car wash in San Fernando was $1.3 million, and in one year we were able to cover that and turn over a profit, which we used to assist in some of the overheads that we have. So, we make an average of about $80,000 per month on that simple car wash. But that is an ancillary to the service we provide, because when you are doing maintenance of a vehicle—a client loves to have a vehicle that is repaired or serviced and washed, so he comes back to your garage and picks up a clean vehicle, so that has significantly assisted us in making some revenue.

Mr. Chairman: Well, I appreciate that, because that is what I want to hear from the company, that you are looking to try to find ways to sustain your operations. So that an ancillary service, you made an investment, and according to what you are telling the Committee now, that investment is profitable and you are planning to role that out to your other operation here at the Beetham, so I am happy to hear that. I have a couple more questions, but for now I would give the floor to MP Karim.

Mr. Karim: Thank you very much, Mr. Chairman. You indicated that you seem to have been doing a little better during the period 2010 to 2015, but that you might be able to get sustainability and profitability by 2020. Why will it take so long to have this turnaround from where we are now, or even when you assumed office in late 2015 or even 2016? What are your major constraints to not being able to have a turnaround in a shorter period of time?

Mr. Lackhan: Mr. Chair, in answering the member, my major constraint is the inability to recover the outstanding debts owed to VMCOTT, and that is affecting my capability of purchasing spares and having the ability to repair vehicles on a timely basis, because we have a down time. When we do not have the spares stocked, the same client that owes us money comes to us and says, “Hey, I have an X-Trail to repair, can you repair it?” And we have to say, “Unfortunately we do not have the spare available”, so they take it to a garage outside and they have it repaired. This is what is affecting us.

So, once we can get the support to obtain our receivables, it would give us a capital to start with. Some of the initiatives we have used and we are exploring is going to give us a substantial income. For example, we are well poised with Beetham being on the bus route, and we have a proposal, and we have entered into some discussions with establishing a CNG location there, for distribution of CNG. We can capture all of the government vehicles using the bus route, we can capture all the maxi-taxis in the East-West Corridor, and we could even assist PTSC with fuelling their CNG vehicles. These are some of the things that we look forward to making it a viable organization within the period 2017 to 2010.

Mr. Karim: You know, for example, if you are established for effectively repairing/maintaining government fleet, and that is not happening because your major clients have left you, and they have gone into the private sector. They are now sending their vehicles to private garages. You will have to obviously diversify your product offering or your services. You just indicated that you had a car wash in San Fernando and it has even surpassed maybe the expectation. Why is it that, or if you can tell us, but I am asking the question in this way, what other product diversification that you are going to be engaging in, with permission or authorization, to capture that loss of market share and return you to improve profitability quicker?

Let me give you an example, I have not seen advertisements in VMCOTT for same-day repairs, like you have same-day surgeries. I am not seeing that. You are saying that you are adequately and purposely placed on a strategic location. You have opened a car wash in San Fernando, maybe there is none like that in San Fernando, but there may be one in Port of Spain area that is overburdened, and there is a market share for you to open another one, and 15, 16 months have gone and you have not really pursued that as yet. Is it not possible as well—and instead of people going to pay the garages in cash outside for their services—that you can develop some new strategies to make your organization VMCOTT very viable? So the question really is, what are these other diversified product ranges? Because I want to come to a substantial question which I want you to answer truthfully, not that you are not answering truthfully. Do you feel that VMCOTT is suffering for a poor brand reputation?

Mr. Lackhan: Mr. Chair, allow me to respond to first of all our diversification initiatives. We have entered into a relationship with another state entity, NP, to provide a line of ultra-care products. We have recently been able to outfit our own technicians with coveralls that are carrying a VMCOTT logo and an NP ultra-care logo. We are offering to the general public a range of services. For example, if you have a four-cylinder vehicle you can come and have an oil change. We provide you with the filter, the oil, and a 50-point check on your vehicle to determine the effectiveness of the vehicle, or if you have any defects we can do on-the-spot repairs of your vehicle for $2,800 per annum. So, if you enter into that arrangement with VMCOTT you will be provided with these services. We have partnered with NP to do that. We have partnered with NP and we are in discussions of establishing a fuel point, not only for CNG but for other petrol, oils and lubricants at VMCOTT's Beetham location.

We have also embarked on doing a car wash at the Beetham location, because we have done some surveys and we realized that on that highway passing VMCOTT you have over 40,000 cars per day passing along there. We have also gone into rebranding VMCOTT, because I must admit when the CEO and the board and I looked at the image that VMCOTT has, it is tainted. It is tainted with a perception by the Government Ministries and the fleet managers in those Ministries, and the general public, that VMCOTT is only there to repair government vehicles. One of the things we are doing is establishing a new logo and doing some upgrading of our facility at this point in time.

Mr. Karim: Mr. Chairman, I want to ask you a direct question again, are you satisfied that VMCOTT—because I have not seen even in the newspaper, or on the television, or in other forms of advertisement. Are you satisfied that you are aggressively pursuing increased market share for the services that you offer? And if you are not, what do you plan to do about that?

Mr. Lackhan: Because of our budget constraints we cannot engage in a very aggressive marketing campaign. But, however, we have put ads into the newspaper, we have gone out to billboards, we have also engaged the capturing of our market share by doing the various road shows. We have done one at Trincity Mall, and we captured a significant client of a fleet of 150 vehicles, approximately. We also did one in San Fernando at Gulf City, and we propose to have one at Long Circular, and one in Tobago.

