



NINTH REPORT OF THE

PUBLIC ACCOUNTS

(E N T E R P R I S E S) C O M M I T T E E

THIRD SESSION OF THE 11TH PARLIAMENT

Examination of the Audited Accounts, Balance Sheet and other Financial Statements of The Telecommunications Services of Trinidad and Tobago Limited (TSTT) for the financial years 2008-2016.



Public Accounts (Enterprises) Committee

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

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

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

Current membership

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

Committee Staff

The current staff members serving the Committee are:

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

Publication

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

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MEMBERS OF THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE



Mr. Wade Mark
Chairman



Dr. Tim Gopeesingh
Vice-Chairman



Ms. Shamfa Cudjoe
Member



Mrs. Jennifer Baptiste -Primus
Member



Mr. Fitzgerald Hinds
Member



Mr. David Small
Member



Ms. Cherrie-Ann Crichlow-Cockburn
Member



Mr. Foster Cummings
Member

EXECUTIVE SUMMARY

The Public Accounts (Enterprises) Committee (PA(E)C) is the Parliamentary Financial Oversight Committee tasked with the responsibility of examining the audited accounts of all State Enterprises that are owned or controlled by the state. The Committee examined **the Audited Accounts, Balance Sheet and other Financial Statements of the Telecommunications Services of Trinidad and Tobago Limited (TSTT) for the financial years 2008 – 2016** and produced this report to highlight its findings and recommendations.

This report focuses on the issues, endorsements and recommendations made by the Committee in an attempt to assist TSTT in better performing its duties while also commending their worthwhile initiatives. The issues identified are applicable to the period under examination (2008 to 2016).

During this inquiry, the following issues arose:

- The recent acquisition of Massy Communications
- Lack of Cabinet Approval for TSTT's \$255Mn acquisition of Massy Communications
- Exorbitant Personnel Costs
- Failure of TSTT's VSEP Programme in 2014
- Insufficient Contributions to satisfy Health Plan Claims
- Sale and Utilization of Vacation Leave
- Conspiracies made against TSTT
- Dropped Service in Several Regions within Trinidad
- The Lack of an Official Internal Fraud Policy

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

- As a State Enterprise, the Board of TSTT must seek approval from the Cabinet of the Republic of Trinidad and Tobago when making major investment decisions going forward;
- The company should provide a copy of the purchase agreement between TSTT and Massy Communications to the Parliament no later than December 31, 2017;

- TSTT should engage its various stakeholders in identifying ways of reducing operating and administrative costs during the ensuing fiscal year in attempt to enhance its profitability;
- TSTT should write to the Committee outlining its proposals to address the recalibration of its workforce as proffered no later than December 31, 2017;
- TSTT should revisit the practice of selling vacation leave as this is not a customary practice at State Enterprises and examine ways of reducing the exorbitant leave liability by December 31, 2017; and
- TSTT should submit a copy of this policy to the Committee no later than January 31, 2018.

INTRODUCTION

Establishment

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

Mandate

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

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

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

Ministerial Response

The Standing Orders¹ provide for the Minister responsible for the Ministry or Body under review to submit within sixty (60) days a paper to the House responding to any recommendations or comments contained in the Report which are addressed to it.

State Enterprises Performance Standards

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

Election of the Chairman and Vice Chairman

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

Establishment of Quorum

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

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

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

METHODOLOGY

Determination of the Committee's Work Programme

At its second meeting on Wednesday January 13, 2016, the Committee agreed to prioritize thirty-four

(34) State Enterprises as follows:

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

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

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

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

The Inquiry Process

The Inquiry Process outlines steps taken by the Committee to conduct the inquiry into the operations of TSTT. The following steps outlines the Inquiry Process agreed to by the PA€C:

- I. Identification of issues in the Audited Accounts, Balance Sheet and other Financial Statements of The Telecommunications Services of Trinidad and Tobago Limited (TSTT) for the financial years 2008-2016;
- II. Preparation of Inquiry Proposal for TSTT. The Inquiry Proposal outlines:
 - a. Background;
 - b. Objective of Inquiry; and
 - c. Proposed Questions.
- III. Consideration and approval of Inquiry Proposal by the Committee, when approved, questions were forwarded to TSTT on February 8, 2017. Written responses were received from TSTT on April 13, 2017;
- IV. Preparation of an Issues Paper, based on written responses received from the TSTT. The Issues Paper identified and summarised any matters of concern in the responses provided by the TSTT;
- V. Determination of the need for a Public Hearing based on the analysis of written submissions. In this instance, a public hearing was held on Wednesday May 3, 2017.
- VI. Written request for additional information was sent to the TSTT after the public hearing on May 9, 2017.
- VII. Report Committee's findings and recommendations to Parliament upon conclusion of the inquiry.

TSTT's PROFILE

Background:

Telecommunications Services of Trinidad and Tobago Limited (TSTT) is jointly owned by National Enterprises Limited (NEL) which in turn is majority owned by the Government of Trinidad and Tobago, and Cable & Wireless (West Indies) Limited, (C&W). NEL owns 51% of TSTT's issued share capital, while C&W holds 49%.

TSTT is the country's largest provider of communications solutions to the residential and commercial markets and its leading edge products are designed around its IP-based core infrastructure and marketed under its BLINK and Bmobile brands. In addition to fixed line and mobile communications, the company has an innovative line of BlackBerry; Android-based devices and the iPhone 5; Broadband access including best-in-class Wi-Max and HSPA+ 4G technologies; Metro Ethernet; TelePresence and Video Conferencing; subscription-based IPTV as well as business and home alarm monitoring services. The company has also installed over 50 Bzones –which are large Wi-Fi zones in high traffic areas offering free unlimited data at 4G speeds to its customers in high traffic areas.

TSTT is the industry leader deploying both wireless and fiber optic networks to deliver voice, data and multimedia capabilities making it also one of the most advanced solutions provider in the country. The company's customers include key industry leaders in the finance, energy, government, manufacturing, education, healthcare and tourism sectors.

As a leading corporate citizen, TSTT is proud of its social responsibility efforts, inclusive of its employee volunteerism programme. By leveraging employee and technology resources in these ventures, TSTT has a long-standing history of making a very meaningful difference in the lives of our future leaders.

Line Ministry – Ministry of Public Utilities

Minister – The Hon. Dr. Keith Rowley

Permanent Secretary – Mr. Maurice Suite

Chairman- Mr. Emile Elias

Chief Executive Officer – Dr. Ronald Walcott

ISSUES, OBSERVATIONS AND RECOMMENDATIONS

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

I. Acquisition of Massy Communications

As a result of the recent acquisition of Massy Communications on May 2, 2017, the Committee sought the rationale for this investment. TSTT advised that in its five-year Strategic Plan, the company envisioned rolling out 21st Century technology, including fibre, and exceeding 200,000 homes. Subsequently, Massy Communications approached TSTT with a proposal to engage in infrastructure sharing, in various areas where Massy had already rolled out their own fibre and surpassed approximately 34,000 homes which TSTT had not yet done but had intentions of doing within the upcoming five year period. As a result, TSTT obtained Massy's entire customer base, including the Massy conglomerate as a customer. In addition, Massy's existing customer base included the entertainment sector, which consisted of approximately 5,500 customers, as well as the 34,000 homes, many of whom already had services with TSTT of a different kind. Therefore, TSTT would have been able to go to those customers and seek ways to offer them additional services through bundled packages.

Subsequently, the committee expressed concern on the lack of transparency surrounding the acquisition of Massy Communications. Despite having a fifty one (51%) percent shareholding in TSTT, the Committee was of the view that the company had a responsibility, in accordance with the State Enterprises Performance Monitoring Manual, to conduct due diligence in this transaction. Based on this information, the Committee was unable to determine whether reasonable steps were taken to avoid conflict of interest or fraud.

Recommendation:

- ***The Ministry of Finance as Corporation Sole must ensure that all State Enterprises seek Cabinet approval prior to any type of acquisition or merger.***

II. Lack of Cabinet Approval for TSTT's \$255Mn acquisition of Massy Communications

According to Section 2.2 of the State Enterprises Performance Monitoring Manual, "the Cabinet under the principle of collective responsibilities approves Shareholder rights and the responsibilities of Line Ministries with respect to State Enterprises. It is accountable through Parliament to the public with regard to the management of the investments of the State." In

oral response, TSTT advised the Committee that no approval was sought from the Government or the Cabinet of the Republic of Trinidad and Tobago for the \$255Mn acquisition of Massy Communications. TSTT further indicated that its decision to acquire Massy Communications' assets was an operational decision and thus, the Board of Directors acted within TSTT's mandate. It was reiterated that fifty-one percent of TSTT was owned by NEL, a publicly traded company which is partially owned by the Government of Trinidad and Tobago. Thus, it was the Committee's view that TSTT should have sought approval from the Cabinet for this major acquisition.

Recommendations:

- ***As a State Enterprise, the Board of TSTT must seek approval from the Cabinet of the Republic of Trinidad and Tobago when making major investment decisions going forward; and***
- ***The company should provide a copy of the purchase agreement between TSTT and Massy Communications to the Parliament no later than December 31, 2017.***

III. Exorbitant Personnel Costs

TSTT's annual personnel cost was approximately \$750 million. The number of employees employed by TSTT was 2,700 and total annual operating expenditure was approximately \$1.5 billion whilst revenue for the past five (5) years was \$3 billion, reflecting a fifty percent (50%) of total revenues. During the public hearing, the company advised that in context of the telecommunications industry, employee costs as a percentage of operating expenditure and revenue were about thirty three percent and sixteen percent, respectively. TSTT stated that its employee costs were approximately forty-five percent and twenty-five percent of operating expenditures and revenues, respectively. Therefore, it was concluded that personnel costs for TSTT were significantly above the industry's key performance indicators.

Recommendations:

- ***TSTT should engage its various stakeholders in identifying ways of reducing operating and administrative costs during the ensuing financial year in attempt to enhance its profitability;***
- ***TSTT should address the fundamental issue of the high employee cost and report to the Committee no later than December 31, 2017 on its progress in reducing employee cost and achieving the intended savings.***

IV. Failure of TSTT's VSEP Programme in 2014

The Committee noted that TSTT implemented a VSEP programme which was revisited in 2014. The Committee sought an explanation for TSTT's reason for revisiting the programme. Through oral response, the company indicated that the programme failed as employees were prevented from accepting the offer due to legal actions by the trade unions. TSTT suggested that this programme was no longer an option for recalibrating staff and intended to use different mechanisms to identify how the workforce will be calibrated in the future.

Recommendation:

- ***TSTT should write to the Committee outlining its proposals to address the recalibration of its workforce as was proffered no later than December 31, 2017.***

V. Insufficient Contributions to satisfy Health Plan Claims

Loss ratios may be defined as the difference between the ratios of premiums paid to an insurance company and the claims settled by the company. TSTT, though facing challenges of loss ratios, indicated that they were satisfied that their loss ratios for employees were decreasing. According to the collective agreement, TSTT was not allowed to make any amendments to the group plan without agreement from the union. Thus, a proposal was made to the union to separate the two plans. Moreover, this proposal included a forty percent increase in contributions for current employees, which in some cases, was just about a \$45 increase monthly. On the other hand, retirees were now required to pay towards the health plan which was not the norm prior to 2012. As a result of these new policies, the company has reported a decrease in loss ratios for employees.

Recommendation:

- ***Provide the Committee with a plan of how the company intends to address the issue of insufficient funds to satisfy health plan claims.***

VI. Poor Management of Vacation Leave

'The sale and utilization of vacation leave' appeared to be a customary practice at TSTT. It was important to note that the company had incurred a liability of approximately \$91 million for vacation leave. Moreover, the company indicated that a new collective agreement was introduced every three (3) years, impacting the cost of leave as leave was extended from a fully-paid 25 day period to a fully- paid 35 day period for the longer-period service staff. Consequently, this increased the liability for leave. In attempt to reduce this exorbitant liability,

employees were given the option to sell their leave, to sell the leave back to the organization in exchange for monetary compensation and/or use the leave to buy equipment, or handsets, in the organization as a means of reducing the company's liability. Additionally, TSTT advised that the company implemented several measures, including leave schedules which must be supplied by November 15th every year.

Recommendations:

- ***TSTT should re-evaluate the practice of selling vacation leave as this is not a customary practice at State Enterprises and examine ways of reducing the exorbitant leave liability by December 31, 2017;***
- ***Operationalization of an effective automated system can resolve a lot of the vacation leave and other related issues; and***
- ***The Human Resources Department should make every effort to ensure that all records of all employees should be updated regularly and thoroughly checked and audited internally an attempt to eliminate any deficiencies.***

VII. Conspiracies made against TSTT

The company raised the concern of conspiracies made against TSTT at the end of the fiscal year 2015. Upon expiration of TSTT's license at the end of 2015, the Telecommunications Authority of Trinidad and Tobago (TATT) submitted a letter stating there were only two (2) changes to the licence agreement and no further changes. However, when the contract was examined by TSTT's senior staff upon receipt, significant changes that would have been to the complete detriment of TSTT were detected. As such, TSTT was on the verge of closure at the end of 2015 as the company did not have a license but the Chairman refused to agree to the terms proffered by the then TATT CEO on Board.

Furthermore, it was noted that when this attempt to shut down TSTT failed, another plan was initiated to achieve the same goal. TSTT's Chairman explained that the spectrum was the lifeblood of the telecommunications industry and the company needed 700 megahertz high-speed spectrum for its operations. However, the TATT management and Board decided on a spectrum plan that would have given this vital 700 megahertz spectrum to only two (2) operators and further issued a Request for Proposal for a third operator that would have been guaranteed to obtain one (1) of the two (2) 700 megahertz spectrum. The other that TATT recommended would have gone to another foreign company so that TSTT would have failed.

However, TSTT advised that TATT had since obtained a new vision and the spectrum plan was altered to provide for the three (3) operators in the 700 megahertz which was always available.

