

EIGHTH

REPORT
FROM

THE PUBLIC ACCOUNTS
(ENTERPRISES) COMMITTEE

EXAMINATION
OF

the Audited Financial Statements of the Telecommunications Services of Trinidad and Tobago (TSTT) for the years 2017 to 2021 and follow-up on the implementation of the recommendations in the Committee's Ninth Report from the 11th Parliament

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
Mr. Rushton Paray, MP	Vice-Chairman
Ms. Amrita Deonarine	Member
Ms. Renuka Sagramsingh-Sooklal	Member
Mr. Fitzgerald Hinds, MP	Member
Mrs. Laurel Lezama-Lee Sing	Member
Mr. Keith Scotland, MP	Member
Mr. Stephen Mc Clashie, MP	Member

Committee Staff

The current staff members serving the Committee are:

Ms. Keiba Jacob	Secretary
Ms. Hema Bhagaloo	Assistant Secretary
Mr. Darien Buckmire	Graduate Research Assistant
Ms. Anesha James	Administrative Assistant
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Publication

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Date Laid in HOR:

Date Laid in Senate:

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Members of the Public Accounts (Enterprises) Committee



**Mr. Wade Mark
Chairman**



**Mr. Rushton Paray
Vice-Chairman**



**Ms. Amrita Deonarine
Member**



**Mr. Fitzgerald Hinds
Member**



**Ms. Renuka Sagrarsingh-Sooklal
Member**



**Mrs. Laurel Lezama-Lee Sing
Member**



**Mr. Keith Scotland
Member**



**Mr. Stephen Mc Clashie
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 conducted **an examination into the Audited Financial Statements of the Telecommunications Services of Trinidad and Tobago (TSTT) for the years 2017 to 2021 and follow-up on the implementation of the recommendations in the Committee's Ninth Report from the 11th Parliament** and produced this report. This report details the issues, endorsements and recommendations made by the Committee to improve TSTT's performance.

The Report focuses on the following issues:

1. Management of High Employee Costs;
2. Zero Copper Initiative;
3. Management of Vacation Leave Liability;
4. Fraud Occurrences during the period 2017 to 2021;
5. Dynamism of the Telecommunications Industry;
6. Covid-19 Impact on Revenue;
7. Covid-19 Impact on TSTT's Operations;
8. Expansion of TSTT's Wireless Network;
9. Implementing shorter termed Strategic Plans;
10. Delinquent Customer Accounts;
11. Increasing Accounts Receivables; and
12. Purchase of Massy Communications.

In light of the Committee's findings, the following recommendations were made:

- TSTT should provide a cost breakdown of the restructuring exercise across divisions/departments that came into effect on May 31, 2022 as well as the annual cost savings the company benefit from this exercise to the Parliament by April 24, 2023;
- TSTT should provide an update to Parliament by April 24, 2023 on how the plans to further reduce spending would demonstrate and deliver long-term and sustainable efficiency in expenditure;

- TSTT should submit a status report on the current execution and expected completion of its Zero Copper Initiative to Parliament by April 24, 2023;
- TSTT should provide an update on the injunction filed by the Communication Workers' Union that prevented the rollout of the Vacation Leave Liquidation Option to Junior and Senior Staff (Non-Management) to Parliament by April 24, 2023;
- TSTT should submit a status update detailing whether any disciplinary actions taken against each perpetrator involved in each fraudulent activity the company detected during the period 2017 to 2021 to Parliament by April 24, 2023;
- TSTT should provide an update on its diligence process and the lessons learnt from the implementation of the existing Internal Fraud Policy going forward to Parliament by April 24, 2023;
- TSTT should submit a status report on the current transformation and restructuring exercise the company is undergoing as it tries to meet the challenges of the current telecommunications environment to Parliament by April 24, 2023;
- TSTT should submit a status update on the revenue generating initiatives the company intends to execute to capture the customer driven shift towards data driven services and fend off the increased use of calling applications by subscribers to the Parliament by April 24, 2023;
- TSTT should submit a status update on its handling of the supply chain issues that the company has encountered during and after the Covid-19 pandemic period to Parliament by April 24, 2023;
- TSTT should submit a status report on the projects that were deviated because of the company's limited access to foreign exchange and how the company intends to circumvent this challenge going forward to Parliament by April 24, 2023;
- TSTT should submit a report on the lessons learnt from this pandemic to combat any similar situations in the future to Parliament by April 24, 2023;
- TSTT should indicate the reasons for the company's four (4) year delayed receipt of the LTE 700 MHz Spectrum from the TATT to Parliament by April 24, 2023;
- TSTT should submit a status update on the rollout of the Mobile 4G LTE mobile network utilizing 700 MHz Spectrum and the revenue the company calculated it lost as a result of the project's delayed deployment to Parliament by April 24, 2023;