Mr. Karim: Mr. Chairman, just again, permit, because I want to assist like my colleagues in seeing whether we can advise or share our experiences in terms of how you can improve you margins, and certainly your productivity. In terms of providing services, suppose for example, because you said that you had crawling, you had traffic jams, 40,000 vehicles every day going to and from the city. Suppose you were to give or you have somebody who will give a flyer, I am just saying very rudimentary, you have somebody stand there, like you see away when you travel and so on, you have somebody with a sign and so, give a flyer to these vehicles, do you feel you have the capacity to service and to respond to the demands of those increased aggressive advertising strategies that you have embarked?

And I want to ask it in the context of this, of the equipment and the personnel, and I am going to ask a specific question on personnel, but of the equipment, do you have all of your equipment, or what percentage of your equipment is operating at full efficiency, or near full efficiency? Or what percentage do you have down and not functioning because of the inability to provide repair services to that equipment? Because it is one thing to invite people to come to the facility, but when they do they might be frustrated because you cannot satisfy them on time.

Mr. Lackhan: We do have the appropriate equipment. We have been upgrading our equipment. Recently we acquired a nitro film machine, we just got one of the state-of-the-art air-conditioned units that you just attach the system, it gives you a read out of your vehicle and can give you the opportunity to hold whatever gas you have while it would clear the system and replace it and add to that. We have some of the state-of-the-art equipment. We are also in the process of purchasing some new equipment to upgrade some of the transmission state-of-the-art equipment we used to have. Because, I recall that I had the privilege of looking at VMCOTT when it was established in 2000. I went there myself in 2002 and I was really impressed, and I continue to be impressed with the capacity that the organization has, and I can say to you that it is grossly underutilized. Because if you look at the records, in 2010 we were able to have a throughput of 1,600 vehicles. We have the capacity—6,000, sorry, overall, and that is grossly underutilized today.

11.20 a.m.

Mr. Karim: But tell us, why is that? Because if you are having some good metrics in the period 2010 coming up, why is it, apart from the fact that your two major clients may have pulled out—certainly, if you want to continue to exist and a client is pulling out, or two clients are pulling out, you must be able to find somebody or some people to go on the road or whatever have you, as you have been doing, and a road show in a mall is not going to do it, eh, that is only sensitization that will give you a small percentage of that return on the investment.

But, what is it that you are going to be doing now—let me give you an example. I think it was the CEO that indicated that you were providing services to the Rio Claro/Mayaro Regional Corporation and that you are training their persons. So if I ask the question, how many of your persons who are going out to train people, how many of them are certified with the qualification and the certification called Train the Trainer? It is one thing to know something, it is another thing to deliver effectively for knowledge to be absorbed by the recipient. How many persons would you have on your technical group who have been certified and trained and I will give you another opportunity and I will share with you a way in which you can also make some money when you answer this question.

Mr. Bennett: We have our workshop supervisors who are trained and certified as trainee trainers. All of our supervisors.

Mr. Karim: By whom, may I ask.

Mr. Bennett: By NESC.

Mr. Karim: By NESC?

Mr. Bennett: Yes, Sir.

Mr. Karim: And are you utilizing the facilities? You see, you spoke about CNG and the challenges. In the meantime, NESC provides training for technicians in CNG conversion. While you are awaiting the approval from the Ministry of Energy and Energy Industries, is it not possible to consider, to conceptualize, even outsourcing, for conversion on your behalf to make a profitability through somebody like the NESC.

Mr. Bennett: We have had NESC train our personnel already and we have trained them and they are just waiting an opportunity. We are also engaging with an organization who will supply the respective parts for the station.

Mr. Karim: Sorry, if I may interrupt, because I think you probably misunderstand. Let me be a little more specific. I am saying that you are awaiting to be approved as a facility to deliver CNG as a station and training and so on. In the meantime, you have NESC, National Energy Skills Centre that has a direct contractual relationship with NGC CNG. Is it possible for you to conceptualize or to consider your at arm's length relationship for your future profitability with VMCOTT until such time that you get your approval, so you ask NESC because they have the facilities, they have a big garage in the yard of Point Lisas at the Roundabout and they have a relationship with NGC to act on your behalf so that you will be able as well to leverage your critical skills.

Mr. Bennett: Certification is the concern here and I am not sure that NESC is certified for CNG conversions.

Mr. Karim: I can assure you, you could check.

Mr. Bennett: I will do that.

Mr. Karim: In fact, they would not have been able to have an agreement with NGC had they not been properly certified and even to some extent accredited. There is an Accreditation Council of Trinidad and Tobago and one of the first technical-vocational institutions to be accredited was the Metal Industries Company Limited. The NESC together with YTEPP are the major providers, because I have some questions I want to, but I am just suggesting. Let me give you an example, since you raised the NESC.

The NESC together with the MIC and YTEPP were pioneers in what we referred to as the WAC. A WAC is a Workforce Assessment Centre. And there is an opportunity as well for you with your state of the art equipment in both San Fernando, in Beetham and in Tobago, and I will ask a question on Tobago later on, to be assessed and to be certified as an approved centre to certify those mechanics and technicians in our country who may have knowledge, skills and competencies but no certification. You might be surprised to know how many persons will come to you to pay for that facility, to be screened against the National Occupational Standards, to be check listed and to be certified at levels, whether it is level one or level two and there is a hierarchy of levels. So I am suggesting, you may wish to consider that in your diversified portfolio to increase revenue generation.

Mr. Chairman: Thank you. I want to just switch topics a bit now. I want to actually address this question to the Operations Manager. In your submission here, on page 12, you indicated that because you have a lack of required equipment sometimes it necessitates, according to your words, performance repairs, “the old school way”. Could you explain what that means? If you are performing—is there an old school way and a new school way? It does not make sense to me. So I need someone to explain to me if you do not have the equipment, it means that you are performing with the old school way. Could you help us understand what that means?