VIII. Dropped Service in Several Regions within Trinidad

The Committee highlighted the issue of dropped calls in areas within Trinidad such as the Lady Young Road, the vicinity of Central Bank along Wrightson Road, and certain places along the North-South Highway. The Company focused very intently at the quality of service and moved away from outdated GSM technology to a more updated technology in High Speed Packet Access (HSPA) and voice-data-type solutions on the network side. In addition, TSTT looked at solutions that did not require infrastructure and areas such as power, azimuth, tilt and amplification were examined to fill coverage gaps. However, infrastructure had to be implemented due to arising challenges experienced but TSTT was still awaiting approvals for such.

The Company also indicated that the current dropped-call rate was 0.3 percent whilst the average across the network was significantly less than the 1.2 percent target for telecommunication companies globally. However, despite the significantly low dropped-call rate, TSTT monitored the rate daily in attempt to reduce it even further. Additionally, it was advised that the 700 spectrum would allow the company to launch the LTE in the expectations of creating a robust network that was second to none.

IX. The Lack of an Official Internal Fraud Policy

In written response, TSTT advised that no official internal fraud policy in place, and as such six cases of internal fraud were reported during the period 2012-2016. However, the company's anti-fraud policies were incorporated as part of the Employee Code of Conduct and in the Purchasing and Procurement rules. However, a draft fraud policy was prepared and submitted to the Executive Management and the Board for review and approval.

Recommendations:

- ***TSTT should review its guidelines for reporting fraud and implement an approved fraud policy no later than December 31, 2017; and***
- ***TSTT should submit a copy of this policy to the Committee no later than January 31, 2017.***

X. Profitability and Return on Assets

The Committee noted that between the periods 2015 and 2016, TSTT's profits declined significantly from \$212.9Mn to a loss of \$300.7Mn and a negative trend in return on assets, declining from 0.1 in 2011 to (0.07) in 2016. Through oral response, the Company advised that this was due to a decision to accelerate TSTT's depreciation as well as take an impairment on fixed assets. This combination of accelerated depreciation and impairment expense of just around \$575 million contributed to a significant loss of \$300Mn in 2016.

Recommendations:

- ***TSTT should examine ways of boosting its return on assets going forward; and***
- ***TSTT should develop a detailed plan to monitor the progress of the steps to increase revenue generation and profit maximization.***

XI. Accountability to Parliament

During the Public Hearing held on May 3, 2017, the Committee sought clarification on the due diligence conducted by TSTT prior to its recent acquisition. However, the company's officials expressed an unwillingness to respond to the questions and Due Diligence report posed by the committee but subsequently agreed to submit the responses in writing to the Committee. Though the request by the Committee to receive the information was fulfilled, the responses submitted were vague and lacked pertinent information.

Recommendations:

- ***The Ministry of Finance as Corporation Sole must ensure that persons appointed to serve on Boards of State Enterprises are aware of their responsibilities to account to Parliament for public funds.***
- ***TSTT must submit its Due Diligence report to the Committee no later than December 31, 2017.***

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

Sgd.
Mr. Wade Mark
Chairman

Sgd.
Dr. Tim Gopeesingh
Vice-Chairman

Sgd.
Mr. Fitzgerald Hinds
Member

Sgd.
Mrs. Cherrie-Ann Crichlow-Cockburn
Member

Sgd.
Mrs. Jennifer Baptiste-Primus
Member

Sgd.
Ms. Shamfa Cudjoe
Member

Sgd.
Mr. Foster Cummings
Member

Sgd.
Mr. David Small
Member

Appendix 1

Minutes of Meetings

**THE PUBLIC ACCOUNTS ENTERPRISES COMMITTEE –
SECOND SESSION, ELEVENTH PARLIAMENT**

**MINUTES OF THE TWENTIETH MEETING HELD ON
WEDNESDAY, MAY 3, 2017 AT 9:34 A.M.
IN THE ARNOLD THOMASOS MEETING ROOM (EAST) AND J.
HAMILTON MAURICE ROOM, MEZZANINE FLOOR, OFFICE OF
THE PARLIAMENT, TOWER D, THE PORT OF SPAIN
INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON
ROAD, PORT-OF-SPAIN.**

Present were:

Mr. Wade Mark	-	Chairman
Dr. Tim Gopeesingh	-	Vice Chairman
Mrs. Jennifer Baptiste-Primus	-	Member
Mr. David Small	-	Member
Mrs. Cherrie-Ann Crichlow-Cockburn	-	Member
Mr. Fitzgerald Hinds	-	Member
Ms. Shamfa Cudjoe	-	Member
Ms. Keiba Jacob	-	Secretary
Ms. Hema Bhagaloo	-	Assistant Secretary
Ms. Melanie Chin	-	Research Assistant

Excused was:

Mr. Foster Cummings	-	Member
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COMMENCEMENT

- 1.1 At 9:34 a.m. the Chairman called the meeting to order and welcomed those present. Mr. Foster Cummings was excused from the meeting.

THE EXAMINATION OF THE MINUTES OF THE NINETEENTH MEETING

- 2.1 The Committee examined the Minutes of the Nineteenth (19th) Meeting held on Wednesday April 19, 2017.
- 2.2 There being no omissions or corrections, the Minutes were confirmed on a motion moved by Mr. David Small and seconded by Mrs. Jennifer Baptiste-Primus.

PRE-HEARING DISCUSSION RE: THE TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED (TSTT)

- 3.1 The Chairman reminded Members that the purpose of the meeting will be the examination of the Audited Accounts, Balance Sheet and other Financial Statements of the Telecommunications Services of Trinidad and Tobago limited for the period 2008 -2016.
- 3.2 Members discussed the issues of concern and the general approach for the public hearing.
- 3.3 There being no further business for discussion *in camera*, the Chairman suspended the meeting at 10:04 a.m.

THE TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED (TSTT)

- 4.1 The Chairman called the public meeting to order at 10:12 a.m.
- 4.2 The Chairman welcomed officials from the Ministry of Finance – Investments Division, the Ministry of Public Utilities, TSTT, members of the media and the public and introductions were exchanged.

4.3 The following officials joined the meeting:

Telecommunications Services of Trinidad and Tobago

- Mr. Emile Elias - Chairman
- Mr. Ian Narine - Director
- Mr. Ronald Walcott - Chief Executive Officer
- Mr. Roger Richards - Chief Technology & Information Officer (CITO)
- Mr. Gerard Cooper - Executive Vice President Finance/ Chief Financial Officer
- Mr. Rakesh Goswami - Executive Vice President Strategic Alliance, Enterprise & Tobago Operations
- Ms. Carol David - Executive Vice President Human Resources, Industrial Relations & Corporate Support Services
- Mr. Miguel Garcia - Chief Commercial Officer
- Mr. Charles Carter - Executive Vice President Legal, Regulatory, Carrier Service/ Corporate Secretary
- Mr. Michael Hamilton - Chief Operations Officer
- Mr. Adrian Clark - Chief Internal Auditor
- Mr. Marlon Morris - Chief Performance Officer
- Mr. Faied Mohammed - Business Executive

Ministry of Public Utilities

- Mr. Maurice Suite - Permanent Secretary
- Mrs. Vashti Shrikrisen-Singh Jitman - Deputy Permanent Secretary
- Ms. Anika Sarah Farmer - Director, Legal Services
- Mr. John Thompson - Communications Sector Specialist

Ministry of Finance – Investments Division

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

4.4 Key Issues Discussed

1. The role of PA (E) C in assisting TSTT to improve its delivery of services in an efficient, effective and economic manner.
2. The status and period of the Strategic Plan of TSTT.
3. The key objectives for organizational growth and development perspectives.
4. The terms and conditions of TSTT's borrowings.
5. The reasons for the recent acquisition of Massy Communications.
6. The rationale for seeking a Letter of No Objection from the Ministry of Finance to obtain loans.
7. The composition of TSTT's Board of Directors.
8. The number of persons employed by TSTT and the total personnel cost.
9. The reasons for the fluctuating trend in annual profits.
10. The reasons for the negative trend in returns on assets.
11. The reasons for revisiting the company's VSEP Programme in 2014.
12. The reasons for the declining trend in TSTT's revenue.
13. The plans in place to boost sales in the upcoming three (3) years.
14. The status of TSTT's health plan.
15. The poor management of vacation leave.
16. The challenges encountered by TSTT with respect to the trade union and the solutions in place to rectify these challenges.
17. The measures in place to improve coverage gaps within the country.
18. The transferred benefits of the aggressive discounts on handsets to customers.
19. The number of fraud cases reported for the period 2010 to 2016.
20. The mechanisms in place to improve the efficiency of service to customers with respect to the recent acquisition of Massy Communications.

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

- 4.5 The Chairman thanked the representatives from the Ministry of Finance – Investments Division, the Ministry of Public Utilities and TSTT for attending the Public Hearing.

SUSPENSION

5.1 At 12:38 p.m., the Chairman suspended the *in public* meeting.

POST-MORTEM DISCUSSION

6.1 At 12:42 p.m. the Chairman resumed the post-hearing meeting *in camera*.

6.2 The Members held a post-mortem discussion to determine the way forward, following the public hearing.

6.3 The Committee agreed to examine the audited financial statements of the Tourism Development Company Limited (TDC) for the financial years 2008 to 2012 at the next meeting.

ADJOURNMENT

7.1 The Chairman thanked Members for their attendance and the meeting was adjourned to **Wednesday May 17, 2017 at 9:30 a.m.**

7.2 The adjournment was taken at 12:49 p.m.

We certify that these Minutes are true and correct.

CHAIRMAN

SECRETARY

May 04, 2017

Appendix 2

Attendees

Attendees

Telecommunications Services of Trinidad and Tobago

- Mr. Emile Elias - Chairman
- Mr. Ian Narine - Director
- Mr. Ronald Walcott - Chief Executive Officer
- Mr. Roger Richards - Chief Technology & Information Officer (CITO)
- Mr. Gerard Cooper - Executive Vice President Finance/
Chief Financial Officer
- Mr. Rakesh Goswami - Executive Vice President Strategic Alliance, Enterprise & Tobago Operations
- Ms. Carol David - Executive Vice President Human Resources, Industrial Relations & Corporate Support Services
- Mr. Miguel Garcia - Chief Commercial Officer
- Mr. Charles Carter - Executive Vice President Legal, Regulatory, Carrier Service/
Corporate Secretary
- Mr. Michael Hamilton - Chief Operations Officer
- Mr. Adrian Clark - Chief Internal Auditor
- Mr. Marlon Morris - Chief Performance Officer
- Mr. Faied Mohammed - Business Executive

Ministry of Public Utilities

- Mr. Maurice Suite - Permanent Secretary
- Mrs. Vashti Shrikrisen-Singh Jitman - Deputy Permanent Secretary
- Ms. Anika Sarah Farmer - Director, Legal Services
- Mr. John Thompson - Communications Sector Specialist

Ministry of Finance – Investments Division

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

APPENDIX 3

List of entities falling under the purview of the PAEC:

1. Agricultural Development Bank (ADB)
2. Caribbean Airlines Limited (CAL)
3. Caribbean Leasing Company Ltd (owned by ExportTT)
4. Caribbean New Media Group Limited (CNMG)
5. Caroni Green Limited
6. Clico Trust Corporation Limited
7. Cocoa Development Company of Trinidad and Tobago Ltd
8. Community Environmental & Protection Enhancement Programme Company Limited (CEPEP)
9. Community Improvement Services Limited
10. East Port of Spain Development Company Limited
11. Education Facilities Company Limited (EFCL)
12. Estate Management & Business Development Company Ltd. (EMBDC)
13. Export Centers Company Limited
14. Export Import Bank of Trinidad & Tobago (EXIMBANK)
15. ExportTT (formerly BDC: Business Development Company Limited)
16. Evolving Technologies & Enterprise Development Company Limited (eTeck) (formerly Property & Industrial Development Company of Trinidad & Tobago)
17. First Citizens Bank (FCB)
18. First Citizens Holdings Limited
19. Government Human Resource Services Company Limited (GHRS)
20. Government Information Services Limited (GISL)
21. Human Capital Development Facilitation Company Limited
22. InvestTT
23. Lake Asphalt of Trinidad & Tobago (1978) Ltd.
24. La Brea Industrial Development Corporation
25. Metal Industries Company Limited (MIC)
26. National Agricultural Marketing Development Corporations Limited (NAMDEVCO)
27. National Commission For Self Help Limited
28. National Energy Corporation of Trinidad and Tobago Limited
29. National Entrepreneurship Development Company Ltd. (NEDCO)
30. National Enterprises Limited (NEL)
31. National Flour Mills Limited (NFM)
32. National Gas Company of Trinidad & Tobago Limited (NGC)
33. National Helicopter Services Limited
34. National Information & Communication Technology Company Limited (NICTCL)
35. (iGovTT) (ttconnect)
36. National Infrastructure Development Company Limited (NIDCO)
37. National Insurance Property Development Company Limited (NIPDEC)
38. National Maintenance, Training & Security Company Limited (MTS)
39. National Project Development Services Ltd

40. National Quarries Company Limited (NQCL)
41. National Schools Dietary Services Limited
42. National Training Agency (1997) Ltd.
43. Natpat Investments Company Ltd.
44. Oropune Development Ltd. (owned by UDECOTT)
45. Palo Seco Agricultural Enterprises Limited (PSAEL)
46. Petroleum Company of Trinidad & Tobago Limited (PETROTRIN)
47. Phoenix Park Gas Processors Ltd.
48. Point Lisas Industrial Port Development Corporation Ltd (PLIPDECO)
49. Point Lisas Terminals Ltd. (owned by PLIPDECO)
50. Portfolio Credit Management Limited
51. Port of Spain Waterfront Development Ltd.
52. Rincon Development Ltd.
53. Rural Development Company of Trinidad & Tobago Limited
54. Seafood Industry Development Company Limited
55. Sports Company of Trinidad & Tobago Limited (SportT)
56. Taurus Services Limited
57. Telecommunications Services of Trinidad & Tobago Limited (TSTT)
58. Tourism Development Company Limited (TDC)
59. Trinidad Nitrogen Company Limited (TRINGEN)
60. Trinidad Northern Areas Ltd.
61. Trinidad & Tobago Entertainment Company Limited (TTent)
62. Trinidad & Tobago External Telecommunications Ltd.
63. Trinidad and Tobago Fashion Company Limited
64. Trinidad & Tobago Film Company Limited
65. Trinidad & Tobago Fish Processors Ltd.
66. Trinidad & Tobago Food Processors Ltd.
67. Trinidad & Tobago Free Zones Company Limited
68. Trinidad & Tobago International Financial Centre Management Company Limited
69. Trinidad & Tobago Marine Petroleum Company Ltd.
70. Trinidad & Tobago Mortgage Finance Company Limited (TTMF)
71. Trinidad and Tobago Music Company Limited
72. Trinidad & Tobago National Petroleum Marketing Company Limited (NP)
73. Trinidad & Tobago Solid Waste Management Co. Ltd. (SWMCOL)
74. Trinidad & Tobago Tourism Business Development Limited
75. Trintoc Services (owned by PETROTRIN)
76. Union Estate Electricity Generation Company Limited
77. Urban Development Corporation of Trinidad & Tobago Limited (UDECOTT)
78. Vehicle Management Corporation of Trinidad & Tobago Limited (VMCOTT)
79. Youth Training & Employment Partnership Programme Limited (YTEPP)

APPENDIX 4

VERBATIM

VERBATIM NOTES OF THE TWENTIETH MEETING OF THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE HELD IN THE ARNOLD THOMASOS ROOM (EAST), LEVEL 6 (IN CAMERA), AND THE J. HAMILTON MAURICE ROOM, MEZZANINE FLOOR, (IN PUBLIC), TOWER D, INTERNATIONAL WATERFRONT CENTRE, #1A WRIGHTSON ROAD, PORT OF SPAIN, ON WEDNESDAY, MAY 03, 2017 AT 10.12 A.M.