- TSTT should submit a status report of its process of acquiring/accessing land to build cellular towers and how the company deals with the challenges associated with acquiring/accessing land to build cellular towers to Parliament by April 24, 2023;
- TSTT should submit a status report on how the company treats with inactive accounts and delinquent accounts in arrears for more than 365 days to Parliament by April 24, 2023;
- TSTT should submit a report on its debt collection initiatives and indicate whether they differ when dealing with Government & State Agencies, Enterprise and Residential customers to Parliament by April 24, 2023 and how those initiatives could be realistically achieved given the scale of the problem concerned;
- TSTT should submit a status update on the implementation of the company's new billing platform, the challenges encountered during the migration and the total costs associated with the transition to Parliament by April 24, 2023;
- TSTT should provide a status update on the value of the Ministry of National Security's (MNS) CCTV Receivables to TSTT and indicate whether a payment plan to settle the debt had been agreed to Parliament by April 24, 2023; and
- TSTT should submit a status update on the return on investment realised to date from the company purchase of Massy Communications on August 1, 2017 to the Parliament by April 24, 2023.

In light of the Committee's findings, the following observations were given:

- The Committee notes the attempts made by TSTT to reduce its Vacation Leave Liability especially since it increases every time salary negotiations are effected.
- The Committee notes TSTT's shift to using short to medium term Strategic Plans as opposed to the long term Strategic Plans previously in use given how transformative and volatile the telecommunications industry is.

Introduction

Establishment

The PA(E)C of the Twelfth Republican Parliament was established by resolutions of the House of Representatives and the Senate at the sittings held on Monday November 9, 2020 and Tuesday November 17, 2020 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 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; and
- 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 (PA(E)C used the State Enterprises Performance Monitoring Manual as a benchmark to examine the performance of 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

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

successfully execute their mandates and maximize value for money for the national stakeholders and shareholders²

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 virtually on Wednesday November 18, 2020, Mr. Wade Mark was elected Chairman and Mr. Rushton Paray was elected Vice-Chairman of the Committee.

Establishment of Quorum

The Committee is required by the Standing Orders³ to have a quorum in order to exercise the powers granted to it by the House. A quorum of three (3) Members, inclusive of the Chair or Vice-Chairman), with representatives from both Houses was agreed to by the Committee at its First Meeting held on November 17, 2020.

Change in Membership

By resolution of the House of Representatives at a sitting held on June 13, 2022, Mr. Stephen Mc Clashie, MP was appointed a Member of the Committee in lieu of Dr. Nyan Gadsby Dolly.

Determination of Date and Time of Regular meetings

The Committee is required by the Standing Orders⁴ to sit notwithstanding any adjournment of the House. At its Second Meeting, the Committee agreed to meet on the First and Third Wednesday of each month at 9:30 a.m.

² State Enterprise Performance Monitoring Manual – Ministry of Finance Website accessed on March 30, 2022 <https://www.finance.gov.tt/2017/05/19/state-enterprise-performance-monitoring-manual-2011/>

³ Standing Order 87(2) of the Senate and 97(2) of the House of Representatives

⁴ Standing Order 101(b) of the Senate and 111(b) of the House of Representatives

Methodology

Determination of the Committee's Work Programme - Second Session

At the Committee's Eighth meeting held on Wednesday February 02, 2022, the Committee identified the following entities for examination during the Second Session of the 12th Parliament:

- National Schools Dietary Services Limited
- East Port of Spain Development Company Limited;
- National Entrepreneurship Development Company Limited;
- Telecommunications Services of Trinidad and Tobago Limited;
- National Commission for Self Help Limited;
- Community Environmental & Protection Enhancement Programme Company Limited; and
- National Maintenance Training and Security Company Limited.