Ms. Prince: Well, when we say the old school way, we are talking about basics, because mechanical starts from the basic level and, of course, we have—because of the symptoms we experienced from the basic, what happens, we now upgrade and we use scanners. Some of the equipment we have, we just have little difficulties getting into the type of technology that these vehicles may come with. So what we do, we go back to the old school ways. For example, we might disconnect the battery, you know, do some—just some basic things on the vehicle and then disconnect the battery, leave it overnight and see if that will work. And in most cases because the mechanics from our industry they started from inception of VMCOTT they already know the symptoms of vehicles. So although we might not have the technology to go into the vehicle, however, the expertise from the experience in the past, that is what help us to get through to perform the maintenance repairs, most of them that is, with the technical issues.

Mr. Chairman: I have one other question in that area, because in another part of your submission you say that, "we service all makes and models of vehicles". That is a significant statement. You service all makes and models of vehicles of the general public. So my question is, is this a statement that we would rely on? And then the attendant to that, if you are servicing a vehicle are you replacing it with original parts or is it dependent on the customers saying, I do not mind using original parts or I prefer to use a generic part. I need to understand, because when you make a statement like that, it is a significant statement. "We service all makes and models of vehicles to the general public".

Ms. Prince: Well, Mr. Chairman, what we are saying we do not turn away any customer with any make or model of vehicle that comes to VMCOTT, because of our technical capabilities we do attempt to get it done. However, approval is given by the customer, whether they want genuine parts or aftermarket parts. So we them an option to choose from and they make the decision, they approve it and then we move forward to continue with the repairs.

Mr. Chairman: Interesting. The Chairman has just one other question in this round and before I turn it over, I saw in your submission that you indicated to this Committee that in 2016 a foreign supplier shipped vehicles that did not meet the first specifications and VMCOTT did not return the vehicles but they were sold to offset. So I would like to understand the nature of this transaction. How many vehicles? What type of money we are talking about? Is it one, is it 10—I need to understand what you are talking about here. Your vehicles were ordered from a foreign supplier; they did not meet the specification; you all did not send it back and ask for your money back, you did not return it, you essentially said they were sold to offset some of VMCOTT's debts. I do not understand that, because what is the process, the chain of, if you ordered the vehicles on whose behalf. Who paid for the vehicles that allows you to sell it? I do not understand. Could you help us with what you mean here.

Mr. Bennett: Mr. Chairman, the chain of events was that VMCOTT won a tender to supply vehicles for a particular client. In the submission of their tender specifications, they asked for certain requirements which we sent then to the manufacturer. The manufacturer shipped the vehicles to Port of Spain. On arrival, they came in two or three months later than anticipated because at the time of manufacture there was a long period of delay at the plant and extended holidays for that region. Upon arrival the client was advised that the vehicles arrived and they granted us permission to have them licenced. So in an effort to make up on the time lost we were able to licence these vehicles and have them there. When they came and they looked at the vehicles they realized that the vehicles had no mud guards and the vehicle capacity of cubic size was short by about 20 cubic metres. And they made a significant fuss about that—very, very small. It is like, taking into consideration a flat top panel van and a high top panel van.

So, at that juncture we offered them the opportunity to place the mud guards on the vehicle and asked them if they would kindly consider accepting the vehicles. And they refused. We were then left with the vehicles in our hands. Sometime subsequent to that ,we noticed an ad in the newspaper where they put out another tender for the same kind of vehicles. By this time we had registered those vehicles at TDJs and we had reached TDK. So when we asked them if they would accept those vehicles on this new tender they did not. We were then forced to find other means of disposing of the vehicles. And what we did is that there were persons who we owed large sums of money to and we asked them to offset the cost by accepting one or two of those vehicles.

Mr. Chairman: So in terms of financial exposure in the company you would have purchased the vehicles based on the tender you received and then the receiving party refused to accept them and then you essentially found another buyer to take the vehicles. I am trying to understand. Was VMCOTT cash positive or cash negative from this whole chain of transactions?

Mr. Bennett: VMCOTT would have made a substantial profit on that tender, but the reason why we—and when the client denied accepting it we were cash negative as a consequence.

Mr. Chairman: So that after you sold them, that is what I am getting at. So you would have put out money, vehicles arrived, the intended purchaser refused to accept them and you found alternative means of disposing the vehicles. What I am trying—in terms of the moneys received via selling the vehicles through the alternative means, whether you settled, offset debts or whatever, was that enough to cover what you had put out to purchase the vehicles in the first place and the licensing cost and all of that tender?

Mr. Bennett: Yes, it was.

Mr. Chairman: It was. So on the transaction you did not lose money.

Mr. Bennett: Correct.

Mr. Chairman: Well, that is what I needed to understand. I think Sen. Dr. Henry has a question.

Dr. Henry: Okay. Just to follow up on that before I go to my other question, was there anything in the contract that you signed with the person, the entity, to supply these vehicles that you could have taken action? Why did they just, were able to just refuse to take the vehicles? Did you have a fallback position, like, saying, no, you gave us this contract to bring in these vehicles, how could you refuse now? That sounds a little bit, you know, generous to me.

Mr. Bennett: It sounds a little iffy but at that time we did not have a fallback position with regard to the specification. They claimed that we were outside the specification and therefore legal requirement obligated us to honour it as it was.

Dr. Henry: Okay. I want to turn page 18 in your submission, under training and connect with the question of terms of your ability to gain business. Under training you said here in the box diagram, due to financial constraints, VMCOTT's technical staff are not exposed to the extent of training that technicians from competing organizations receive. So I am looking at, how do you market yourself then, if you basically admitting that these other guys have better training than us? Why would I bring my car to you? What would be your advantage? How could you convince me that it would be worthwhile to stop on the Beetham and drive in and say, "Okay, I am comfortable with these guys here"?