PRESENT

Mr. Wade Mark	-	Chairman
Mrs. Jennifer Baptiste-Primus	-	Member
Mr. David Small	-	Member
Mr. Fitzgerald Hinds	-	Member
Mrs. Cherrie-Ann Crichlow-Cockburn	-	Member
Dr. Tim Gopeesingh	-	Member
Miss Shamfa Cudjoe	-	Member
Miss Keiba Jacob	-	Secretary
Miss Hema Bhagaloo	-	Asst. Secretary
Miss Candice Skerrette	-	Procedural Clerk

ABSENT

Mr. Foster Cummings	-	Member
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MINISTRY OF FINANCE, INVESTMENTS DIVISION

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

MINISTRY OF PUBLIC UTILITIES

Mr. Maurice Suite	-	Permanent Secretary
Ms. Vashti Shrikrisen-Singh Jitman	-	Deputy Permanent Secretary
Ms. Anika Sarah Farmer	-	Director, Legal Services
Mr. John Thompson	-	Communications Sector Specialist

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO

Mr. Emile Elias	-	Chairman
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Mr. Ian Narine	-	Director
Dr. Ronald Walcott	-	Chief Executive Officer
Mr. Roger Richards	-	Chief Technology & Information Officer (CTIO)
Mr. Gerard Cooper	-	Executive Vice-President, Finance/Chief Financial Officer
Mr. Rakesh Goswami	-	Executive Vice-President, Strategic Alliance, Enterprise & Tobago Operations
Ms. Carol David	-	Executive Vice-President, Human Resource, Industrial Relations and Corporate Support Services
Mr. Miguel Garcia	-	Chief Commercial Officer
Mr. Charles Carter	-	Executive Vice-President, Legal, Regulatory, Carrier Service/Corporate Secretary
Mr. Michael Hamilton	-	Chief Operations Officer
Mr. Adrian Clarke	-	Chief Internal Auditor
Mr. Marlon Morris	-	Chief Performance Officer

Mr. Chairman: Good morning. May I call the meeting of the Public Accounts (Enterprises) Committee to order and to warmly welcome all of the officials from the various entities here this morning. I want to welcome, particularly, officials from the Ministry of Finance, Investments Division; officials from the Ministry of Public Utilities; and of course the Telecommunications Services of Trinidad and Tobago; and members of the media as well as members of the public. May I advise from the outset that this meeting is being held in public, and is being broadcast live on the Parliament's Channel 11 and Radio 105.5 FM, and the Parliament's YouTube Channel *ParlView*. Viewers and listeners can send their comments related to today's topic via email, parl101@tpparliament.org; [facebook.com/tpparliament](https://www.facebook.com/tpparliament); and [twitter@tpparliament](https://twitter.com/tpparliament).

May I also indicate from the very outset the purpose of our meeting. The purpose of this meeting of the Public Accounts (Enterprises) Committee is to examine the audited accounts, balance sheet and other financial statements of the Telecommunications Services of Trinidad and Tobago Limited for the period 2008 to 2016. This Committee is desirous of hearing from the key

stakeholders of TSTT, to learn of the challenges being faced, and determine some of the possible solutions and measures to overcome these challenges.

The role of the Public Accounts (Enterprises) Committee is to help. May I emphasize, our role is to help TSTT improve its delivery of services in an efficient, effective and economic manner. At this point in time I would ask the officials from Ministry of Finance—in this particular order—to introduce themselves, followed by members of the Ministry of Public Utilities, followed by officials from the Telecommunications Services of Trinidad and Tobago. But, before inviting the Ministry of Finance, Investments Division to introduce themselves, I want to take the opportunity to ask members of the Public Accounts (Enterprises) Committee to introduce themselves, and then I will then refer to the Investments Division, followed by the Ministry of Public Utilities, and then officials from the Telecommunications Services. So, I could start on my far right.

[Members of the Committee introduce themselves]

[Officials of the Ministry of Finance introduce themselves]

[Officials of the Ministry of Public Utilities introduce themselves]

Mr. Chairman: I will now ask the officials from Telecommunications Services to introduce themselves, starting with the Chairman.

[Officials of TSTT introduce themselves]

Mr. Chairman: Is there anyone else that I have left out? Well, thank you very much. At this point in time, on behalf of the Public Accounts (Enterprises) Committee, may I invite the distinguished Chairman of TSTT to make some brief opening remarks.

Mr. Elias: Thank you, Mr. Chairman, and members. I want to start by saying that we consider it a great honour and a privilege to be here today because we are proud of what we are doing at TSTT, and would be very pleased to share this with you.

I know that you opened by saying we are here to examine the accounts of TSTT for the last eight years. I want to emphasize that these accounts have been published on time every year, fully audited, and so we would be looking retrospectively at accounts that have been published on time, and continue to do so. In fact, more recently we published our half-year accounts for the current financial year that ended on March 31, 2017.

That said, Mr. Chairman, I was pleased when you said that beyond the purpose of the meeting, as tabled, which is to examine the accounts, that you wanted to learn about the challenges that TSTT faces and that you see your role as assisting in any way you can. I hope that during these proceedings you would allow us an opportunity to speak about a number of critical issues that we have addressed, are addressing, and will continue to develop. One is our five-year strategic

plan which is a detailed document that is a road map of the future.

And this has been shared widely with all the stakeholders, including our employees, our senior managers, the board, everybody. We want to talk a little bit about the relationship we have with the regulator—that is, the Telecommunications Authority of Trinidad and Tobago. We want to talk about the status of our trade union relationships, and we would like to let the Committee know the status of the 49 per cent shareholding currently still held by Cable & Wireless. So, permit me if we can during these proceedings to share with you some of this vital information.

And I want to emphasize, Chairman, my view is that while we will touch on the past, I am more focused on the present and where we intend to go in the future, and I hope that we will all be guided by that particular position that I have just outlined. I do not think it would be of any great benefit to spend too much time talking about who did what, and who did not do what in many years gone by. I have been here 18 months, our new board is 18 months old, and our management team is in place, growing all the time, and I think I would like to ask your indulgence, if I may, in focusing on the present and the future more than on the past. Thank you.

Mr. Chairman: Well, may I first of all thank you for your opening remarks, and to indicate from the very outset that we too are very pleased and happy that TSTT, as a state majority-owned enterprise, has been able to be on time with your audited financial accounts and statements. That is very refreshing given what we have experienced in the past, not with TSTT, but other entities.

I must disappoint you. Our mandate, as a committee, whilst we would look and examine, as you rightly said, with some current realities that you are faced with, I am sure we would find the time to facilitate your interventions in the areas that you have outlined. Our responsibility as a parliamentary committee, enshrined and entrenched in the Constitution, is to deal with the accounts for the period 2008 to 2016, and most importantly, to examine some of the responses that we have gotten from TSTT based on some of the concerns and questions that we have raised. But, I am conscious of the fact that you are a new board, and that you were just there 20 months or less, and therefore you would not know everything of the past, and that is why there is institutional memory within the organization. There would be continuity in terms of policy and changes where necessary, so that we would expect the team to at least have some reflection and understanding of the recent past as it relates to these accounts that are currently before this Committee.

But, I would like to begin very early in the proceedings, and I wanted to take up your suggestion that we look at some current matters as we focus on what has happened in the last few years at TSTT. If I may invite you Mr. Chairman to refer to your own submission, I would like you to go to the section that deals with—I think it is Item 4 that deals with some key objectives

for the organization's growth and the development. That would come under what is called General Questions that you would have submitted.

Let me see if I can get it—*[Interruption]*—yes, it is page 6, I understand, on your document. We read on page 6 that some of your objectives as it relates to what is described here as a growth pillar of some 20 per cent as you seek to move your company to a value amounting to just under \$4 billion, which includes mergers and acquisitions both organically and inorganically.

Now, against this background, would you want to share with this Committee this recent, what I call, acquisition—I may be right or I may be wrong, but you will guide me—of the Massy Communications, and tell us, as a committee, how does that fit into your strategic plan as a company, as you look into the future in a very competitive environment? So, Mr. Chairman, maybe you could probably clarify and advise.

Mr. Elias: Well, thank you, Mr. Chairman, and it was, I suppose, may I say, the hand of God that created an opportunity the day before we were to meet before this distinguished group.

We have a very robust five-year strategic plan. Very robust, very detailed, and one that we are revisiting on a regular basis. I have to say that in the 18 months I have been there, I think the road map has changed twice as we adjust to the realities of new technology and new circumstances, both competitive and otherwise that we are facing. So, part of our strategic plan, which will cost approximately \$3.8 billion, was a funding with the local banking system, completely underwritten by Republic Bank, of \$1.9 billion. I need to comfort this Committee that TSTT does not rely on the Government or the Ministry of Finance for any subventions or other support, and this funding was done without any need for government guarantees or other interventions.

In that five-year plan, Mr. Chairman, and members, we envisaged among other things rolling out 21st Century technology, which is our fibre, and crossing 200,000 homes in five years. When we found out that Massy would consider selling, as opposed to the proposal they had put to us for infrastructure sharing, and I have to explain that that infrastructure sharing was a very positive suggestion in that it meant that where Massy had already rolled out their fibre, which they had done, and they had crossed some 34,000 homes in various areas which they had outlined in yesterday's press conference, including, say the Diego Martin Valley, TSTT had not yet done so, and was planning to do so with part of the proceeds of the financing that we had raised and the internally generated funds that we expected to raise during the five years.

So, by the acquisition of Massy, which is really an operational decision we made, what we have acquired is 900 kilometres of fibre already laid in areas that we were intending to go to and had not yet done so. So, the foreign exchange we saved, we estimate going forward, could be as much as US \$20 million. We would have had to spend in acquiring the foreign components that

we would need in order to roll that fibre out in the areas we had not yet gone to, that Massy had already gone to. So, it became for us a perfect fit and a win-win situation because this business was not the core business of Massy, and as they said yesterday, they took a corporate decision to reallocate their resources in their core business.

However, this is our core business, and so we acquired the fibre that they already laid, that we now no longer have to lay. We acquired the entire customer base in the entertainment sector, which is approximately 5,500 customers. We acquired fibre that has crossed 34,000 homes, many of whom already have services from TSTT of a different kind, and therefore we would be able to go in to those customers and find a way to win them over into additional services that we have and bundle them as we have been advertising.

We also acquired the business enterprise side of Massy Communications, which is the whole Massy conglomerate. So, we also have them as our customers going forward, and we are talking to them and have agreed to collaborate in the future with their special Massy customer loyalty programme. So that we each can have the synergies that make this the excellent fit that it was.

So, we work very hard to negotiate. It was tough, and we eventually came out with a price which our board of directors unanimously approved, and yesterday we signed the share purchase agreement—as you may have read in today’s papers—and we will be closing the transactions subject to regulatory approvals. Letters will now be sent to TATT. They would need to give their consent, and once those consents have been obtained, and we see no reason why not, then we would close the deal, perhaps, within the next few weeks. So, I want to share with you that we at TSTT are extremely pleased to have been able to acquire Massy Communications at this time.

Mr. Chairman: May I also ask whether, what kind of due diligence would have been executed, and would you want to share with us any documentation you might have in your possession, as a company, to better inform this Committee, so when we are reporting to Parliament we can do so from an informed perspective?

Mr. Elias: So, maybe I omitted to say in my opening statement, Mr. Chairman, that during these proceedings I may once or twice decline your invitation to share confidential documents, because we are in an extremely competitive environment. But, let me assure the Committee, there was an intense due diligence done. Very intense. We engaged specialized consultants. We had our legal team, and we were completely satisfied that what we were getting was a transaction which we could be comfortable and proud of, but we are not prepared to, or can share with you that kind of confidential due diligence, because it would then be exposed to the very competition we hope to terrorize with this acquisition.

Mr. Chairman: Well, may I remind you, maybe you are not familiar, but this is a constitutional body that you are speaking to, and there is no possibility of you declining. You may request. You may request that because of the confidential nature of the information that you would prefer us to meet in camera to discuss it, or you may want to submit it in writing, as I have said. And, of course, any document that comes before us is treated with the greatest degree of confidentiality.