The Inquiry Process

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

- I. The Committee conducted a review of the ministerial responses provided to the Ninth Report of the Eleventh Parliament on the 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. Based on the responses provided, the Committee wrote to the relevant entities to determine the status of the implementation of the recommendations.
- I. The Committee also conducted a review of TSTT's Audited Financial Statements for the Financial Years ended March 31, 2017, through 2021. Based on an analysis of the financial statements, issues were identified and questions for written response were generated.
- II. Questions for written response were forwarded to TSTT, Ministry of Public Utilities (MPU) and Ministry of Finance – Investment Division (MOF-ID) on March 4, 2022. The TSTT's responses were received on April 12, 2022, the MPU's responses were received on March 15, 2022, and the MOF-ID's responses were received on June 21, 2022.
- III. Preparation of an Issues Paper which identified and summarised matters of concern in the responses provided by the TSTT. Based on an analysis of the responses received and the issues identified, in this instance, no public hearing was held.
- IV. Report the Committee's findings and recommendations to Parliament upon conclusion of the inquiry. The Report will be transmitted to the MPU as the Minister with oversight of the TSTT for written response within sixty (60) days in accordance with Standing Order 110(6) of the House of Representatives and 100(6) of the Senate.
- V. Carry out follow-up to monitor progress in the implementation of recommendations.

Company Profile

Company Overview

Telecommunications Services of Trinidad and Tobago Limited⁵ 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 the bmobile brand. In addition to fixed line and mobile communications, the company has an innovative line of devices; 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.

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.

Vision⁶

To become the standard bearer in Trinidad and Tobago for leading edge communications solutions and services that will enrich the lives of citizens, businesses and visitors.

Mission⁷

Retain and grow market share in all lines of business while achieving profitability targets. This will be done by engaging the company's customers, ensuring that they are always provided with value,

⁵ <https://www.tstt.co.tt/company-overview> August 3, 2022

⁶ <https://www.tstt.co.tt/our-vision-mission> August 3, 2022

⁷ Ibid.

innovation, new solutions and service excellence and by investing in people to fully realize their potential.

Board of Directors

As at March 23, 2022, the members of the Board of Directors of TSTT are as follows:

- Mr. Sean Roach – Chairman
- Mr. Wendell Berkley
- Mr. Howard Dottin
- Ms. Annalean Inniss
- Ms. Ingrid Lashley
- Ms. Judith Sobion

Management Team

- Ms. Lisa Agard - Chief Executive Officer
- Shiva Ramnarine - Chief Financial Officer
- Ms. Bridget Rattan - General Manager Amplia Communications (Ag.)
- Mr. Kenrick Garcia - General Manager Networks & Information Technology (Ag.)
- Mr. Gerard Cooper - General Manager Operations & Administration
- Mr. Darryl Duke - Assistant General Manager Business Sales (Ag.)
- Mr. Reza Hosein - Assistant General Manager Consumer Sales (Ag.)
- Mr. Keino Cox - Assistant General Manager Emerging Services (Ag.)
- Ms. Gayle Allick Solomon - General Counsel and Corporate Secretary
- Ms. Adanna Pierre - Chief Internal Auditor

Line Ministry - Ministry of Public Utilities⁸

Minister of Public Utilities - The Hon Marvin Gonzales, MP

Permanent Secretary (Ag.) - Ms. Nicolette Duke

Deputy Permanent Secretary (Ag.) – Ms. Beverly Khan

⁸ Ministry of Public Utilities Website accessed on August 3, 2022
<https://www.mpu.gov.tt/category/about/who-we-are/>

Issues and Recommendations

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

1. Management of High Employee Costs

Controlling costs should be a strength of the current system and an overall approach to planning and long-term sustainability to achieve value for money. TSTT views the management of reducing the high employee costs as pivotal to its goal of achieving its planned profitability/savings. The company indicated that every cost saving avenue would be examined as the organization continuously identifies initiatives to reduce both operational and administrative costs. Over the period 2017 to 2021 the company's Personnel Costs were an estimated \$2.8 billion and as such, TSTT implemented several cost reduction initiatives to improve profitability included:

1. A restructuring exercise in November 2018 based on the extent of funding at the time which resulted in reduced headcount of approximately 700 full-time employees coupled with natural attrition where certain positions were not backfilled yielded a Personnel cost savings of more than TT\$200m. The headcount moved from 2,188 in 2017 to 1,388 in 2021; an 807-headcount reduction over the period.; and
2. The removal of non-personnel cost savings of \$160m annualised which was achieved via:
 - a. Negotiations with vendors on both rate and volume discounts.
 - b. Reverse Auctions
 - c. Tenders
 - d. Digitization and enhancing skillset to bring some functions in-house (with no incremental headcount)
 - e. Implementation of a Maintenance Committee to review and rationalisation of all maintenance cost.
 - f. Management of all variable cost relative to changing activity levels.