Mr. Bennett: With regard to the training aspect of it, the financial constraints do not allow us to train many people all at once. So we engage with NESC and we try our best to have some Trainee Trainer Programmes where we do a lot of in-house training. There are some instances where we require people to go abroad and obtain training and as a result of that, because we do not have the financial capacity, we asked the intended trainer to come to Port of Spain and do that training for us. But that does not negate the fact that we do not have the capability to fix, repair or service vehicles. What we are saying here and maybe it was not well put in the document, is that, there are instances where there are financial constraints which inhibit our ability to train personnel up to a standard and the numbers at the same time.

Dr. Henry: I am still trying to get at your competitive strength really, but what would you market your company as being capable of that we might want to come to you rather than go to the competitors. Because, I mean we are supposed to have almost 1 million vehicles on the road in this country, right, somewhere close to that, almost one per person, and this could be a very lucrative business if you can attract the customers, because all vehicles have to be serviced at some point. So the broader question I was getting at is why would we come to you? How do we sell VMCOTT in such a way that I would want to stop when I am heading up the bus route and say, okay, I am pulling over here for service.

Mr. Bennett: There are two principal reasons, we have significant competitive prices and we have persons who are trained and certified at various levels. And one of the things that was alluded to earlier by the Chairman, was that when we say we fix any make and model of vehicle our technicians are trained not just in specialized vehicles so that we can repair a brand of vehicle from all makes and models of distributors, in addition to which it does not matter the age of the vehicles, we effectively repair them. We have been established in 2000 and it was at that point in time a state-of-the-art repair shop. It has been the perception of other persons that we have lost some of that, but I can assure that we are still state-of-the-art. We upgrade our equipment and we upgrade our personnel and our training on a regular basis to meet those standards.

Dr. Henry: Okay, but competitiveness, generally, has something to do with your cost and your price. You did not make any reference to that. Meaning that, how, I might want to bring my car to you because it might be cheaper than going to the original maker. Can you say something along those lines that could help us understand what, is bringing my car to VMCOTT going to cost me less for the similar type of service or is it going to be more? How do you gage that?

Mr. Bennett: Bringing your car to VMCOTT could cost you less for higher quality service. And that is what I was saying earlier, because our prices are very competitive. What the people are doing, in particular in San Fernando, the garages around San Fernando are now using our pricing as their benchmark to go below that and to capture the market out there. We have done some research and we have discovered that.

Mr. Mark: Thank you, Mr. Chairman. Mr. Chairman, there was a question that was asked earlier dealing with the non-submission of administrative reports which in accordance with the Constitution supposed to be submitted to His Excellency once a year and then those reports would be sent by His Excellency to the Parliament. Could you tell this Committee when last you submitted, I am making a distinction between your financial audited statements and accounts and that of administrative reports. Could you tell this Committee when last did VMCOTT submit administrative reports to the Parliament of the Republic of T & T?

Mr. Bennett: We are up-to-date with the submissions of our administrative reports.

Mr. Mark: You are up to date?

Mr. Bennett: We are. We got feedback from our Corporate Secretary that we have met our timelines and we are up to date, one of the few state entities that has been.

Mr. Mark: So the last time you submitted an administrative report would have been sometime for 2016.

Mr. Bennett: That is correct.

Mr. Mark: Let me just proceed to another matter. It is a press release dated December 11, 2015 issued by Caribbean Information and Credit Rating Services Limited. And they were dealing specifically with VMCOTT as it relates to the level of creditworthiness of this organization within the Caribbean region and within T & T. They described it as weak, creditworthiness of VMCOTT, as weak and it went on to state that VMCOTT's ratings continue to be constrained by persistent deficits which were driven mainly by its high unsustainable operating expenses relative to revenues, and the company's tight liquidity position as measured by the long cash conversion cycle on account of high receivables that you mentioned earlier.

Now, this was as a result and I want you to listen carefully, of weak internal controls though improving and low plant capacity utilization which you alluded to earlier, which would have contributed to the poor financial performance. Now, what is being said by this rating agency is that there is weak management and that was in December of 2015. A year would have passed and a couple months. So weak management and poor internal controls. Your internal auditor is here. Could you tell us what would have happened between the issuing of this statement by the Caribbean Information and Credit Rating Services Limited, then in December 2015, now as we speak. What have we done to address weak management and poor and weak internal controls since that period?

Mr. Bennett: Mr. Chair, in response I would like to highlight that in interpreting the weak internal controls does not necessarily mean weak management. In the sense that, there are policy procedures and practices which may have had some loopholes allowing for our controls to be considered by this organization to be weak. We have utilized our internal auditor on a regular basis and one of the things we just completed in 2016 was an internal audit of our stores and procurement procedure which is inhibited by the fact that economy of scales cannot be achieved because we do not have the cash flow we are supposed to have.

In tightening up the system of stores and in having the procurement unit procure the right parts have helped us in establishing some SOPs which will reduce those weak internal controls and my internal auditor here is spot on with helping me with achieving the mapping process in providing the efficient systems that would be control measures to ensure that we tighten up on those inefficiencies.

Mr. Mark: Would you say that your operating expenses are being aggressively addressed to bring it in line with your revenue streams so that that weak management element that was alluded to and your lack of creditworthiness are being addressed by the management and the board of directors at this time?

Mr. Bennett: Yes. My response to that is simply, yes. The Board of Directors working in close collaboration with management have taken some stringent directives to reduce those inefficiencies and to tighten up with management's activity to ensure that we are able to recover some of our debts and to reduce some of our expenses. Over the period 2010 to 2016, we have significantly reduced our expenses. In 2010 our expenses amounted to approximately $26 million and by 2016 we have reduced that to $13 million. So we are working assiduously in bringing this down. And both board and management in establishing good policy and procedures having working closely on this.