But, I would suggest Mr. Chairman that under our regulations and rules, it is very, very unlikely that your request would be entertained, meaning that you will decline. That is not permitted under our arrangements here. So, what I can say to you is that because of the confidential nature—and trust me, we are here to protect and help. We are not here to provide information to your competitors. This is the Parliament. So, we will treat whatever is given to this Committee with the highest degree of confidentiality. And as you have said, if you believe, and I understand what you are saying, we need to have an in camera discussion, we can have it. The press would not be here. We will talk between and among ourselves.

So, I just want you to take note of that so that—because sometimes, you know, we may not be fully acquainted with our rules and regulations, but the rules are very clear on these matters. This is the Parliament of the Republic of T&T, this is a constitutionally entrenched body, and it is very difficult for any entity to come before us and decline information requested by this body. So, I just want you to take note of that so that you would be aware of that. So, maybe you may wish to examine the invitation to share these matters, on a confidential basis, in camera?

Mr. Elias: Well, Mr. Chairman, I hear what you say, and I have the highest regard for the Parliament, and in fact all the institutions in our country that we need to ensure that we strengthen. However, we did sign a non-disclosure agreement regarding this matter, and TSTT respectfully declines at this time. I have to seek some more advice, and on reflection maybe you would have us back another time, if and when the matter needs to be ventilated. But, in my judgment, at this time, I may say that the experts that we employed did a thorough job, and I hope that your Committee would not attempt to second-guess the details of due diligence that brought us to where we are today. But, however, you have your job to do, I have mine, I will seek advice. But at the moment, I respectfully decline.

Mr. Chairman: Well, Mr. Chairman, we would come back to that subject, because we would not want to detain you on this matter. There are several other matters, but I want to tell you that we too decline your offer. So, at least you would understand that there is a collision here. So, we would have to resolve it. But we would not want to detain you at this time; there are some other areas I would like to proceed and address.

10.40a.m.

Mr. Chairman: First of all, you also indicated—and I think that that is a very highly complimentary position, that is, TSTT is a company that does not depend on the State for support, which is very, very good. But as a majority-owned state entity, could you share with this Committee whether the Government, or the Cabinet of the Republic of Trinidad and Tobago, was made aware of this acquisition for the sum of \$255 million? Or did they read like us, in the newspapers, that decision?

Mr. Elias: I think the latter point is correct. They read it in the newspapers. This was an operational decision to acquire assets which we would normally have built out ourselves. So the Board of Directors acted within the mandate we have within TSTT. And may I say, Mr. Chairman, TSTT is a peculiar sort of state enterprise. Many years ago the High Court and Appeal Court were asked to rule on the status of TSTT vis à vis the Freedom of Information Act and the Integrity Commission, and the courts have ruled that we are not subject to the Freedom of Information Act and we are not subject to the Integrity Commission. Long before my time these were decisions made and that is now case law. It is not challenged.

I think they took into account the fact that 49 per cent was privately owned, so that it was tantamount to asking foreign directors—they had four directors on the board—to submit to the Integrity Commission, et cetera. Also, on the freedom of information side, the courts ruled that we did not have to do it because, again, we were faced with a liberalized telecommunications sector and we are not required to respond to any request for information from the public under the FOIA. So I think we have a little peculiar relationship here. Fifty-one per cent of TSTT is owned by NEL. NEL is actually a publicly traded company which is not wholly owned by the Government but I think wholly owned by citizens of Trinidad and Tobago. And so the people of Trinidad and Tobago, all 1.6 million of us, own a substantial share of TSTT. And with that in mind, I ask you to reconsider this issue about the confidential audit documents that may or may not be required by your Committee.

Mr. Chairman: As I said, we will discuss that as we proceed. You would appreciate, too, that the Parliament of the Republic of T&T, all 41 elected MPs, represent 1.3 or 1.4 million people, so we have a very important responsibility as it relates to accountability—

Mr. Elias: Mr. Chairman, why did you cut down the number? I said 1.6 million. I do not know if you are challenging my census estimate. [*Laughter*]

Mr. Chairman: Okay, no problem. As we are on that particular point, Mr. Elias, you did mention—and I am happy to know—that there is a strategic plan and it has been shared widely. Would you be kind enough to make a copy of that plan available to this Committee? And could you tell us, for instance, what is the period of your strategic plan? Is it 2015 to 2020, 2016 to 2021?

What is the period?

Mr. Elias: We will share the plan with you, Mr. Chairman.

Mr. Chairman: What is the period of the plan?

Mr. Elias: It is five years starting this year.

Mr. Chairman: Starting this year. So it is 2017?

Mr. Elias: Sorry. Starting 2016, five years.

Mr. Chairman: Okay. I will now invite my colleagues and so on to—and I will come back.

Dr. Gopeesingh: Thank you very much, Chair. And good morning members of the TSTT board and executives and all the affiliate institutions related to it. My question, first of all, is directed to the chairman on the issue of the \$1.9 billion borrowing which you said that the Government does not have to underwrite as a guarantor. Being owned 51 per cent shares by NEL, did you have to seek the permission of the board of directors of NEL before going into that borrowing? And who has guaranteed the \$1.9 billion? Is it TSTT? And on what basis TSTT is guaranteeing to pay back that \$1.9 billion? And over what terms and over what period of time this \$1.9 billion would be paid back to Republic Bank?

Mr. Elias: Okay. Thank you, Mr. Deputy Chairman. First let me say that we made a presentation of our five-year plan to the Ministry of Finance and obtained their “no objection” to going out on the market to borrow the money.

Dr. Gopeesingh: Can I stick a pin? Is it in writing or—

Mr. Elias: Yes. So the current practice, if not the law, is that in order to monitor the borrowings of various entities in which the Government has either control or ownership of, that you do have to obtain from the Minister of Finance his “no objection” to going out in the market to borrow the money. So we obtained that first. We then went out on the market with a presentation of our five-year strategic plan and the portion of it that required financing, and we demonstrated that we would generate internally, the funds to make up the difference between the \$1.9 billion and the estimated value of the five-year strategic plan implementation which was \$3.8 billion. So we approached the banking system and we obtained the fully underwritten \$1.9 billion financing, and that is what we are using to go forward with implementing our five-year plan.

And I must say that buying the Massy Communications business, or agreeing to buy it yesterday, it actually fits perfectly into the five-year plan. They have what we were going to implement anyway and so it just accelerated the development of some of those assets by about, maybe one and a half to two years. So we have an extra 34,000 homes we can vigorously go to and sell services and a suite of services, added to the 24,000 homes we have already crossed. Now we must make them customers. We do not yet have them, but there are 59,000 homes we can

now approach with high speed quality services as a result of this acquisition.

Dr. Gopeesingh: Yes, sure. Well, let us come back to the question I asked. You said that you had to go to the Minister of Finance for written permission.

Mr. Elias: Not permission, “no objection”.

Dr. Gopeesingh: “No objection.” Okay. Could you explain to the viewing audience the reason for having to do so? Is it in the Minister of Finance, having the function as Corporation Sole and his relationship with NEL which is a public trading company but Government has majority shares in NEL? My understanding is Government has majority shares in NEL, so it is therefore partly—majority owned—by the State and the Corporation Sole. So could you give us the rationale for your having to undertake going to the Minister of Finance for his “no objection”? Could you explain that to the viewing audience for us?

Mr. Elias: Yes. I would be glad to do it. First let me say, Mr. Deputy Chairman, that when Cable & Wireless acquired Flow, or vice versa, and they had to vacate the four seats they had on our board of directors, otherwise TATT—I would say the old board of TATT would not have approved the acquisition. So they vacated the board of TATT. They still hold the shares to this day but they are supposed to sell them and they have some deadlines to sell them. When they vacated the board, the four seats they held on our board were filled by directors of NEL. So NEL now sits on our board as NEL directors. There are four of them. Of course, NEL’s board is also appointed by the Government, but I am making the legal distinction that there were five members of our board appointed by the Government historically since CWC came into our company, and CWC had four, and now it is NEL that has those four.

Secondly, when I came into this office I discovered—

Dr. Gopeesingh: The five on TATT board are appointed by the State, the Minister of Finance, by the Corporation Sole?

Mr. Elias: The five were appointed historically since 1991.

Dr. Gopeesingh: Right, okay.

Mr. Elias: So we are now nine members as we always were but four of those members are actually board members of NEL as well. And NEL sends them instead of Cable & Wireless.

With respect to why any state company requires a letter saying there is no objection to them raising money from the Ministry of Finance is because since the days when Karen Nunez-Tesheira was the Minister of Finance, I am told the Ministry of Finance was concerned because a number of state companies were engaging in borrowings without the knowledge of the Ministry of Finance. So they issued this edict that every state company that requires to borrow any money may not need their permission, but they need a letter of “no objection” which means then that the

Ministry of Finance is aware of the intention of the respective state agency to go out into the market to borrow money, because it impacts on the banking system. You would imagine \$1.9 billion is not a small amount of money. It is one of the largest private placements, I think in the history of Trinidad and Tobago.

So we met a situation where it is standard operating procedure, that a state company requiring to borrow money, writes and explains its reasons to the Ministry of Finance and obtains a “no objection”.

Dr. Gopeesingh: Right. Thank you. Just two follow-ups on this same question. What is the period of the borrowing; the repayment to Republic Bank?

Mr. Elias: And the rate of interest. I will ask the CFO to answer your question, Mr. Deputy Chairman.

Mr. Cooper: Good morning, Member. So of the \$1.9 billion, \$1.5 billion so far has been drawn down in two tranches. One billion is over a 10-year tenure with a two-year moratorium at 6 per cent, and \$500 million is tranche two. That is over a five-year period also with a two-year moratorium at 5.5 per cent.

Dr. Gopeesingh: Who has stood the guarantee for the \$1.9 billion borrowing?

Mr. Cooper: It is over the fixed and floating assets of TSTT.

Dr. Gopeesingh: As we are on the point, what is your total asset at the moment?

Mr. Cooper: Our total in terms of our PBE, we are just—in terms of our physical assets, it is just about \$3.3 billion. Our total fixed assets are just under \$5 billion.

Dr. Gopeesingh: How much? I missed that.

Mr. Cooper: Our total assets are \$4.9 billion and in terms of our physical assets, just around \$3 billion.

Dr. Gopeesingh: So the money was lent to you based on TSTT guaranteeing itself?

Mr. Cooper: Yes, 100 per cent.

Dr. Gopeesingh: All right. I have a few more questions before my colleagues come in. Could you give us an idea of the amount of personnel that you have within TSTT? What is the cost to the company? Your annual revenue—well, let us say you may want to go back two or three years—your total expenditure and your return on assets, let us say, for the last three years, including 2016, 2015, 2014; if you could give us some answers to that.

Mr. Elias: The first part of your question regarding the personnel, you wanted numbers or value?

Dr. Gopeesingh: Numbers and the value that—

Mr. Elias: Both. Okay. So I would like to start by asking our CEO and Carol David, the Vice-President, to respond to the head count aspect of your question.

Dr. Walcott: Thank you. Good morning, Member. Currently TSTT has two different types of workforce. We have full-time employees. They are 2,300 employees and then we have what we call an ancillary workforce that has another 400-odd employees, taking the total employee count to in the region of 2,700 employees. We have been looking at various mechanisms in terms of employee cost and employee management and the cost as it pertains today is around \$750 million annually.

Dr. Gopeesingh: That is for your employment for your personnel?

Dr. Walcott: Yes.

Dr. Gopeesingh: And your operating cost annually?

Mr. Cooper: So in terms of our total operating expenditure is about \$1.5 billion.

Dr. Gopeesingh: And that includes the \$700-plus million for the personnel?

Mr. Cooper: Yes.

Dr. Gopeesingh: So you have a personnel and operating cost total, \$1.5 billion annually?

Mr. Cooper: Yes, correct.

Dr. Gopeesingh: What is your revenue?

Mr. Cooper: Our revenue circa for the past five years has been about \$3billion.

Dr. Gopeesingh: And what is your profit on an annual basis? Let us say you could go back 2016, 2015, 2014.

Mr. Cooper: On average in terms of normalized profits would be just under \$100 million.

Dr. Gopeesingh: Could you give us some exact figures if you have it there, as Finance Director?

Mr. Cooper: Sure. So effectively over the past five years we have had fluctuating profits based on decisions that we have made, actually revolving around our personnel cost, meaning specifically, for the year ended March 2014, we did a VSEP offering, a voluntary separation programme across the company to both management as well as unionized members. So in that year we would have taken a signification provision. So that actually was the second year in the history of TSTT since 1990 that we would have recorded a loss.

Dr. Gopeesingh: What was the loss in 2014?

Mr. Cooper: That loss effectively was just around \$600 million.

Dr. Gopeesingh: All right. Give us the idea in 2015 and 2016 in terms of your profitability.

Mr. Cooper: So in terms of 2015, we made a profit of \$225 million and in March 2016, we also—March 2016 had two specific items which were very material and exceptional. The decision that we actually made in 2014, we withdrew the VSEP offering related to our unionized staff and we also took a very assertive and—this is where the Chairman was speaking to in terms of where we are going to very assertively. We took a decision to accelerate our depreciation as well as take an

impairment on our fixed assets. And this really revolved around our decision to move really from—which is in our response—from a traditional and legacy telecoms company to an agile broadband company. So it therefore meant that we would have taken a combined accelerated depreciation and impairment expense of just around \$575 million. So for the year ended March 2016, we made a loss of just around \$300 million. So when you ask me, circa, how much we have made for the past five years, two of the past five years we did have some exceptional items.

Dr. Gopeesingh: Could you give us an idea of your return on your assets in terms of the years? I see some negative return on assets over the years and you are now going further downhill to minus. In 2013—well, let us go back to 2011, your return on assets was .01; in 2012, it was .02—in your book it is on page 67—2013, .01; 2014, minus 0.11; 2016, minus 0.07. Now, could I ask you if you feel comforted in the fact that you have a revenue of \$3 billion annually and you have an operating expenditure of \$1.5 billion? So why is it that your profit is not higher? And are you comforted by going through from year to year on your return on assets, which is net profit to total assets in the negative figure? So here you have \$3 billion of revenue and you have a negative return on assets, or a net profit to total assets. How can you feel comforted as an organization for that happening? We are asking these questions because we will seek to give you some help, to see whether you need help to increase your profitability.