On May 31, 2022, TSTT and its employees' majority representative trade union agreed to another restructuring exercise, with four hundred and sixty-eight (468) employees receiving retrenchment notices. The company will transition from having one thousand and fifty-seven (1,057) employees before the restructuring to five hundred and eighty-nine (589) after the process has been completed. The need to restructure TSTT was urgent and critically necessitated both by the impact of challenging

economic conditions brought on by the Covid-19 pandemic and the drastic effect of changes in technology on the company's operation and performance.

Recommendations:

- *TSTT should provide a cost breakdown of the restructuring exercise across divisions/departments that came into effect on May 31, 2022 as well as the annual cost savings the company benefit from this exercise to the Parliament by April 24, 2023; and*
- *TSTT should provide an update to Parliament by April 24, 2023 on how the plans to further reduce spending would demonstrate and deliver long-term and sustainable efficiency in expenditure.*

2. Zero Copper Initiative

In 2018, TSTT announced that as part of its digital transformation thrust, the Company would be decommissioning its copper plant infrastructure and migrating customers to wireless and fibre solutions; both of which are better suited to meet the needs of customers in this digital age. TSTT stated that the cost of maintaining an outdated aging copper plant that was no longer capable of delivering internet speeds that customers demand and need was significantly higher than the revenue it will generate due to customer preferences for alternative technologies. These costs were expected to grow over time, worsening the loss-making impact to the company. Implementing wireless technologies will not only remove copper from the network but also eliminate any physical 'last mile' plant that needs to be maintained. The phasing out of TSTT's legacy copper networks was intended to be completed by September 30, 2021 but the Covid-19 Pandemic public health regulations instituted in 2020 prevented work from being carried out on schedule. With copper vandalism and theft becoming an increasing problem across Trinidad and Tobago fuelled by the significant increase experienced in the commodity price of copper on the international market recently, the Minister of Public Utilities announced and confirmed a new deadline for TSTT to shutter its legacy copper networks by the end of August 2022⁹.

Recommendation:

- *TSTT should submit a status report on the current execution and expected completion of its Zero Copper Initiative to Parliament by April 24, 2023.*

⁹ Minister: TSTT to complete shift from copper to wireless by end of August
<https://www.guardian.co.tt/news/minister-tstt-to-complete-shift-from-copper-to-wireless-by-end-of-august-6.2.1496920.f77eb4f7f6>

3. Management of Vacation Leave Liability

TSTT's leave liability was accumulated over a time span of more than a decade. Over the last three years TSTT has been exploring several options to reduce this leave liability. TSTT's Management has sought to employ various mechanisms to quickly reduce the leave liability to manageable levels. Against this background the selling of leave was one of the options employed by Management. However, this option was not exercised in isolation. Before any leave was sold the employee must apply for and obtain approval to proceed on normal vacation leave. In addition, there were several other mechanisms applied by Management to reduce the leave liability. These are as follows:

- a. The purchasing of phones; and
- b. The purchasing of laptops/computers.

In 2018, TSTT developed a threshold/average vacation leave liability for the organization of 49,774 days and \$46.3M. By setting this target, the organization was in a better position to monitor and manage deviations. In the effort to ensure that the thresholds were not breached, a combination of initiatives were implemented to further reduce the liability and eliminate the excess leave. These included:

- a. Development and implementation of a Vacation Leave Management Policy (Oct 2018) – This policy was implemented to govern the number of days an employee is allowed to accrue annually as well as define the roles and responsibilities of each stakeholder.
- b. Creating buy-in from management by incorporating the reduction of leave as an objective in their performance management document.
- c. Roll-out of leave sale and liquidation options (Oct 2019) – the aim of this initiative was to reduce the excess vacation liability to ensure employees' leave balances were either equal to or below their annual entitlement.
- d. Timely approval of all scheduled Vacation Leave (VL) on the Human Capital Management System (HCMS) – This initiative facilitated and supported accurate monitoring and reporting.
- e. Identification of all employees in breach of their maximum entitlement based on the subsisting Collective Agreements, Management Contracts and the Vacation Leave Management Policy - Persons in excess were targeted with reminders based on their annual leave schedule.
- f. Generation of weekly notifications to managers of all employees who are in breach or about to breach their maximum entitlement – This ensured that all managers were aware of the leave balances for their subordinates as well as share the responsibility for the management of leave.

