



## **MINISTRY OF WORKS AND TRANSPORT**

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**Office of the Permanent Secretary  
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Port of Spain, Trinidad, W.I.**

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June 22, 2017

Ms. Jacqui Sampson-Meiguel  
Clerk of the House  
Parliament, Republic of Trinidad and Tobago  
Levels G-8 Tower D  
The Port of Spain International Waterfront Centre  
1A Wrightson Road  
**Port of Spain**

Dear Ms. Sampson-Meiguel,

**Fifth Report of the Public Accounts (Enterprises) Committee for the Second Session of the Eleventh Parliament on the examination of the Audited Accounts, Balance Sheet and other Financial Statements of the Point Lisas Industrial Port Development Corporation Limited (PLIPDECO) for the financial years 2008 to 2015**

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Your letter reference Parl.5/4/103, dated April 27, 2017 on the above subject matter refers.

In this regard, please find attached the response from the Point Lisas Industrial Port Development Corporation Limited (PLIPDECO) with respect to the recommendations of the Public Accounts (Enterprises) Committee resulting from their examination of PLIPDECO's Audited Accounts, Balance Sheet and other Financial Statements for the financial years 2008 – 2015.

Yours sincerely,

**Permanent Secretary**

*Attach.*

## **Point Lisas Industrial Port Development Corporation Limited (PLIPDECO) -**

### **ISSUES, OBSERVATIONS AND RECOMMENDATIONS**

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

#### **I. Casual Workers and Casual Employee Retirement Benefit**

The Committee was not clear about PLIPDECO's practices of recruiting Casual workers on an ongoing basis and granting Casual Employee Retirement Benefits. The Company advised that casual workers are recruited on an "as needed" basis since the working demand on the Port is cyclical in nature and at times, there may be a demand for fifty (50) workers or a demand for one hundred and fifty (150) workers, depending on the demand on the Port. The number of casual workers at PLIPDECO has increased over the years and now stands at six hundred (600).

Moreover, PLIPDECO advised the committee that the Casual Employee Retirement Benefit was implemented to put those Casual workers in a better financial position upon retirement. This plan was initially implemented in the year 2000 and amended in 2013. The structure of this fund is a one-time payment and is determined by a formula set in the Collective Agreement that assesses the employees years of service, salary earned and number of hours that the employees worked. The fund is managed in house and financed by the company. It is paid to the retiring staff members as they fall due. It is important to note that during the period 2013-2015, twenty one (21) persons received this payment.

#### **Recommendations:**

- **The Committee recommends that Casual Employee Retirement Benefit be renamed an ex-gratia payment since it is a lump sum payment granted to a retired employee where they have no legal obligation or liability to pay it.**
- **The Committee also recommends that an employee who has served PLIPDECO for more than (2) years ought to be offered a more secure position at the establishment.**

#### **Comments:**

- *The Retirement Benefit Fund forms part of a Memoranda of Settlement which was in fact submitted to the Industrial Court and filed on September 03, 2015. The registered Memoranda of Settlement has created an obligation to make the payments required. In addition, as guided by the International Financial Reporting Standards IAS 19 Retirement Benefits - the description of Casual Employee Retirement Benefit is an appropriate description of this benefit where a legal or constructive liability exists.*

- *Due to the cyclical nature of port operations the demand for labour varies on a daily basis. The casual labour pool is therefore used to cater to the peak demands. This approach is consistent with port operations internationally. It would not be financially affordable or feasible to make casual employees permanent simply based on tenure as the Corporation would be guaranteeing these workers 40 hours salary per week whether or not there is a need. With the current model, casual employees are promoted when the vacancies arise in the permanent establishment of unionised employees.*

*The casual workers are entitled to benefits similar to that of permanent employees: Leave (Casual, Sick, Paternity and Vacation are granted) though not based on tenure but on hours attained. They are eligible to join the Corporation's Group Health Plan and benefit from the Terminal Benefit Fund based on their hours attained. They are granted periods of leave of absence when requested, similar as to what applies for permanent employees. They also undergo annual medical assessments similar to the permanent employees. Additionally the Corporation has also facilitated Extended Sick Leave with pay for Casual Workers who have been hospitalized or had some form of critical illness.*

## **II. Staff Loans Recoverable**

The Ministry of Finance – Investment Division advised that PLIPDECO's initiative of issuing staff loans was not in accordance with policy and was never approved by the Ministry. Based on PLIPDECO's Human Resources policy, however, these loans were offered to employees who were studying and required financial assistance. The loan was equivalent to one (1) month's salary repayable over one year. Additionally, the employees received this loan to address any personal issues. The company advised that this initiative has been in existence for over twenty (20) years and approximately six (6) employees would have benefited from this arrangement annually.