Dr. Walcott: Member, first of all, the short answer to your question is, no. We were not and are still not satisfied with the return on assets, the return on investment, and that is primarily the reason we recalibrated our strategic plan. In the mentioned—in some of the questions—I know the plan that was referred to is one that has been superseded by the existing board that exists today. So in the response that the CFO gave, he did indicate that our revenue has been circa \$3 billion for the last five years. However, our cost, particularly our employee cost, has continued to rise exponentially over the past several years. Additionally, the telecommunications industry has made some fundamental shifts. When this company started back in the Telco/Textel days, telecoms was around voice. Voice revenue was an integral part of the revenue component. Voice revenue does not exist anymore. It is all around data. It means that the margins on the business have significantly changed. It then required us to review our strategy and that is the reason for this new and revised, very aggressive strategic plan.

Our plan is premised on four fundamental pillars, as the Chairman alluded to in his opening, if you would just permit me a couple of minutes just to elaborate on them. So we looked at TSTT holistically and we delivered for consideration by the board who then determined, after much interrogation, the best way forward for us. Our plan can be decomposed into some simple terms which I would share with the Committee now.

First of all, we have one primary mandate and our mandate is to transform ourselves from being a 20th Century legacy telecommunications company to becoming an agile broadband communications company of the 21st Century. To do so—

Dr. Gopeesingh: Dr. Walcott, we are hearing you. I just want to simply get to the answer. I know you have your strategic plan and your goals and your objectives and you are working to transformation of the company, but here it is the population looking on, you are receiving \$3 billion, your cost for your personnel, as you said, is about \$700 million, your operating cost with personnel goes to total \$1.5 billion. How do you explain the difference between that \$1.5 billion in personnel expenditure and operating cost and your revenue? What has happened to that other \$1.5 billion?

Dr. Walcott: I will get to the CFO's answer, but he was answering specifically about the question—

Dr. Gopeesingh: We have limited time to question you.

Dr. Walcott:—the question that you asked. In revenue, there is cost to sales associated with revenue, which is not part of what we will consider operational cost. So he was speaking about maintenance and expenses and personnel cost, but there is a direct relationship with cost to sales, and then there are other items—below the line items—as depreciation and so on. But we will clarify that now.

Mr. Cooper: So in response to your first question as regards being comforted, the context that I would have to give for that answer which, to repeat what the CEO said, is no. So in context of the telecoms industry, employee cost as a percentage of OPEX tends to be about one third, and as a percentage of revenue, tends to be about 16 per cent. For TSTT, our employee costs are just around 50 per cent—about 45 per cent—and of revenue, as much as 25 per cent. So we are way off of the KPIs. So the short answer to the question is, we are not comforted and the major ultimate reason really revolves around our employee cost, really for two reasons. One, we have a defined benefit plan as opposed to contribution, which carries significantly more cost and, of course, COLA, in terms of the—we have roughly 2,200 staff; I know this was an earlier question—1,800 of which are unionized. The way how those collective agreements are structured is that COLA is consolidated. So even if an offer, for example—is given as 0.0.0, employee cost, even at zero per cent, goes up by 7 per cent because of COLA. And therefore just to close off the response to your question, in terms of the \$3 billion, how do we reach from \$3 billion down to \$100 million. As regards our core KPIs, they are very healthy. So in terms of our gross profit as a percentage of revenue, it is 80 per cent. In terms of EBITDA as a percentage of revenue, the industry average is about 29 per cent. We are at around 24 per cent. However, because we are

changing out legacy equipment which I referred to in my earlier answer as regards last year it being impaired, we do have some—our operating cost around legacy equipment increases.

So we ultimately go from \$3 billion down to \$100 million substantively because of operating cost driven by employee cost. Our gross profit is fairly healthy. It is 80 per cent of revenue. And really and truly, how we come down to \$100 million is really in the belly of the beast for the operating cost specific to personnel cost. Because when we look at the other expenses which the CEO referred to, whether it be maintenance repair or other OPEX, it is fairly consistent.

Dr. Gopeesingh: I crave the Chairman's indulgence to ask one last question before my colleagues. The last time TSTT came here before a joint select committee, or before PA(E)C, I cannot remember—

Hon. Member: A JSC.

Dr. Gopeesingh: It was a JSC? Just a last one. When we asked you the question you had about one manager to four employees. Could you give us an idea of how many managers you have within TSTT now? And when we looked at the salaries and emoluments for the executive members—I see you have 10 executive members here—the CEO at that time was receiving a salary of over \$250,000 per month. Could you give us an idea of the salary and emoluments that the CEO is receiving, and the 10 Vice-Presidents? And also, whether you still have a situation where you are top-heavy with managers to workers ratio. The last time was one to four. Those are my questions, Chair.

Mr. Elias: Mr. Chairman, briefly, these salary details we are happy to share with you but I would suggest we do it in camera.

Dr. Gopeesingh: Okay. Or in writing.

Mr. Chairman: Or in writing, Mr. Elias.

Mr. Elias: Or we can send it to you in writing, yes.

Mr. Chairman: You could send it in writing.

Mr. Elias: Okay. Thank you, Mr. Chairman.

Mr. Chairman: And now, Mrs. Baptiste-Primus.

Mrs. Baptiste-Primus: Thank you kindly, Chairman, but I would like to give my colleague the opportunity and then I would accept your offer.

Mr. Chairman: Okay. David Small comes on after. David, before you speak.

Mrs. Crichlow-Cockburn: Thank you, Mr. Chairman. I would just like to get some clarification in terms of your human resources. In your written submission you indicated that you had 2,017 permanent staff members—

Mr. Elias: What page is that?

Mrs. Crichlow-Cockburn: You are at page 63. And subsequent to that we would have gotten a figure of around 2,700. Could you explain that for me? Because the figures are not adding up. Or is that your ancillary staff is not included here?

Ms. David: Our staff population comprise of both permanent, as mentioned here, and ancillary staff. So for the permanent employees we have 2,017 as at February, and we have a body of temporary employees of 151. But in addition to that we run an arrangement where we have, as the need arises, for other types of staff, both in the customer-facing areas, and in the operating areas, of about 405. But those are very short-term, casual employees. So what you got in this document spoke directly to permanent and temporary. It did not mention the amounts that we use on a very casual basis which amounts to about 405.

11.10 a.m.

Mrs. Crichlow-Cockburn: Now, the figures given here this morning in terms of employee costs are high. I am also looking at the fact that the CEO was indicating that TSTT intends to shift and become a more agile organization. Given your staff numbers, is your human resources in alignment with your new thrust, your new strategic plan?

Mr. Elias: If I could speak to that and ask the CEO and the Vice-President to follow me? When I started in the construction business we dug foundations with pickaxes, agricultural forks and shovels. We loaded trucks with the excess dig, they went to the landfill, they unloaded it with shovels and so on. Today, we dig excavations mechanically, we load mechanically, and in seconds a truck can discharge 15 cubic metres in the landfill. So the construction industry recalibrated the way it used its workforce and this is exactly what is going to happen in the telecommunication sector, and I think we have said so openly to our trade union representatives, the employees are aware of it. If you invest in technology, you have to recalibrate your workforce.

So when I became Chairman and I looked at all the indices and comparators for other organizations similar to ours, every indication was that we had excessive headcount and excessive employee costs. When I became Chairman, I reached out to the trade unions. They were the first people I spoke with when the announcement of my appointment was made. I rang and went to their offices, and I attempted to get from them some ideas and suggestions as to what they saw the problems were and how we were going to go into the future, and headcount, et cetera.

Well, I was disappointed at the lack of constructive dialogue there and I continue to be disappointed. But it is clear that the more we invest in technology, and the more we implement our five-year strategic plan, the more we are going to have to focus on the type of employees we have, what their functions are and their numbers, and it is very important for everybody to understand that this industry is not standing still. TSTT is facing intense international competition,

one of whom has deep pockets, the other allegedly does not. However, we have to be very careful how we go into the future, and we are going to have to look very hard at the numbers and the configuration and calibration of our staff. That is a given.

Now, Mr. Chairman, maybe I could take this time now—I know you are a former trade union leader, or trade unionist. I want to read what a former trade unionist wrote in the *Express* on the 11th of April, 2017. He said:

“As a former unionist, I fully understand and accept sloganeering, bravado, and even outrageous statements as legitimate tools of the trade.”

Now, I am disappointed by that because that is exactly what I find myself hearing and seeing coming out of the representative trade union. So much so, that three years have passed with no agreement, and no proposals were received in spite of many requests, both verbal and written. Eventually, this company had to take the unusual step of an employee making a proposal because three years are up, a new three-year cycle has started and we have no agreement. This is the proposal we got, just so you know the challenges that we face. The total retroactive pay that was requested by the trade union, retroactive over the three years ending in 2016, was \$653 million.

Mrs. Crichlow-Cockburn: Mr. Chairman? Mr. Elias, excuse me. We would probably get to that subsequently, but—

Mr. Elias: Okay, but I just wanted to say that in terms of headcount and employee costs, which was a question asked just now, you have to understand we are not going to do industrial relations here and the Industrial Court will adjudicate on it, I have no doubt. But just so you are aware, we are faced with a proposal to pay \$653 million in backpay and to increase the annual employee costs by over \$300 million. That is the proposal.

So we are hoping that the patriotism that has been expressed by the union leader repeatedly in recent times will manifest itself when we come to settle these negotiations, and they are integrally connected with the headcount and the compensation. Thank you.

Mrs. Crichlow-Cockburn: Okay, I understand that, but, Mr. Chairman, what are TSTT’s plans in terms of treating with its human resources? We noted here that you started a VSEP programme and you said you revisited it in 2014, but how many persons would have been paid VSEP, at what cost, and what were the reasons for halting that VSEP or revisiting as you termed in your submission?

Mr. Elias: Thank you for asking that. That VSEP in my judgment was a complete disaster. It should never have been done. In fact, the employees were prevented from taking up the offer, those who wanted it, by legal action from the trade unions. So that is why it was withdrawn, but not before we lost some very good people which we should not have done, paid out a lot of money

and achieved nothing. That was in 2014. I hasten to say that is part of the historical past. So in our judgment that will never happen again. If we have to recalibrate, we will have to use a different mechanism to identify how we recalibrate our workforce.

Mrs. Crichlow-Cockburn: I have also noted that in terms of your retiree plan, in your submission you indicated that the contributions made by the retirees are insufficient to meet the claims and you are operating with a loss ratio of 166 per cent and an accumulated deficit of approximately \$340,000 over the last nine months, how do you plan to treat with that?

Mr. Elias: What page is that?

Ms. David: This I believe is referencing the health plan?

Mrs. Crichlow-Cockburn: Yes.

Ms. David: Okay. So the health plan that we run at TS/TT is a self-insured plan. There are two plans. There is a plan for the existing employees and there is a retirees plan. Currently, we are faced with some loss ratios that we are managing. For example, we are now discussing with the RMU around increasing or increasing the contributions made by employees. Now, according to the collective agreement, nothing can happen with this group health plan run by TS/TT without agreement from the union. So to manage what you are seeing as it relates to the employees, we have proposed a 40 per cent increase of contributions by employees. In some cases, it is just about a \$45 increase every month. For the retirees we have separated the plans. So we no longer have a plan that is commingled.

Prior to 2012, the retirees were not paying any contribution towards the health plan, but that has changed. So now retirees are paying towards the health plan, and employees it is proposed an increase in the contribution. What we are seeing, as we move forward, the loss ratios for employees are decreasing. So we are not in the position we were in like September last year. We are in a way better position, and the fact that we have separated the plans is working for the organization. So that is how we are managing that situation.

Mrs. Crichlow-Cockburn: Mr. Chairman, last question for the session. Explain to us what is meant by sale and utilization of vacation leave? Now, I understand the premise on which vacation leave is granted, so I am finding it strange, sale and utilization of vacation leave, and particularly given your employee costs and your operating costs. So if you can explain that to us, please.

Ms. David: Right now we have a liability for vacation leave of over \$91 million. That is the liability we face. Now, what we have to remember is every three years that we have a new collective agreement, it impacts the cost of leave because we go on fully paid leave. Leave is fully paid. So when we move from a 25, to now I think it is a 35 for the longer-period service staff, the increase in allowance of increases in compensation also increases our liability for leave. We have individuals

in the organization with excess leave. Some of it is in excess of 250 days.

In a bid to bring that liability down we offer to the employees—not that they can sell all their leave. That is not allowed. We give them the option to sell leave or use the leave to buy equipment, or handset, various things in the organization. So it does not go out to them in the context of the handset. It stays within the company. So they use their leave to purchase those things. We also allow them to sell the leave back to the organization and we pay them for it. The moment it is sold they have to take the balance of the leave. So our collective agreement is clear around excess leave. So in order to manage the liability, or keep the operations going, we utilize that means to both control the increasing leave and also manage the liability.

Mrs. Crichlow-Cockburn: I am just having a difficulty understanding how leave can be accumulated to that quantum. Does the collective agreement not provide for leave being forfeited?

Ms. David: No.

Mrs. Crichlow-Cockburn: So is it that the management defers persons' leave when they apply?

Ms. David: No, that is not what happens to the leave. So I have an employee who has 35 years of service, through negotiations the schedule that is applied to various individuals goes up. Through negotiations, or over the period of time the employee is in the organization, one to five years is a certain amount, 10 and over is a certain amount. The majority of the employees in the organization, at least 60 per cent of the employees in the organization are at the maximum of their leave. So that is 35 days per year. The collective agreement does not speak to forfeiture of leave. The management of the organization manages the leave. There is a certain mindset, probably, of people in the organization as to how leave can be used.