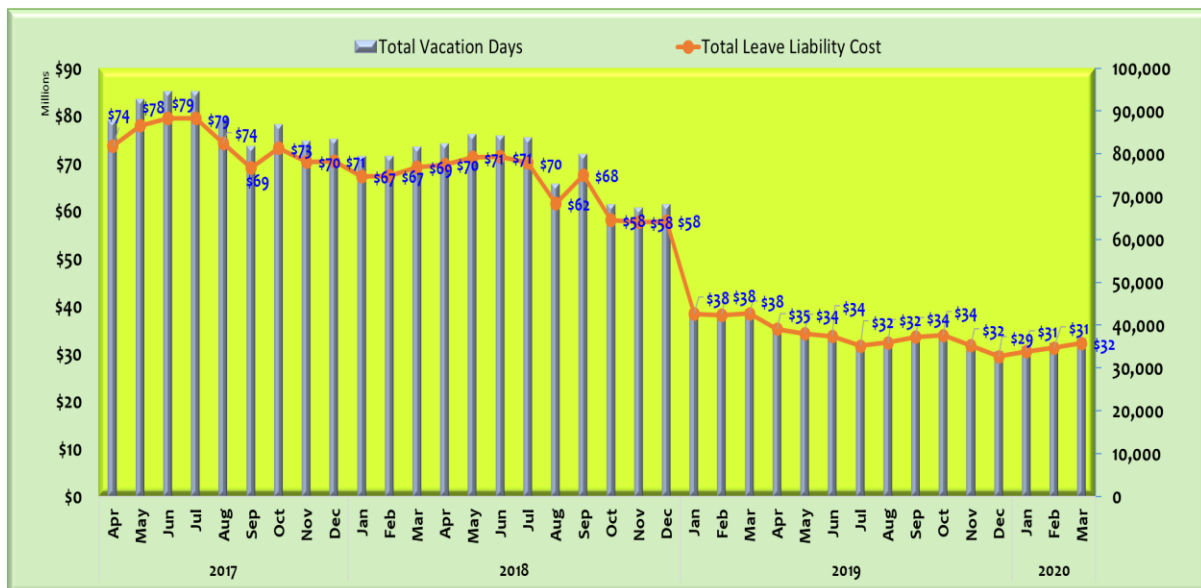
- g. Escalation of all leave deferrals to the Line General Manager, Chief Human Resources Officer and HR for approval – This initiative provided oversight to executive management of all changes to reduce the risk of potential abuse.
- h. Roll-out of leave management roadshows to educate both management and non-management staff of the implications of an increasing leave liability.

The mechanisms employed collectively contributed to a reduction in the liability over the three (3) year period April 2017 – March 2020. Further to the communication of the Vacation Leave Management Policy in October 2018 to all employees, there was a reduction in the liability cost by 11.4% i.e., (\$70M to \$62M) in the following month, a 14.7% reduction from October to November 2018 from \$68M to \$58M and maintenance of the liability at an average cost of \$34M for the twelve-month period (Jan'19 – March'20).

The vacation leave sale and liquidation option implemented in 2019 was expected to reduce the Leave Liability by \$5.3M as at October 2019. However, only 30% of Management Staff (47 persons) and 50% of Estate Police (13 persons) with excess leave participated in the initiative which resulted in the liquidation of 1,258 excess days or \$1,760,519.87 the net result was a 5.8% reduction in the liability cost from \$34M to \$32M.