Mr. Mark: What systems would you want to advise and what system have you effected to ensure that your receivables are on a timely basis to avoid your good self and your management team having to go cap in hand to Ministers of Government to literally beg them, to please get the police service to honour their commitment to you, to plead with the PTSC to honour their commitment to you. So in all you have $28 million in receivables outstanding from these two main entities. What mechanisms have you put in place?

What systems have you put in place to avoid a recurrence or a reputation of that experience in the future where you would not have to have this huge amount of money outstanding which is hampering your operations? You could use that money to buy spares so when people come to repair their cars from the state sector you do not have to tell them you do not have parts and they have to leave you and go to the private sector. What are you doing to close that gap and to ensure that you do not have a repeat of that occurrence that you are now saddled with? I wanted to ask you want mechanisms you are contemplating, introducing to avoid this situation in the future?

Mr. Bennett: We have a new approach to invoicing our client on a weekly basis. So that, we send the invoices to them letting them know that the jobs have been completed and these are the outstanding payments. We do that on a weekly basis.

11.50 a.m.

In some instances we do that with a liaison from the respective organization who is our client at the location. So they themselves certify that the job was completed and sign off on it. We have been in talks with other boards. As the Chairman myself, I engage with other persons who are on other executive boards to fast-track the payment and to reduce the receivables. There are instances where there have been claims of unsubstantiated documentation and we are making an effort to have all of that rectified in the shortest possible time. But we have put systems in place to improve the efficiency of record-keeping and invoicing at VMCOTT. Before that, it was a very poor system that was in place, but closely working with management we have tightened that up.

Mr. Mark: One final question. Mr. Chairman, as it relates to procurement which you have emphasized repeatedly during your contribution, you are aware that the Public Procurement and Disposal of Public Property Act, according to the Minister of Finance, on the records of Parliament, is supposed to be operationalized by the 31st of March, 2017, which is next month. Could you share with this Committee what steps VMCOTT has taken to prepare itself in line with the new provisions outlined in the Public Procurement and Disposal of Public Property Act so that your organization would not be in breach of the law when it is fully operationalized on or before the 31st of March, which would include training of personnel, making sure you have a unit that is fully aligned with the provisions of the legislation, and as I said, familiarizing your entire management and board with the provisions of the Public Procurement and Disposal of Public Property Act.

So I just wanted you to share with us, Mr. Chairman, whether you are preparing the grounds; whether you are aware; whether you have familiarized yourself with the legislation in preparation for its full operationalization come March 31, 2017.

Mr. Bennett: Mr. Chairman, in response to the member, we are aware, and my acting finance manager to my right has attended a number of courses with regard to the compliance for the regulation of the new procurement Act. We are in the process of appointing the staff and training the staff for that purpose, and we are well poised to be ready for the 31st of March.

Mr. Chairman: MP Karim.

Mr. Karim: Thank you very much, Mr. Chairman. I have a couple questions which I would like to ask. First of all, I just want to get, for the purposes of the records, that all—since you said that the TTPS is one of the clients you lost—that all of these police vehicles which we see at various garages, that none of those garages were approved by you for servicing of police vehicles. Am I correct to say that?

Mr. Bennett: Mr. Chair, in response to the member, I would like to clarify the statement that was made very earlier with regard to the loss of clientele. We did not lose the Trinidad and Tobago Police Service. At the time, 2011, there was a withdrawal by both PTSC and the TTPS. TTPS continues to be a client—a significant client of ours—and one of the things that they have done is that they have brought to us, VMCOTT, at each of the locations—one in Tobago, one in San Fernando and the one in Port of Spain—vehicles for repairs. But they select the vehicles that they choose to bring and then they go outside to private contractors with other vehicles. The thing that contributes to that is that they would come into VMCOTT, bring the vehicle there and ask us if we could repair it. If we do not have the cash flow to procure the parts and spares to repair it, we tell them no. Then they use that as justification to go outside to those private garages which are not certified. Because we can tell you, we know for a fact that the ones that were certified are underutilized. They are not even being used to have a single vehicle repaired there.

Mr. Karim: So, again, if I may just reconfirm your answer, the police vehicles that we see at garages in Trinidad—I cannot say about Tobago now; I have not seen any but I see some here—those vehicles are being sent to garages that are not certified and were not directed by you, VMCOTT?

Mr. Bennett: That is correct.

Mr. Karim: The second question I wanted to ask is with respect to your operating centres: Beetham, San Fernando and Tobago. Can you tell us, for example, based on your current staff establishment, how many persons are employed at each of these facilities: Beetham, Port of Spain and San Fernando, and Tobago? And can you give us an idea as to how, let us say for a year—the year of 2016—how many persons are employed at each of these locations? How many vehicles were serviced for that year? And what were the kind of revenues—you have your finance person here—that were generated for the year 2016?

Mr. Bennett: In the year 2016, we employed 28 persons at the Beetham facility, 22 at the San Fernando facility and seven in the Tobago facility. These are our staff. For 2016, the actual figures for expenses—

Mr. Karim: Can I ask, before you go there, you said you had 28 and 22 and the seven. For example, in each of these, how many of those—like in Tobago you have seven. How many of those were administration and how many of those were technicians or mechanics? And if you can give me that—I want to go to a certain—I am moving in a certain direction to assist you. But if you can tell me of the breakdown of staff, how many will you consider to be administrative and how many would you consider to be technical—mechanics, technicians?