### **Recommendations:**

- ***The company should liaise with the Ministry of Finance-Investments Division to seek guidance on approval for this initiative by June 30, 2017.***
- ***The company should provide a report on this decision to the Secretary of the PAEC by July 31, 2017.***

## Comments:

- *The Corporation will liaise with the Ministry of Finance – Investments Division regarding the details of this initiative.*
- *A review of the Corporation's records indicate that approval for the amendment of the "Education Assistance Programme" was granted by the Board of Directors at the 270<sup>th</sup> meeting held on January 25<sup>th</sup>, 1995. The amendment superseded a previous policy dated December 11, 1990. Financial assistance is provided to permanent employees interested in furthering their formal education in areas of relevance to the work of the Corporation. The loan amount to an employee is limited to the equivalent on one (1) month's salary in any one year. The repayment of the loan does not exceed the duration of the segment of the programme for which it has been granted.*

### III. **Trade and Other Receivables and Bad Debts**

Significant increases in PLIPDECO's Trade and Other Receivables between 2014 and 2015 has caused concerns to Members on the Committee as it relates to the accumulation of unsustainable debts. In 2015, PLIPDECO's trade and other receivables grew by approximately thirty (30) per cent as a result of refunds owed and amounts due from related parties. The Corporation's credit policy requires that customers settle all invoices no later than (30) calendar days from the invoice date and will be required to pay an interest rate of two (2) percent for any late payments. However, it was noted that these receivables were written off as bad debts after failed attempts to retrieve the money owed.

## Recommendations:

- ***PLIPDECO should perform quarterly ratio analyses on its credit facilities beginning within the second quarter of 2017.***
- ***The company should immediately establish a set timetable for ultimately reducing its backlog of unrecoverable Trade Receivables and report on its progress monthly.***
- ***PLIPDECO should immediately set a standard for collection of all debts no later than May 30, 2017.***

## Comments:

- *The Corporation measures the performance of its receivables on a monthly basis to ensure that there is no deterioration in recoverability. KPIs are established for collectability of receivable balances as well as a target for the maintenance of balances that are over thirty (30) days. At the corporate level, receivable balances are monitored and reported for reasonableness month on month and year on year with reference to its relationship with revenue.*

- *The Corporation has no Trade Receivable that is classified as unrecoverable at this time. In accordance with International Financial Reporting Standards, the Corporation has provided for balances that have been long outstanding in the event that collectability becomes an issue. All debts are deemed recoverable and the progress of the collection of these amounts are reported on a monthly basis. The Corporation's customers are encouraged to pay in advance for the services required. The standard for debt collection is sixty (60) days.*

#### **IV. Performance of PLIPDECO**

Improving profitability and performance in the company is a key priority which involves many challenges and will not be easily resolved due to the current economic climate. PLIPDECO has monitored their performance based on annual throughputs in comparison to other regional ports. Based on an analysis of nineteen (19) regional ports, PLIPDECO was ranked seventh (7<sup>th</sup>) with an annual throughput of 208,972 TEU's. However, the Committee noted a declining trend in PLIPDECO's profitability between 2013 and 2015 from \$174 Million to \$83 Million which contradicts the analysis on the throughputs.

#### **Recommendations:**

- ***PLIPDECO should conduct a comparative analysis of other ports to determine innovative ways on increasing profitability of its operations by May 31, 2017.***
- ***PLIPDECO should also examine ways of reducing operating and administrative costs for fiscal year 2018 in attempt to enhance its profitability in the coming years.***

#### **Comments:**

- *The Corporation has engaged in two studies in 2015 and 2016 in order to conduct comparative analysis of other ports. The first study was completed in August 2015. It sought to compare the tariff rates of the Port of Point Lisas with eighteen (18) other ports in the Caribbean, Central & South America and the United States of America. The second study was completed in June 2016. This study reviewed port performance benchmarks for the Port of Point Lisas compared with selected ports from the Caribbean, North America, Central and South America, Asia, Europe and Australia. The findings of these studies are being used to influence changes in port operations.*
- *PLIPDECO was able to achieve an 8% reduction in operating and administrative costs from 2015 to 2016. The Corporation continues to execute cost reduction initiatives aimed at further improving profitability.*

#### **V. Status of Priority Projects**

Based on the current economic situation, the Committee was concerned about the scope of the work planned to be undertaken and the costs of the expansion of port facilities. The Committee was advised that the rationale for deciding to expand the port operations was twofold:

- i) to increase the flexibility of the Port in terms of the size of the vessels that could be accommodated and therefore expanding the potential base of customers; and
- ii) the port was rapidly approaching its estimated capacity of 250,000 TEU's by 2015.