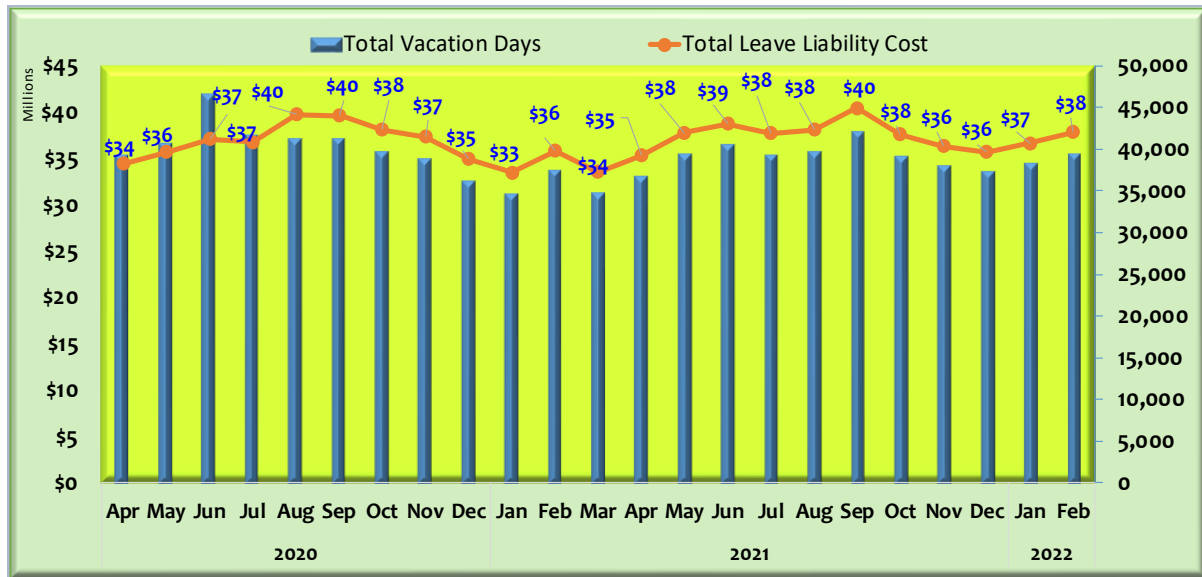
The outcome was severely affected by the injunction filed by the Communication Workers' Union preventing the rollout of the Vacation Leave Liquidation Option to Junior and Senior Staff (Non-Management). This inhibited a further reduction in the Leave Liability by approximately 4,440 days or \$3.6M. This is illustrated in the graph below.

Monthly Liability trend (Apr'2017 – Mar'2020)



For the period April 2020 to February 2022, the initiatives collectively contributed to the liability being maintained at an average cost of \$40.2M, which is below the defined benchmark of \$46.3 M. This is illustrated in the graph below.

Monthly Liability trend (Apr'2020 – Feb'2022)



Observation:

- *The Committee noted the attempts made by TSTT to reduce its Vacation Leave Liability especially since it increases every time salary negotiations are effected.*

Recommendation:

- *TSTT should provide an update on the injunction filed by the Communication Workers’ Union that prevented the rollout of the Vacation Leave Liquidation Option to Junior and Senior Staff (Non-Management) to Parliament by April 24, 2023.*

4. Fraud Occurrences during the period 2017 to 2021

After its appearance before the Committee in May 2017, TSTT developed, approved and implemented an official Internal Fraud Policy document titled ‘TSTT’s Internal Fraud Risk Management Policy’ effective from October 1, 2018. When asked to provide a breakdown of any instances of fraud occurring at the company for the period 2017 to 2021, TSTT supplied the following table:

Year	Matter
2017	Joanne Duntin-Noel reported that employee RYAN RANSOME made several fraudulent transactions on mobile units at West Mall Retail Store.
2018	Rennie Ambrose reported that a TSTT contractor submitted invoices and received payments for work not actioned.
2018	Program Manager Mr. Renaldo Grant reported that contractors from a specific company were given wireless installations to be completed in various districts, however, customers were checked, and several Installations were reportedly not done.
2021	Senior Manager Customer Experience reported that a total of 12 PTP Transactions were placed on Account No.12531031 (Account Manager LISA HESSICK SOOBHANATH). Said Transactions according to the complainant has been done without Authorization
2021	Senior Manager Sales and Services reported that several PTP's has been placed on Account No. 12562828 and 35052318 said accounts belong to employee.

TSTT further stated that given the success of its Internal Fraud Policy in identifying fraudulent activities, the company discerned that the instances highlighted in the table above did not cause a need to review and revise its existing Internal Fraud Policy.