Mr. Bennett: We have about 25 per cent who would be administrative. So that in Tobago we will have two persons who are administrative. We have one workshop supervisor and four technicians.

Mr. Karim: Okay. You see, the reason why I am asking that as well, is that you indicated earlier on that as part of your turnaround strategy on revenue generation, that we have entered into an arrangement with NP. Can you tell us, for example—because I want to go into further discussion now in terms of the operating expenses and profitability. Can you say that relationship with NP, what that will redound for your benefit in terms of what is that going to present you with? How much are you going to get out of that relationship on a projection basis?

Mr. Bennett: We project to have significant revenue earnings from that because the relationship that we are entering into, we will have them put out a significant amount of capital to establish the car care centres, to help us with rebranding and to provide us with the lubricants and canopy for one of our gas stations. We estimate that that could bring in a revenue of approximately $1 million annually from the beginning, from the onset, from the jump go, and it will increase over time.

Mr. Karim: For example, you are saying that one of the things that is happening currently is that other private providers are benchmarking their services, their cost, on the basis of what you have as your cost. So if for example we take an average middle sized—a mid-range vehicle, a motor car, and with this relationship with NP, I am trying to—you are getting free advertisement here today—and you have to. I am driving into VMCOTT in San Fernando and I say, okay, I want to get my filter changed, my oil changed and so on, and in addition with your labour, what will that cost somebody for a mid-range vehicle, based on what you are saying—as a competitive strategy now?

Mr. Bennett: That will cost them approximately $600.

Mr. Karim: So $600 with you supplying the filter, about five quarts of oil and labour.

Mr. Bennett: Correct.

Mr. Karim: Well, that might not be so competitive. You can check it around the town. You might need to look at it again and you can see how you can become even more competitive. Because if you look at other—I think you are being advised.

Mr. Bennett: I am being advised that that is in comparison to dealerships.

Mr. Karim: Oh, dealerships.

Mr. Bennett: Yes. Because the dealerships would charge for that kind of service about $2,700.

Mr. Karim: Well, I do not think that any dealership—and I can tell you from my personal experience—might charge $2,700 to change a filter, five quarts of oil and labour, just for changing oil. You see, if you look at the concept—I do not want to promote any international brand, but they have a quick lube; rather than using another word which might be identifiable—you just drive in—and, again, if you were to even look at how your facility is configured at the Beetham, it is not user-friendly or attractive for the motoring public, and you might want to look at that aspect of it.

So, again, I am asking the question—I feel you will want to give me another cost in the future. But if I had to drive in—I am a drive-in customer and I wanted my oil changed, my filter changed and your labour to change that, are you saying that that is going to cost $500 at VMCOTT, or $600? What is it really going to cost you to become competitive? And it is not only about the dealership. You cannot only benchmark against a dealership because you are not a dealer, you are a service provider. What will that minimum, efficient, effective profitable cost centre be?

Mr. Bennett: I will have to get back to you on that.

Mr. Karim: I suspected so. I want to also go into the question of internal audits because oftentimes we do not hear about some of the losses, and I am using the terminology here in its very wide perspective. Can you say over the last year, for example, or whatever period you want to give me, whether there were any identifiable, noticeable, losses—and if these were true—that were picked up in internal audit, that haemorrhaged the profitability of VMCOTT? And if so, could you give us some specifics?

Mr. Cummings: Over the last year or so, to respond to your question, internal audit has continuously reviewed and assessed VMCOTT's internal control framework environment. We have brought to the fore several areas of weaknesses and inefficiencies for which we had come up with a number of recommendations for which we encourage the implementation of these recommendations by guiding the process, the whole implementation process. And as such, a number of areas in terms of our operations has been strengthened, a number of checks and balances have been improved. In fact, our systems and procedures can be viewed as pretty robust. And as a result, we have mitigated against any losses. Internal audit has played a major role in developing the organization's—in assisting and leading in developing the organization's standard operating procedures with regard to—

Mr. Karim: Sorry. In addition to the procedures, I want you to pinpoint. The reason being, you have said that there were certain areas of weaknesses. If you can give us an example of one or two of these areas of weaknesses with specific, noticeable trends that you have identified as losses, haemorrhages from the company, because we are trying to provide you with an opportunity to correct those weakness, to bring them to strengths so that your organization would be viable. Give us some specifics. What are these losses—and I am using "losses"—or haemorrhages that you would have faced in terms of items, whatever it is? Because I will ask another question to pinpoint something.

Mr. Cummings: In terms of our working capital where our receivables—in collection of our receivables—we have reviewed the entire sales billing process and we have reduced the time in which our invoices are completed and the time in which it actually could get to our customers. So it is not a question that we have not examined internally. All our internal controls, and our procedures with respect to haemorrhaging, with respect to our receivables that is causing us a liquidity problem at VMCOTT, we have examined that thoroughly, but it is just a simple question whereby we are not receiving the payment whenever we request. And whenever we follow up, with several follow ups to make all our accounts are reconciled on a timely basis as a detective control—we recommend that—our policies and procedures with regard to the billing aspect and the receivables are continuously reviewed and assessed to ensure that we have adequate internal controls in terms of preventative controls and detective controls. It is just simply a question that our customers, despite several meetings, despite several meetings to reconcile and assure that our balances are agreed, it is just that they are not meeting. We are not getting any payment.

Mr. Karim: Do you have any litigation matters as a consequence, and if so, could you give us any information?

Mr. Cummings: No.

Mr. Karim: Have you had any experiences with theft, vandalism, any of that that would have been identified in any of your internal reports?

Mr. Cummings: We would have had one incident of a missing transmission. I will say that we have done a thorough investigation of the matter. Again, we have reviewed the internal controls and we have identified where our internal controls had failed us and we have implemented—we have taken measures to tighten those controls. However, we were not in a position to actually pin down specific individuals and the matter is currently before the professionals, which is the police.