### **Recommendations:**

- ***PLIPDECO should immediately conduct a SWOT analysis before engaging in any further expansion of the port.***
- ***PLIPDECO should implement plans for monitoring, prioritizing and planning innovative projects in phases by May 30, 2017.***
- ***PLIPDECO should implement robust procedures with respect to the budget-planning process by May 30, 2017.***

### **Comments:**

- *A formal SWOT analysis of PLIPDECO is conducted during each strategic planning exercise. The result of the last SWOT analysis is captured the Strategic Plan 2015 to 2017. The determination of the need for port expansion included a SWOT analysis. Plans for the port expansion have been delayed at this time due to the significant reduction in cargo throughput.*
- *Key enterprise projects are determined during the strategic planning process. These are reviewed during the annual budgeting process and as the operational plans for each department are updated. Key performance indicators are designed to monitor the execution of the projects. Reports on the performance measures are submitted by each department on a monthly basis.*
- *There are a number of elements to PLIPDECO's budget planning process that have been in place for a number of years. The process is initiated annually by the Finance Department, with the requirement being that each Department compile and submit their budgets according to set guidelines. After an iterative process of reviewing by the Finance Department and the Corporation's executives, the overall budget is determined. The budget is then presented to the Board of Directors for approval prior to the commencement of the new financial year.*

## **VI. The Implementation of Public Procurement and Disposal of Public Property Act**

It is essential that PLIPDECO becomes familiarized with the Public Procurement and Disposal of the Public Property Act which will be operationalized and effective no later than March 31, 2017. This act seeks to ensure that accountability, transparency, integrity and value for money is obtained from future purchases and disposals made by Ministries, departments and other state agencies. PLIPDECO advised that there has been an internal procurement policy in effect for the past two decades but in order to prepare for implementation of the new Act, staff has already been sent on specific training programme to familiarize themselves with the new policies and so to facilitate swift adjustments to new procedures when they become effective.

### **Recommendations:**

- ***PLIPDECO is required to liaise closely with the Ministry of Works and Transport and the Ministry of Finance –Investments Division to determine the requirements of the new law, so that the organization can be compliant within the shortest possible time.***
- ***PLIPDECO should establish a specialized unit for procurement by April 30, 2017.***
- ***PLIPDECO should provide the PAEC with a report on its progress as it concerns the implementation of the new act no later than May 30, 2017.***

### **Comments:**

- *The Corporation has an established specialized trained procurement department responsible for the procurement of all goods and services for the organization. This department has been a part of the Corporation's organizational structure. All procurement staff have been sensitized as to the requirements of the new procurement legislation. Existing policies, procedures, systems and tender rules have been examined and in some cases amended where necessary to ensure compliance with the Act when it is fully proclaimed. The Corporation plans to further review its procedures upon receipt of the approved procurement handbook from the Office of the Procurement Regulator or designate and will make any other adjustment that may be required.*

### **VII. Effects of Slag on the Health of Staff**

The Committee was not confident that PLIPDECO was fully aware of the detrimental health effects that may arise as a result of the pollution emitted by ArcelorMittal on their staff. Though ArcelorMittal has been shut down, slag continues to remain an issue on the estate. Thus, employees are forced to inhale toxic chemicals such as chromium, beryllium, manganese and much more which can lead to medical conditions such as asthma attacks and several forms of cancer in the long run. In addition, it was advised that no air-quality tests were conducted, nor were any medical examinations conducted on the staff members who were continuously exposed to these chemicals.

**Recommendations:**

- *PLIPDECO should immediately liaise with the Environmental Management Authority (EMA) to ensure that an air quality test is conducted no later than April 30, 2017 and the results should be submitted to the PAEC no later than May 30, 2017.*
- *PLIPDECO should improve its prioritization of seeking full medical examinations for all members of staff by April 30, 2017 and should submit a report of its findings no later than May 30, 2017.*

**Comments:**

- *The Corporation is in the process of having the requested tests conducted.*
- *PLIPDECO ensures that mandatory annual medicals are conducted for Port employees. There have been no reported instances of respiratory or similar ailments as a result of exposure from ambient air conditions.*