So, as we move forward with managing the leave we have implemented a number of things. For example, leave schedules must be supplied by the 15th of November every year, and that schedule is now managed. We are doing way better than we used to. In fact, we have been able to reduce the amount of outstanding leave not only by the sale of leave, but by the pure management of the leave going forward because of these strategies we have put in place, especially the scheduling of leave and managing that.

Dr. Walcott: Member, I think it is just fair to say that leave was poorly managed in the past. Let us not fiddle around with the words, it was poorly managed. Under this new management and under this new board, we have implemented some robust management mechanisms around leave management now where people will proceed on leave, people will be held accountable, et cetera, et cetera. It was just poorly managed.

Mrs. Crichlow-Cockburn: Thank you very much.

Mrs. Baptiste-Primus: Thank you kindly for accommodating me, Mr. Chairman of this

Committee. Mr. Chairman Emile Elias, I was happy to hear your Chief Executive Officer admit that vacation leave has been poorly managed. Indeed that is my perspective that I have formed. I will not proceed on that as I had intended to, having had the admission from your Chief Executive Officer.

Nonetheless, Mr. Chairman Elias, I just want to take a slightly different approach and start from the acquisition of Massy Communications, and having heard all that have been said, as a member of this Committee I would like to compliment you and your board because I believe with the acquisition of Massy Communications where you indicated that coming with that is the acquisition of fibre-optic, the 55,000 customers, the entertainment segment and collaboration with Massy with regard to the loyalty programme, I would want to link that to your growth pillar. How close does this business acquisition take the organization towards the attainment of that business pillar that is represented by 20 per cent?

Mr. Elias: I would ask the CEO to answer you, not because I do not know the answer, but I think he is driving it. So I will let him do it.

Dr. Walcott: Thank you, Chairman. I was trying to explain that earlier. Just to wrap up the conversation around the pillars, it did indicate the growth pillar. The growth pillar is made functional by a couple of things. One, it was to evolve and upgrade the technology because we needed to so do. We had always intended in our strategic plan to grow the business, both organically and inorganically, because in this telecommunications, and what we now refer to it as the communications industry, because of the way in which it has been morphing, the Chairman mentioned competitors with deep pockets, some not, but the truth is that in addition to that our competitors are over-the-top providers—WhatsApp and Skype and so on, Facebook. Those entities are competitors to what we do now.

People communicate via WhatsApp more than they do with their voice communications now. So it required us to upgrade our technology. We looked at it from the wired and wireless side. On the wireless we could talk about that, but your question referred to the wired side. This acquisition has advanced our mandate by certainly 18 months. The fact that we were able to acquire—because it takes quite a bit of doing to lay fibre and to put the foundation in, to put the infrastructure in, and it is not just a question of laying the fibre, but it is all the associated systems and ecosystem there. So it has advanced us by at least 18 months.

Mr. Elias: If I could add one thing related to your specific question, and that is that while we may have saved 18 months, we may not have been able to do it at all because we are buying Massy with TT dollars and we are having significant challenges with foreign exchange. So the question is even if we could physically have done the roll-out that we purchased, the huge benefit is we are

paying in TT dollars and we do not have to look for the forex that would be represented by that investment. That was a very big plus and a very big leap forward for what we were talking about. Thank you.

Mrs. Baptiste-Primus: Thank you very much for that explanation. So that, having looked at where you are right now and where you are poised to go, I just want you to take a snapshot look at where you came from and to share with us what was the reason for the decline in TSTT revenues during the period 2010—2016, and what plans does the organization harbour for increasing or boosting your sales over the next three years?

Mr. Elias: I would like to start the answer and ask our CEO to continue it. We have to talk about the shareholder agreement when you address the last five years. We had a situation where Cable & Wireless was sitting on our board with four Directors, and under the shareholder agreement entered into in 1990, they had the power of veto over CAPEX. So if they felt they wanted more dividends, they would not agree to CAPEX, I am told. They also had the right that half of the profits declared each year would have to be paid in dividends. We had to declare dividends. Regardless of whether it was in the best interest of the company to hold the money and reinvest it, the shareholder agreement compelled TSTT to pay 50 per cent of its profits in dividends. So it appeared to me looking at the history of it—and this is again why I said the VSEP was a disaster—there seemed to have been a lack of cohesion on the board because the agenda that I think Cable & Wireless had was not in the best interest of Trinidad and Tobago, or of TSTT.

When I came in, member—this is important, and this is not political, and this is not partisan. This is a reality—I am satisfied that having examined all the documents surrounding the behaviour of the various parties including elements in TATT, including elements in the Divestment Secretariat, including certain foreign persons, there was a conspiracy to swallow TSTT and to describe it as a company that could not survive on its own. We are going to prove them wrong and we have proved them wrong, but there was a conspiracy. Now they know who they are, I know who they are, and they know that I know who they are, and one day I may, when I finish my autobiography, write a chapter. My closing chapter might have to be this experience I am having in TSTT.

But they failed and they failed because the convergence of their plan did not crystallize as they had hoped it would, and it resulted in, for example, a completely wrong RFP for a third operator—completely wrong—commingled spectrum with a licence for a third operator. They tried to choke TSTT to death at the end of 2015 when our licence expired. They wrote us a letter saying here is the new licence; these are the two changes we are proposing then, there are no other changes, in writing. Well, thanks to our senior staff working over Christmas, they examined every

word. There were significant changes that would have been to the complete detriment of TSTT. This Committee and the Parliament needs to understand what went on. There was a moment when we almost had to close TSTT down at the end of 2015 because we did not have a licence, and I absolutely refused to agree to the terms that had been proffered by the then TATT CEO on board.

The new Minister, Mr. Randall Mitchell, then he was the Minister, he intervened and we managed to save the day and we have a 10-year licence now that is appropriate. There are some challenges and that is why I say we have to look back a little bit sometimes, but there were elements and it was all designed to swallow up TSTT, and eventually when that failed, plan B went into place. Then they came with a plan C which is to squeeze us so that ultimately we would not get spectrum.

Now, Chairman, spectrum is the lifeblood of a telecommunications company. We need 700 megahertz high-speed spectrum. Back then in its best wisdom, the TATT management and board decided on a spectrum plan that would give this vital 700 spectrum, which is fourth generation, to give the high-speed wireless that we want on our cell phones. Split it into two operators only, issued an RFP for a third operator that would be guaranteed to get one of the two 700 megahertz spectrum. The other they recommended would go to another foreign company, and TSTT was to be choked and shrivelled until it could be swallowed up because they wanted to weaken the company.

Happily there is now a new vision in TATT. The spectrum plan has been altered to provide for three operators in the 700 megahertz which was always available, but they know why they were doing it. As I said, I know why they were doing it, and they know why that I know why they were doing it. Now, we have been promised that we will get 700 megahertz spectrum and so will our competitor, and there is still spectrum available if in its wisdom somebody thought—and I would say foolishly thought—that this country needs a third operator.

So spectrum was critical, we are getting it. Spectrum is critical, we have since got a promise of some additional spectrum. We have rolled out—Mr. Chairman, this is critical information—high-speed fourth generation LTE. We are the only one in the country with it. Nobody else. They could all boast about it but they do not have it, and we are going to get the 700 megahertz. The entire nation will be covered, we will have penetration, we will have capacity and we will be investing in all the technology to make all that work well.

Mr. Chairman: Mr. Chairman, may I, before Mrs. Baptiste-Primus continues? I understand, and you can correct me if I am wrong, you had submitted a report on this conspiracy, would you be kind enough to supply it to us?

Mr. Elias: We will provide you with a copy. I wrote a 23-page report connecting all the dots, and I am, as I said, completely satisfied that we have defeated the conspiracy and we are well on our way having devised our five-year plan, having got our financing and having been promised the spectrum that will take us into the 21st Century.

Mr. Chairman: And again, before Mrs. Baptiste-Primus continues, may I also ask in addition to that report, the challenges and solutions may be contained there, but any additional perspectives you may have, can you commit it to paper, writing, and also send it to the Secretary?

Mr. Elias: We would be very pleased to do so, Chairman, because I think this information should be widely disseminated.

Mr. Chairman: Thank you. Madam Baptiste-Primus.

Mrs. Baptiste-Primus: Thank you kindly, Chairman. I would just like to thank Mr. Emile Elias for the cogent information that has been placed into the public domain and, as a member of this Committee, I can only wish TSTT well.

Mr. Elias: Thank you.

Mr. Chairman: Mr. Small. Sorry for the long delay.

Mr. Small: That is fine, Mr. Chairman. Chairman, if you would permit me? As a member of this Committee and in my own right as a Chairman of another Committee, for the public record I wish to register my vigorous disagreement with the position taken by the Chairman of TSTT regarding the submission of requested information. I wish to state for the public record, and I wish to quote from the Chairman himself, “We have to look back a little bit sometimes”.

I was a member of a Committee here, TSTT appeared before that Committee and we requested extremely detailed information, competitive information, even the shareholders agreement, and everything was supplied in the highest level of detail and nothing ended up with any competitors. Nothing ended up anywhere. I know several of these faces, they were very familiar, every detail of TSTT’s operations, customer cost, line cost, every detail was provided.

11.40 a.m.

The Parliament is—the information held here is sacrosanct and I wish to register—it is a comment, Mr. Chairman. I wish to register my vigorous disagreement with that position. But I am not going to ask you to respond, I am just registering my disagreement. Thank you.

I want to first begin by going to page 6 of your document and I want to address the Chairman because there are several areas of this document where I felt that the responses were not vague, but there is one brutally honest or brutally direct response here to question six, where you indicated that one of the major challenges facing TSTT and I wish to quote:

...an intransigent recognized majority union.

It is a refreshingly blunt assessment and statement that I did not expect to see in writing. But, Mr. Chairman, I want you to help us with the challenges that led the company to say that one of your major challenges is—and I wish to quote again:

...an intransigent recognized majority union.

Mr. Elias: Well, may I say that I was hoping that this question would come up because I, myself, felt that the language truly represented the difficulties we are having with the trade union and I am sure my colleagues will follow what I have to say. But when the board of TSTT asked for a report on all the outstanding matters in the Industrial Court, I would like to offer to share it with this Committee, hundreds of matters, which I found to be nothing short of inappropriate and harassing. So you have to read the matters, you have to read the issues. That is the first point I want to make. Hundreds, most of them are unnecessary. In fact, Mr. Chairman and members, I was of the view, maybe wrongly, but I told the CEO when we were looking at the outcomes of many of these matters, the company was successful but we never see a press release saying so, but if the union was successful in the slightest matter, it appears to attract an enormous amount of media attention and I was wondering why we did not do that. That is one point.

Secondly, Chairman, if an employer ever did what this trade union did just two weeks ago, any employer including the management of TSTT, we would be accused of all kinds of disrespect, et cetera. Now, here is the leader of a trade union beating an effigy of our CEO outside of our headquarters and this is supposed to be some kind of joke. [*Holds up newspaper article*] This is not a joke, this is a serious business we are in. The survival of Trinidad and Tobago is at stake here. And here it is—[*Interruption*]

Mr. Chairman: Could you reference that article for us, please?

Mr. Elias: I am referencing the *Express* of Friday the 14th of April showing Mr. Remy with a “boutou”, the old fashioned “boutou” in his hand beating “ah bobolee” with the name “Walcott” on it. Now, my initial reaction was that I was disappointed that there was not one of me because—I do not know. Maybe after this hearing, the next “bobolee” will be Emile Elias, right. But this is not the way to conduct a relationship. That is the second comment I want to make about why we say intransigent.

The third comment I want to make is that while giving press conferences about TSTT and the problems that the unions think they have, the word “patriotism” has come up. I counted it about seven times. Nationalism, the need to build the company and to save Trinidad and Tobago.

Mr. Small: Mr. Chairman, I appreciate the line you are going and I understand where we are going. I want to get from you now, you are the Chairman, I know your CEO very well. He is a very forthright individual. What is the plan to fix these issues? Because when I look at the

numbers, Mr. Chairman, it is important to put these numbers in the public. You look at the 2016 numbers and you would see that the personnel cost per employee for TSTT is \$420,000 a year for each employee. If you divide the amount of employees by the personnel cost, \$400,000 a year per employee on personnel cost. That is a high number and in the realm of—I would be the first to say, I have no problem with people earning well. I enjoy earning well. But there has to be some reality where the company, over the period 2013 to 2016, has an accumulated loss of over \$500 million and you spent over \$1 billion in the past three years on something called reorganization cost. So the company has been subsuming—a huge level of cost has been churning out, not profits but losses. And then you have this extremely high—what I consider to be a high personnel cost per employee. I would like to understand from you, what is your plan to fix this because this is not sustainable.

Mr. Elias: Correct and that is part of the intransigence because we are certainly now faced with three years of, just ending in 2016, no agreement. So there is that uncertainty, and the next three-year cycle is already five months old. It appears that we will be presenting our case to the Industrial Court. This is not a forum for industrial negotiations. But when we get to the Industrial Court, we are going to be pointing out what you just said, Senator, and we have told the union, in no uncertain terms, that we simply cannot increase employee costs. They understand that very clearly. There are different ways of doing that. We are not into the numbers game about zero, zero and zero. That is not our language. Our language is we cannot increase employee costs.

I mentioned earlier and I want to repeat it for the record. The correct proposal, which is heading to the Industrial Court in respect of the three years ending 2016 from the trade union, would result in a retroactive pay of \$653 million and an annual increase in employee costs of over \$300 million. This is absolutely unsustainable.

So, we believe in the Industrial Court. We believe when we present this to the Industrial Court, common sense would prevail and we have told the union we simply cannot increase employee costs. We cannot.

Mr. Small: Thank you, Mr. Chairman. If you would permit me, Mr. Chair, I have a couple more questions. I want to go to the operational side of the business. I am probably one of your first LTE customers. It works really well. I do not necessarily want to do an ad for TSTT but the LTE, it works better than the Wi-Fi when I am in Port of Spain. When I am out of Port of Spain, I have questions. That is my question. Could someone help me with the schedule for the rollout of the LTE? I live in the east of Trinidad and I do not get the LTE so I am happy when I am in Port of Spain, it is blinding fast. I want to understand the schedule for the roll-out for the LTE.