Mr. Karim: Do you have, in your internal audit perusal, in terms of preparing your reports, have you noticed any substantial amount? And we could define what "substantial" means. But have you come across obsolete inventory that will be quantified and that would have been a potential stop of a leakage of funds? Because you would have been providing services. You might have stocked parts or whatever have you, equipment. Do you have obsolete inventory? And if so—that you have on your hand and you have not been able to get rid of and—what is the cost of it; what is the quantity of it?

Mr. Cummings: We do have obsolete inventory which was identified. They were valued and we did seek authorization from the board and Ministry to get approval to write off—

Mr. Karim: Could you give us a value of the obsolete inventory that you have in your—

Mr. Chairman: Perhaps you could provide that to us in writing. We are running close on time.

Mr. Karim: I heard it was 12.15 p.m. we were going.

Mr. Chairman: Could you provide the requested information in writing?

Mr. Cummings: Yes.

Mr. Chairman: Because that is some details you are asking there, member, that he may not have at hand. So continue with your line of questioning.

Mr. Karim: Do you have the information at hand?

Mr. Cummings: No, not at this point in time.

Mr. Karim: Well, then, can I ask for information that you might have on hand? Can you tell us, for example, what is the remuneration of a mechanic in any of your facilities? How much is a mechanic paid?

Ms. Prince: A Tech I is being paid presently, $5,500 and that goes—

Mr. Karim: That is at the entry level?

Ms. Prince: That is at the entry level, yes. It goes all the way up to $6,500.

Mr. Karim: Okay. And in terms of that package, let us say—because the person who will sign off the vehicle would be the Tech II?

Ms. Prince: The person who signs off the vehicle upon completion is a quality control person and that would be a Tech III.

Mr. Karim: Okay. So if we look at, say, the mechanic at the second level, the higher level, how many vehicles would you say would have been serviced on a daily basis, as operations manager?

Ms. Prince: Well, we have the technical capabilities to service up to 30 vehicles.

Mr. Karim: No, how many—your numbers? You would have been—I am sure you are doing time and motion studies. So how many on the average are serviced in a month, for example, per day?

Ms. Prince: Oh, in a month—

Mr. Karim: Per day.

Ms. Prince: Per day, about 20 vehicles presently. Yes, 20 is the maximum that we service per day now.

Mr. Karim: You could be in an operating profit centre.

Ms. Prince: Yes, 20 per day, correct.

Mr. Karim: And are people paid at all on the basis of performance? Let me give you an example of where I am coming from. If you are finding that because of the situation that we are experiencing now in the country where I am assuming that your throughput may not be as healthy as it would have been before, that your mechanics can be considered on the basis of pay for performance—per hour then, for example. I am not talking here about the union and their activities. I am talking about in terms of incentives for people, productivity and profitability. Have you given any consideration to that aspect?

Mr. Bennett: In response to that question, the board has just taken a decision, on the recommendation of management, to give some incentive pay to those persons who are involved in repairing heavy equipment, apart from those people who are involved in repairing the lighter vehicles. So we have instituted a bit of incentive for the mechanics, the Tech IIIs, the Tech IIs and Tech Is who will be working on the heavy equipment, like those trucks and stuff like that, in comparison to the smaller, lighter vehicles.

Mr. Karim: But a smaller, lighter vehicles are your largest market share.

Mr. Bennett: Correct.

Mr. Karim: Have you considered appropriately, in terms of incentivizing the attraction of people to service their vehicles at your operating centres?

Mr. Bennett: Yes, we have. We are giving that consideration right now. We may not be in the position to do financial incentives, so what we look at is, when we bring people to work on a Saturday, we give them compensatory time off, which allows a man to be able to go and take care of some of his personal issues during the week.

Mr. Karim: I did hear you say earlier on, Mr. Chairman, that sometimes you may access training locally and some persons may have been sent abroad. Can you tell us, within the last year, two years, whatever have you, how many persons were sent abroad for training and the type of training that they would have accessed?

Mr. Bennett: In the last two years we have not been able to send anybody abroad.

Mr. Karim: So all the training now is done locally here. And who are your main training providers?

Mr. Bennett: NESC is our principal training provider at this time. In the past we were able to get people coming from NESC and becoming technicians, fully employed by us. So that is still a practice that we maintain.

Mr. Karim: I notice the Chairman is looking at his time.

Mr. Chairman: As the Chairman here, I would like to intervene. I am asking the member to understand that we have a sitting today and we have a time constraint. I would like to start to bring this session to a close. I understand the member has several questions and I have several unanswered questions, but we have a constraint not only on the members who have to prepare for sitting but also we have the staff.

I want to start by saying that I think that the session today has revealed to this Committee that we have an organization in crisis and it has been in that way for some time, notwithstanding you have presented to the Committee some information about some of the things that you plan to do. And in that context, the Committee looks forward to receiving your strategic and other plans so we could understand better where the organization sees itself going forward to hopefully turn around its performance. Its historical performance over the past three years to current does not give a lot of confidence about the viability of the company as it stands now. So that it is very important for us to understand what your plans are and what your thinking is about how you are going to turn this company around from being as it is now, receiving subventions from the State to stay alive. That is something that we would like to see less of in the Trinidad and Tobago context, especially given the Government's current revenue situation.

So that, at this stage, I would like to invite the chairman of VMCOTT to offer a few closing remarks before we bring this session to a close.

Mr. Bennett: Mr. Chairman, thank you very much. And to take a lead from what you indicated just now, given the current economic situation that we are in presently, VMCOTT is poised to help this Government of the Republic of Trinidad and Tobago, because there are quite a large number of vehicles belonging to Ministries that are not taking the opportunity to bring their vehicles for maintenance and repairs to VMCOTT.

It is suggested that there is no will; there is no determination, because ever so often when you look on the road, and you see the number of vehicles belonging to other Ministries, why are they not utilizing VMCOTT? Is it because they need to go out to the private sector for reasons of their own? Because VMCOTT is an organization that is transparent. It is above board. It has maintained very high levels of good governance and management practices, so there is no room for error. And is that one of the reasons why people are not utilizing VMCOTT? Because there are a number of organizations out there that should be directed to VMCOTT.

And I want to thank you for the opportunity today, Sir, for being able to indicate to this Committee that VMCOTT can become viable once we have the support of the appropriate authority. Thank you very much.

Mr. Chairman: Thank you, Mr. Chairman, and as a closing comment from the Committee, let me give you the assurance that this Committee is here to assist the entities that appear before us. In order for us to help you, you have to help us understand what your challenges are and what your current thinking is about how you are going to turn the enterprise around, so that the Committee can appropriately opine and provide recommendations to assist the company going forward. So always remember that the Committee is here to be of support and assistance to the entities that appear before it.

So, as I close, I want to thank the media and the listening audience and the various media that we have here at the Parliament and I would like to say now that this meeting is adjourned. Thank you very much.

12:18 p.m.: *Meeting adjourned.*

Appendix III

Analysis of VMCOTT Financials

Gross and Net Margins

"Gross margin is a company's total sales revenue minus its cost of goods sold (COGS), divided by total sales revenue, expressed as a percentage. The gross margin represents the percent of total sales revenue that the company retains after incurring the direct costs associated with producing the goods and services it sells. The higher the percentage, the more the company retains on each dollar of sales, to service its other costs and debt obligations.

BREAKING DOWN 'Gross Margin'

The gross margin number represents **the portion of each dollar of revenue that the company retains as gross profit**. For example, if a company's gross margin for the most recent quarter is 35%, that means it retains $0.35 from each dollar of revenue generated. It spends the remainder on COGS. As COGS have already been taken into account, the remaining funds can be put toward paying off debts, general and administrative expenses, interest expenses and distributions to shareholders.

How to Calculate Gross Margin

To illustrate how to calculate gross margin, imagine a business collects $200,000 in sales revenue. It spends $20,000 on manufacturing supplies and $80,000 on labor costs. After subtracting its COGS, it has $100,000 in gross profits. Dividing gross profits by revenue equals 0.5, and when multiplied by 100, that becomes 50%.

Importance of Gross Margin

Companies use gross margin to measure how their production costs relate to their revenues. For example, if a company's gross margin is falling, it may look for processes that allow it to cut labor costs or for suppliers who offer lower costs on materials. Alternatively, it may decide to increase prices to boost revenue.

Businesses may also use gross margins to forecast how much money they have left over from sales to cover other operating expenses. For example, if a company has a 50% gross margin, it knows that it only has $0.50 of each revenue dollar collected to devote to operating expenses. Gross profit margins can also be used to measure company efficiency or to compare two companies of different sizes to each other.

Difference between Gross Margin and Net Margin

While **gross margin** only looks at the **relationship between revenue and COGS**, **net profit margin** takes **all of a business's expenses into account**. When calculating net profit margins, businesses subtract their COGS as well as ancillary expenses, such as product distribution, wages for sales reps, miscellaneous operating expenses and tax. Gross margin, also called **gross profit margin, helps a company assess the profitability of its manufacturing activities, while net profit margin helps the company assess its overall profitability.**"[5]

[5] Cost Of Goods Sold - COGS Definition | Investopedia
http://www.investopedia.com/terms/c/cogs.asp#ixzz4ae4hwmqG Accessed 7Mar2017

Year	Gross Margin	Net Margin
2011	0.22	-0.49
2012	0.13	-1.59
2013	0.06	-1.61
2014	0.02	-1.34
2015	0.10	-1.22
2016	0.007	-1.78

In 2016, VMCOTT **lost** **$1.78** for each **$1.00** of revenue generated by the company. Two major contributors to the losses are:

1. Extremely high COGS that essentially wipe out all Revenue, and therefore almost nothing is left to cover the Operating Expenses of the company.

2. Staff costs have more or less remained stable despite the reduction in operational output. Over the period 2011-2016, staff costs moved from representing 31% of Operating Expenses to 58% of Operating Expenses.

Appendix IV

Attendance Register

ATTENDANCE REGISTER

2016/2017 Session, Eleventh Parliament

Name	11th Meeting 04.11.16	12th Meeting 09.01.17	13th Meeting 07.02.17	14th Meeting 13.03.17	15th Meeting 27.03.17	16th Meeting 24.04.17	17th Meeting 08.05.17	18th Meeting 05.06.17	19th Meeting 16.06.17
Mr. David Small	√	√	√	√	√	√	√	√	√
Dr. Lester Henry	√	Exc.	√	√	Exc.	√	√	Exc.	√
Mrs. Cherrie-Ann Crichlow-Cockburn	√	Exc.	Exc.	Exc.	√	√	√	Exc.	Exc.
Brig. Gen. (Ret.) Ancil Antoine	Exc.	√	Exc.	√	√	√	√	√	√
Mr. Adrian Leonce	√	√	Exc.	√	√	√	Abs.	√	Exc.
Mr. Fazal Karim	√	√	√	√	√	√	Exc.	√	√
Ms. Allyson Baksh	√	√	Exc.	√	√	√	Exc.	√	√
Mr. Wade Mark	Exc.	√	√	√	√	Exc.	√	√	√