And also, aligned to that, on page 62 of your submission, you indicated that you have been

very successful in getting aggressive discounts on handsets. I would like to understand what is the company's policy regarding passing on some of those savings to customers. Everyone who knows me knows that I am an every man, I focus on the citizens of Trinidad and Tobago. If you are indicating here that you are getting aggressive discounts on handsets, what is your position regarding—or how much of that do you share with your customer base to allow them to enjoy some of the benefits of the excellent stewardship of your management?

Dr. Walcott: Thank you, Senator. First of all, let me address your first question as it relates to LTE. Now, I think it is very important to understand the context that Chairman spoke about earlier where spectrum being the lifeblood of any mobile telecommunications company. You cannot operate without spectrum. So we undertook what was an enormous challenge to roll out LTE in our 1,900 megahertz spectrum.

Now, there is an allocation of spectrum from the regulator that allows us 20 megahertz of 1,900 spectrum. The competitor has the same. We undertook a bold strategy to redesign our network. Part of the pillars that I spoke about, where we spoke about evolving and upgrading our technology. Part of it was around that. So we began to roll out LTE in 1,900. The truth is that 1,900 does not provide for spectral coverage in the same efficient manner that 700 does. It is physics. The lower the spectrum, the more dispersion you have because you have a different type of behaviour.

So we are still awaiting, and quite hopeful now with the new TATT board and some new discussions that we had in terms of a change in the spectrum plan, that we will have the 700 megahertz available which would allow us to roll out LTE ubiquitously throughout all of Trinidad and Tobago. In the meantime, however, we have upgraded the 1,900 network. We provide fairly national coverage right now but the ubiquitously coverage that you are looking for will require us to be in the 700.

As it pertains to the handset, I think it is just important to note that we do not charge a mark-up or any type of margin on handset sales. In fact, the opposite occurs. We normally provide a subsidy. So it actually costs us money when we sell handsets to our customers. So the savings that are being described here really redounds to the ability for us to recoup some of that costs and to introduce some different strategies. What we have seen, however, is that we have been able to offer our customers better pricing than anybody else in Trinidad and Tobago because of our ability to secure some of these deals that you were referring to. But generally, we do not have a mark-up on handsets.

Mr. Small: Thank you. Mr. Chairman, if you would permit me, I have one follow-up. Back to page 6 of your submission. I want to make sure I am reading this right under question five because

how it reads is that one of your challenges experienced is non—you are not using financial metrics to measure your performance. Am I reading that right or am I misreading that?

Dr. Walcott: No. The question, as we understood it, was: What are some of the challenges experienced by TSTT in measuring its success? So we look at success from various perspectives. Financial is there. I mean, we have robust financials that we review weekly, fortnightly, monthly and certainly we produce the annual reports on time as the Chairman indicated. But those metrics are post-event metrics. We can only measure the financials after the experience has occurred. What we would like to do is to be proactive and how we become proactive is by instituting the type of mechanisms and measures that allow us to so do, and the legacy equipment that we have does not readily allow us to do the type of data analytics that we will want to do, the type of customer service metrics that we want to employ. And those are some of the things that we are doing under our customer service pillar as a programme. But that is what we were referring to, not the fact that we do not use financial metrics.

Mr. Small: Mr. Chairman, permit me one final follow-up as I am going through the financial questions. I go back to the financial accounts, when you compare the 2014/2015 accounts—forgive me, Mr. Chairman, for going back a bit. But there was a 20 per cent reduction in the cost of sales. I want to understand what accounted for that. And also, I understand better now what happened with the VSEP plan because you started off the VSEP plan and it essentially died, because I was going to ask but from 2013 to 2016, your personnel costs have continued to increase significantly and I want to marry those two things because you are having an issue where your cost of sales is reducing. Your personnel costs are going up and the profitability—it is affecting the profitability.

And at some point in time, Mr. Chairman or Mr. CEO, there has to be a strategy regarding, listen, what is the plan to say in three years' time, in five years' time? When are we going to say, listen, this has to come to some way in which we have to move—and it cannot be a baby step move, it has to move in a step in my respectful view. It has to be a step move. Could you help us with what is the plan for that?

Mr. Elias: Well, let me start and ask the CEO to continue. So when we invest in technology, we make what we have today more redundant more rapidly. So the old telephone company which is landlines, copper, dial instruments, even push buttons now, et cetera, this is not going to be the future. If and when we get the spectrum, if and when we implement all the investments we have in the technology that supports the spectrum, and we get the penetration and the saturation and the capacity on the wireless side and also because of the fibre roll-out, this is going to mean that we have to recalibrate the whole workforce, Senator. This is a statement of fact. I alluded to the

construction industry. I ask you to take that, apply it to the technology sector and you are going to see that where, perhaps, we had five people doing something before, we may need nobody there again. And therefore, we can expect there will be redundancies in the future the more we invest in this new technology. It is happening all over the world.

And therefore, you were right to talk about the annual cost per employee. TSTT, over the years—this is historical, it did not happen yesterday—people earn good money and the benefits are very, very liberal and expensive. There is no question about it. Even when the union is trying to be relevant about a matter and they are marching in San Fernando, they say, well this is not about money, it is about the equipment and the engine here is not working. They even admit it because they know we have reached the limit.

Mr. Small: Yes.

Mr. Elias: And Senator, when we reach the Industrial Court, which is the forum where this will be dealt with, we are going to lay out all of this for the entire nation to see because it is the nation that owns the majority interest in TSTT. So we will be coming with that because we have to deal with it and we have to confront it.

Mr. Small: The plan, because I like your word recalibrate but I recognize that the word redundancy, redundant is really the word that has to be used. Positions will become redundant. That is normal in business. I know, perhaps, in the environment we are, people do not like to hear it but given the current status of the company, it is in my respectful view unavoidable. So I think that in that context, you would have started to have some thought in your mind about what the redundancy plan will look like and I am not asking you to put it in the public domain but to the extent that when the company gets there and has some shape around that, through the Chairman, if that plan could be shared with the Committee, that will be very much appreciated.

Mr. Elias: Well, Chairman, perhaps when you invite us next year and we give you our on-time accounts and then we only have to look at one year, we will have advanced that agenda considerably hopefully and we will be able to share it with you.

Mr. Chairman: Maybe your company is so infectious, we might invite you before next year.
[Laughter]

Mr. Chairman, I just want to say a few things before I deal with some other questions. You know today is World Press Freedom Day and you know something, Mr. Chairman, I have learnt, from my own experience, do not battle the press because they are part of the fabric and landscape of our democracy. In fact, they constitute the fourth estate.

I would also want to indicate that, as a former trade unionist myself, I was a bit astounded and shocked at the language. I believe that in any entity, particularly as important as TSTT, and

in this competitive telecom environment, both locally and internationally, it is incumbent upon us, and of course your good self and your team, to begin to think outside of the box and try to find some more creative and innovative and imaginative solutions. Because, at the end of the day, we have to promote harmony, we have to build unity, we have to work as a family in an effort to accomplish our critical objectives at the end of the day. So, I say this in all honesty because what has transpired so far and the information that has gone out there is not going to help build the relationship that is so needed for the successful transformation and development of this very critical telecom entity which is owned by the people of T&T.

So I would want to suggest that—you know my colleague here, Jennifer Baptiste-Primus, who herself was a former President, would tell you that listen, we have to find ways and means of working this thing out and working together. That is what I would like to submit to you for your consideration because going down the path that we want to go that you are suggesting is not going to work. It is just to make things more antagonistic, more hostile, and the enmity is going to be greater when we need to promote harmony and unity. I just want to put that out for your consideration, Mr. Chairman.

But as I am on this point, may I ask, Mr. Chairman, if you can share with us the current directors of both NEL as well as TSTT, if you have that in your possession?

Mr. Elias: Would you mind if we just wrote to you and gave you the list of names?

Mr. Chairman: Okay, yes, okay.

Mr. Elias: Yes. There are nine names. Four come to us via NEL and five are appointed directly by the Government, the Cabinet.

Mr. Chairman: All right. I just want to ask you as well because you made a very important point earlier that because of the non-dependence of TSTT on the Consolidated Fund and by extension the State, represented by the Government, in this instance, TSTT is able to finance and underwrite on its own whatever it requires in the case of that major loan that you spoke about earlier. But I want to ask, if I recall, the appointment—and I think you have just admitted it there—that it is the Cabinet that appoints the five members via the 51 per cent holding including its Chairman. Am I right?

Mr. Elias: Absolutely. The Government appoints the entire board.

Mr. Chairman: Right. So all I am asking is that given the critical nature of the decision taken by the board and management to acquire, let us say, Massy Communications Limited—I come back to this—do you not believe that duty of care would require the board of directors, headed by your good self, to at least inform the Cabinet which is the body that in any case would have appointed your good self as Chairman along with other members to be directors? I am just asking because

when you spoke earlier, I got the impression and I do not think that—I do not want the public to misinterpret it and maybe you can correct it. I got the impression that, look, we did what we had to do, we did not have to refer to anybody as the case may be because this was part of our plan. All I am saying is that would you not want to agree with me that it would have been appropriate to at least advise, inform, the Cabinet on this matter?

Mr. Elias: Well, Mr. Chairman, let me say that I hold myself responsible to those that appoint me and we are accountable. That said, we do not feel that the board of directors needs to tell the Cabinet every operational decision we make otherwise they will be burdened, they might as well be the board of directors. The board of directors has a fiduciary responsibility.

While the acquisition has attracted a lot of attention as we hoped it would and while it will have a tremendous impact, psychologically as well as financially on the whole country, as well as the people who are part of—the 'TSTT' family, this was an operational decision. If we had not made the acquisition, we would not be telling the Cabinet we just bought five more miles of fibre and we employed 10 people to lay the fibre out in Diego Martin and so on. So the board felt very comfortable that it was acting properly within its mandate and it was not part of the Cabinet decision-making process for the board to disclose to the Cabinet an operational decision such as we were embarking on.

Plus, in this industry, the very contemplation we had of this acquisition resulted in our signing a very strict non-disclosure agreement because the transaction may not have gone through. The transaction could have been cancelled by us because we were not happy after we had done the due diligence. The transaction could have been stopped for a whole number of reasons. Also, we did not want the competition to be aware of what we were doing because we did not want it to be sabotaged if we decided it was in the best interest of TSTT. So for all those reasons, we acted in the way we did and we acted always having regard to be respectful about the line responsibilities.

Also remember that we have four board members that are also members of the board of NEL which is a public company accountable to the whole nation who also have a line Minister and with all due respect, if they wished to speak with him, they could have. We felt that they should not do it because we signed a non-disclosure agreement and only after the whole process was completed, would we feel comfortable in letting everybody know of the intentions that we had.

And also, the Cabinet was aware that the funding we had in place with which to activate these operational decisions and I refer to the Massy acquisition as an operational decision. They approved by giving a no-objection letter to us raising the money towards our five-year plan and

the Massy acquisition just fit into our five-year plan just like a glove. So I hope that satisfies you, Mr. Chairman.

Mr. Chairman: Well, I would just move on by asking hypothetically, if for some reason, the \$2 billion that were raised on the local market, let us assume that against your will, a third provider is introduced in the market place and the competition becomes so sharp and keen that TSTT have difficulty in surviving in such an environment, and in those circumstances the loan becomes due. If TSTT were to default on meeting those loan obligations to the local banking community, Republic Bank, do you not believe that the onus—because it is a majority owned state entity, the onus to fulfil that obligation and to bridge that gap will fall on the Government and by extension, the people of T&T?

I am just saying hypothetically, in the event of a default by TSTT, would not the Government of Trinidad and Tobago, Mr. Chairman, be called upon to underwrite such an arrangement or am I going extremely too far in terms of my imagination?

12.10 p.m.

Mr. Elias: Yes, you have a fertile imagination, Mr. Chairman. [*Laughter*] I would concede that point. Well, first of all, let me say that there is no obligation on the part of the Government to pick up the tab for TSTT. TSTT has no intention of doing other than meeting all its commitments on time. It always has. We have been through many problems and challenges, but we always have done so, and this new board will continue to vigorously pursue that mandate.

Mr. Chairman, the banks—you may have dealt with banks before—they did the most intense due diligence of the company and of our five-year plan. The financial community of Trinidad and Tobago welcomed the opportunity to invest. Yes, Republic Bank underwrote the whole loan but, as you know, this is often syndicated. And various financial institutions, they meet me from time to time and they say they are very pleased, with great pleasure actually, that we took up some of this and we are very excited by it and that sort of thing. We have the support of the people of Trinidad and Tobago.

We are a home-grown company. I am confident that the scenario you postulated, while always possible in the business world, I would say that if a third operator came into Trinidad and Tobago—and I assume you mean in the cellular business—and they got a licence, they are starting from zero, they do not have the towers, they do not have the customer base. This country already has over two million cellphones. You were alluding to a population level slightly less than mine. Every man, woman and child in this country, in theory, has an average of one and a half cellphones, even those that were born last week.

So it does not make common sense for somebody to say, they are going to come in and

play Bad John and so on, because TSTT is just like a gru gru bef tree. Our fruit up there, anybody who wants to come at that fruit has to climb through lots of “pickers” in the trunk before they get up there. Now, they are going to get a lot of “jook”. So I have no fear of competition. I have no fear if they have a third operator. It does not make common sense, because it will cost the country a lot of foreign exchange and there are a lot of negatives. However, that is above my pay grade. If somebody feels they want to do it, let them come and try, but do not think they are going to come and pluck my gru gru bef so easily. That is all I have to say.

Mr. Chairman: All right. Before I ask Dr. Gopeesingh to intervene, I have one final area I would like to get your response to, and that has to do with why was Massy Communications selected for acquisition as opposed to another company in the same field of business?

Mr. Elias: Okay. So, Chairman, what happened was, we were approached by Massy, first of all, to consider infrastructure sharing because, logically, fibre once it is laid, it can accommodate any number of operators. So they had already laid out the fibre and they were facing their own challenges with capital investment. They said it makes sense if we let you use all the fibre we have and you let us use the fibre you have, so we share infrastructure.

Also, their technology was compatible with ours. This was a critical point. There was compatibility in the way we would interface with each other. The conversation evolved and then it transpired that they appeared to be interested in divestment and to refocus their attention in their core areas of business. This is our core area. We were very happy to consider it. Then it was taken from there with all the studies, with all the due diligences, with all the analyses about where they were, the areas they had laid, whether it was a good fit for us. So there was no one else really, I think, this was like a perfect marriage if you like, arranged as it may had been, but it was still ideal. There is nobody else. I mean, we were the logical people. We are both local companies and we also saw it as a future together.

Remember, TSTT is going to be the service provider for the entire Massy conglomerate going forward on the business sector. We want to build on that as well. We want to build on the strengths they had and on the fact that everything they did fitted what we needed. So there was no—if I like to say—other suitor and there was nobody else we wanted to suit up with.

Mr. Chairman: And, Mr. Chairman, could you just share with this Committee when the actual negotiations commenced and probably you may want to share with us in terms of the sharing of our infrastructure with Massy and vice versa? When did this whole matter develop that may have led TSTT eventually to where it arrived yesterday?

Mr. Elias: Thank you. So a few months ago we were approached with the offer by Massy to do the infrastructure sharing. We took it to the board of directors. The board of directors agreed in

principle and instructed the CEO to proceed to discuss the logistics and the details of how the infrastructure might work, the infrastructure sharing, sorry.

So over the course of the last few months, about four months, while that discussion was going on, as approved by our board, we learnt that they would consider actually getting out of the business and we began to progress those discussions. And about four or six weeks ago we signed the non-disclosure agreement and began the intense examination of what we would acquire should we wish to do so.

After that was done, the board considered it and gave its approval to move forward in a particular way and actually only half an hour before the press conference yesterday, the final documents and all the amendments and all the legal corrections were completed and we signed, if you like, in camera, and then the media arrived and we made the announcement.

So I think for our well-wishers, it was a moment of extreme happiness and elation. For the competition, it was, “Oh my God, I did not know this was happening.” I guess the nation ought to be as happy as we are, because I think not only is this acquisition critical in terms of our five-year plan, but I cannot overemphasize when we get the spectrum and when our other investments in the technology—which is running in parallel—happen, that TSTT is going to be the number one force in telecommunications in this country.

Dr. Gopeesingh: Chairman, thank you. We listened to you attentively and we fully appreciate and understand the difficulties you have encountered and are continuing to encounter, with some alleviation of the relationship with TATT and, of course, your issues related to the labour movement and so on. We wish you well in your continued relationship with these two major organizations and continued success.

The 49 per cent shares owned by Cable & Wireless that were sold to another company—that sold recently to Liberty, if I am correct.

Mr. Elias: Yes.

Dr. Gopeesingh: Now, Liberty is a major international global IT company as well. Could you give an appreciation of how you feel that you may have to deal with this competitiveness, particularly now if Liberty begins to press for board directors to replace the NEL board directors, the four that are there? That is my first question.

This might be a human resource management question and a quality control question. Now, with the integration of Massy Communications into your existing dispensation, are you going to contemplate certain provisions to be put in place to address the issues of overall service quality and delivery since these are two critical areas that continue to hurt your competitiveness? Well, I question this in light of the landscape that you now operate in. And you know that and, as all of

us know that, the efficiency of the communications system which TSTT operates in at the moment has certain weaknesses.

I remember being a member of the Finance and General Purpose Committee in Cabinet where TSTT also came, and we asked them about the amount of dropped calls that exist, and the answer was then that they are working on it and they gave a percentage of the amount of dropped calls and that is about three or four years ago. There was the decision of TSTT, at that time, to look into it, investigate it and make amelioration to it.

You would know, Mr. Chairman, and all members there that there are certain areas of Trinidad that have been consistently dropping calls. Like the Lady Young, you cannot get calls there; in front of Central Bank; and certain places on the Highway going down south. So I ask the question that now with Massy coming on and the competitiveness that you would still continue and the landscape that you are operating in, how do you expect to deal with these two issues?

Mr. Elias: Thank you, Mr. Deputy Chairman. Let me address, the first point is that Cable & Wireless are permanently off the board of TSTT. Permanently. There is no coming back. Their licence to operate in conjunction with Flow, as I said, some people say they acquired Flow, others say it is the reverse and now Liberty comes on top and has acquired all of them. They are permanently off this board. They have conceded that they are off permanently and that they have to sell the 49 per cent shares that they have. They have not yet sold it. In my judgment, they are asking far too much money and there has been no buyer stepping forward yet. But we are hoping that in the current extension of time that has been given to them by TATT to sell the shares that in fact that will happen. I am hopeful. I understand and I hear that there are certain moves being made, hopefully that will happen.

Dr. Gopeesingh: Stick a pin. Is there any thought process forward, well this might be opening up some confidential thinking?

Mr. Elias: Sorry, I do not know who these buyers are.

Dr. Gopeesingh: Is there any thought process from TSTT to acquire that?

Mr. Elias: Sorry?

Dr. Gopeesingh: Is there any thought process by TSTT to acquire that?

Mr. Elias: No. No. We are not in the market to buy the 49 per cent. Whoever that may be, whenever that happens, we will do that. But Cable & Wireless have not sold the shares as yet, but I just wanted to comfort this Committee. There is no possibility of them coming back onto the board of TSTT. They are permanently gone. They just have to sell the shares. They have to sell their shares and we are insisting they must sell their shares. Once that is done, then the future configuration of the shareholdings and how we go into the future in respect of that aspect, then

that is a matter for the shareholders to deal with and I hope we will be consulted but that will be up to them.

Now, for the second part of your question to do with dropped calls and the integration with the Massy acquisition, I would ask our CEO to address those points.

Dr. Walcott: So, we can go, Vice-Chair, into some specifics. I know we looked very intently at the quality of our network. Now, part of what I was alluding to before when I was speaking initially was the fact that we needed to upgrade the technology, but not just upgrade, evolve. And what does this mean for us on the mobile side? Just very simply, we were operating GSM technology; that is 15-year-old technology. We have basically stopped doing that. We have moved into HSPA and voice-data-type solutions on the network side.

Lady Young is an area that we have recently done quite a lot of work on. I would be very surprised if there are still dropped calls on the Lady Young. We know where all the coverage gaps are. I remember the last time I was here at the joint select, I did indicate that there is one corollary that we needed to be cognizant of. We know where the gaps are and we look at coverage gaps and to address them in various ways.

We look at solutions that do not require infrastructure. So power, and azimuth, tilt and amplification, and all of those various types of solutions-oriented moves that we can make to fill a coverage gap. But, in some instances, we simply have to put infrastructure in and sometimes we have had challenges. I mentioned it then, we still have those challenges today in getting approvals to put infrastructure in some areas, but the quality of our network, I dare say Vice-Chair, that it is superior to the competitor. We are absolutely certain of that. Our network quality is of the highest order, and we do look at our coverage gaps intently.

Mr. Elias: Would you address the point as to how we could mitigate even though it is dropped calls when we get the 700 spectrum and the impact of 700 on that?

Dr. Walcott: Yes. So the fact is, Sen. Small alluded to it, is that LTE which is the highest quality data network, with 700 we can deploy it ubiquitously throughout Trinidad and Tobago. If we are able to get the spectrum—right now—let me ask the CTIO? What is our dropped-call rate?

Mr. Thompson: Our dropped-call rate, currently it is .3 per cent, the average across the network which is significantly below the 1.2 per cent target for telcos across the globe.

Dr. Walcott: But even at that very low dropped-call rate that we monitor daily, we still want to get below that. The 700 spectrum allows us to roll out LTE that would basically give us the type of robust network that is second to none. We are confident of that.

Mr. Hinds: Thank you very much, Mr. Chairman. Mr. Chairman and CEO and visitors, I deliberately desisted from engagement in previous discussion here for what I consider to be

obvious reason as line Minister. So I now make a short introduction as Member of Parliament, because I received persistent complaints from the citizens living in the St. Barbs, Block 22 area, and I myself when I sit there to treat with them, including yesterday as their Member of Parliament, I have some issues getting service. So I would like you to give particularly attention to that, Mr. CEO, not simply because I am the line Minister and the MP, but there is an understanding in the country now that he who fixes Laventille fixes Trinidad and Tobago. [*Laughter*]

Mr. Elias: So that is you then.

Mr. Hinds: I urge you to take that into account. But beyond that, I have noticed here at page 59 of your responses to this very august, constitutionally entrenched and established committee, at page 59, under the rubric Internal Fraud Policy, the company does not have a formal policy on internal fraud. However, to your credit, there are plans to draft one in the new fiscal year, and that is—

Mr. Chairman: That is on page 68 of the document.

Mr. Hinds: I am dealing with the actual summary. All right. You referenced page 68. I was treating with our document, Mr. Chairman. To your credit, I see that it is the intention to have one sorted out rather promptly.

It is also to be noted that your company's rules stated on the company's intranet for all staff includes the following statement under the rubric Fraud; it says:

1. The employee must not engage in theft, deception, falsification, trickery, false pretence or any other acts of dishonesty;
2. All illegal activities are forbidden including fraud for the benefit of the company;
3. Cover-ups of incidents of fraud and retaliation against witnesses in fraud cases are strictly forbidden; and
4. All incidents of fraud shall result in disciplinary actions including dismissal being taken against the perpetrator or perpetrators.

Now, in respect of Items 1 and 2, I think those are broad enough to include—since it talks about all the illegal activities—sharing information or interfering with your technology to cut communication. I say this in the context of our national security concerns for terrorism and cybercrime.

If, for example, an operation has to be put, a national security operation in a particular area, and a member of your staff chooses to cut communication in that area to debilitate the attempts at law enforcement, that is a very serious matter, particularly in light of cybercrime and terrorism.

Those matters are not—it is under the rubric Fraud, but I would like to ask then, have you

had many cases of fraud and, if so, how many? Well, say in the last six years, have you had any issues along the lines that I have just raised and, if so, what is being done to treat particularly with those issues including, of course, if I did not deal with this before, the question of sharing information garnered by employees of TSTT with unauthorized persons? If you wish, given the time frame, because I know the Chairman—well, we were looking at winding down—if you wish, you can make this information available in writing.

Mr. Elias: Yes. Thank you. We could do that. I would like to say that you raised some very important points that sometimes we think it is self-evident but it is good to define it as you rightly said about cutting communications and so on.

I have my colleague—Ian Narine is the Chairman of one of the four subcommittees of the board, which is the Audit Committee, and they are directly responsible for managing some of the issues. I would like to ask Ian if he would speak to it.

Mr. Narine: Okay. I would not have the specific number as in relation to the question that you asked about the number of incidents of fraud spanning six years, so that is something we may have to provide to you subsequently in writing or otherwise. But, certainly, the internal audit framework and the manner in which it is currently rolled out, it does speak to looking at and looking after incidents of fraud to determine whether those things are taking place. And yes, there have been incidents which we can provide the details of and those have been treated within accordance with our HR policies.

Mr. Hinds: We look forward to the responses.

Mr. Chairman: Mr. Chairman, I think that we have come to the end of our enquiry, and before finally bringing this to an end, may I invite you, if you would like to make any closing remarks or comments you can do so at this time.

Mr. Elias: Well, thank you, Mr. Chairman. Just to say that I personally found this morning to be stimulating; if not, I would not say entertaining, but stimulating and very informative. I enjoyed the questions and they have given me a lot of food for thought as I am sure it has given everybody from TSTT.

We are a family of people hoping to do the very best we can for Trinidad and Tobago. I would like to say to members of this Committee that when we end, I am going to go round and examine your phones and I hope they are all bmobiles and if they are, you should immediately do like Sen. Small and get our LTE. We are the only network with it.

I want to thank you again, Chairman, for your cordial welcome and for the way you have treated the TSTT team. We will be supplying you with all of the information you asked subject to the little caveat that we had earlier, but I would seek some advice on that one. Hopefully, we

would come to a meeting of the mind on it. Thank you again very much.

Mr. Chairman: Thank you. I, on behalf of the Public Accounts (Enterprises) Committee, extend our collective appreciation to all the officials from the Ministry of Finance Investments Division, the Ministry of Public Utilities and, of course, members of the TSTT family for being here for the last few hours, as well as the media that have been covering this enquiry and, of course, the public that have tuned in to this event.

As I said, Mr. Chairman, our role as a committee is to determine how we can assist, how we can help, how we can support TSTT in better delivering quality goods and services to the people of the Republic of T&T because at the end of the exercise, our mandate is really to work towards improving the quality of life and standard of living of the citizenry throughout the Republic of T&T.

In this light, I again would like to appeal to you, Mr. Chairman, to feel free to submit to this Committee your thoughts on the challenges faced by TSTT and what are some of the possible solutions that you would like us to consider as we seek to make TSTT more viable as we move towards transformation and modernization in the 21st Century. So that is what we would like to do in seeking to submit a report to the Parliament.

I want to give you the assurance, feel free. We have never in any way breached confidentiality. As Mr. Small has indicated to you, you were here before and we got whatever we requested, and to date none of the information has found its way into anybody's hands except the hands of the Parliament. So I want to give you the assurance that this Committee and the Parliament takes confidentiality very seriously. So you do not have to be worried about anything going out there and being leaked to competitors in the marketplace.

So, once again, we will be writing to you very shortly to provide you with the additional information we need, and we would like to ask you if you can supply those pieces of information to us within a two-week deadline so that we can generate a report to the Parliament on this very important state entity called TSTT.

So, once again, on behalf of this Committee, we would like to thank you for being here. We look forward to communicating with you in the future and, certainly, if we need any further clarification, we shall communicate with you; if not, we shall bring you back in 2017.

Thank you very much and this meeting is now suspended.

12.38 p.m.: *Meeting adjourned.*