Recommendations:

- ***TSTT should submit a status update detailing whether any disciplinary actions taken against each perpetrator involved in each fraudulent activity the company detected during the period 2017 to 2021 to Parliament by April 24, 2023; and***
- ***TSTT should provide an update on its diligence process and the lessons learnt from the implementation of the existing Internal Fraud Policy going forward to Parliament by April 24, 2023.***

5. Dynamism of the Telecommunications Industry

Given how dynamic in nature telecommunications operations due to constantly changing business and operations model to adjust to customer demands, grow market share, and increase efficiencies, telecommunications operators like TSTT also need constant transformation to keep up. TSTT's

current business model was not in alignment with industry standards for the most efficient operators particularly as it relates to metrics concerning revenue per employee and personnel costs. Regionally, and internationally, networks have been under strain, internet traffic is growing exponentially with the resulting effect of the price per gigabyte declining rapidly. Combined with the decline in demand for voice (fixed and mobile) services, TSTT has seen depressed revenue growth and margins over the last two financial years and overall losses instead of profits. In particular, the Company saw an 18% decline in revenue between fiscal years 2020 and 2021 equating to approximately a TT\$453 million reduction between the two years.

Even when Trinidad and Tobago move out of the Pandemic, TSTT does not expect market demand for voice services to return to former levels and the expectation is that these services will only continue to decline. The shift to data-driven customer demands and the negative impact of calling applications like WhatsApp as well as Zoom, Microsoft Teams, Google meet and similar voice services, are permanent.

With all those factors needing to be taken into consideration, TSTT was currently undergoing a transformation and restructuring exercise to meet the challenges of the current environment.

Recommendation:

- ***TSTT should submit a status report on the current transformation and restructuring exercise the company is undergoing as it tries to meet the challenges of the current telecommunications environment to Parliament by April 24, 2023.***

6. Covid-19 Impact on Revenue

Following the onset of the Covid-19 pandemic in March 2020, TSTT's revenue was negatively impacted due to the covid-19 restrictions and impact on the economy. For the financial year 2021 TSTT's revenue has been impacted by approximately \$202 million. This shortfall was mainly driven by lower roaming due to closure of borders, lower interconnect revenues from lower switched voice calling and lower prepaid revenues. The demand for mobile calling decreased significantly during this period as subscribers were mostly home due to covid-19 restrictions and/or working from home which led to increased use of OTT (Over the top) type calling applications (E.g., WhatsApp) utilizing their fixed data; therefore, negatively impacting TSTT's Mobile voice and data revenues. The decrease in Mobile revenue was also attributed to the loss of jobs or lower income for some subscribers, making them unable to purchase prepaid top ups and in some cases pay their post-paid bills. TSTT also

suffered lower than expected one time equipment sales as some business customers were not willing to invest large sums of money given the economic state at that time.

TSTT continued to feel the adverse effects of the pandemic into the current financial year (April 2021 to March 2022) with some relief when Trinidad and Tobago's borders were opened and the steady removal of Covid-19 restrictions. See below extracts from TSTT's audited financial statements for the year ended March 31, 2021 showing the decline in revenues between 2020 and 2021.

17. Revenue from contracts with customers

Disaggregation of revenue

In the following table, revenue is disaggregated by major products/service lines, timing of revenue recognition, contract duration, and sales channels.

2021	Converged	Carrier	Enterprise	Mobile	Security	Legacy	Total
Timing							
Transferred at a point in time	–	–	17,770	8,113	490	–	26,373
Transferred over time	<u>516,489</u>	<u>62,180</u>	<u>448,847</u>	<u>882,931</u>	<u>107,069</u>	<u>1,580</u>	<u>2,019,096</u>
Total	<u>516,489</u>	<u>62,180</u>	<u>466,617</u>	<u>891,044</u>	<u>107,559</u>	<u>1,580</u>	<u>2,045,469</u>
Customer type							
Residential	503,212	–	–	891,044	21,510	–	1,415,766
Commercial	<u>13,277</u>	<u>62,180</u>	<u>466,617</u>	–	<u>86,049</u>	<u>1,580</u>	<u>629,703</u>
Total	<u>516,489</u>	<u>62,180</u>	<u>466,617</u>	<u>891,044</u>	<u>107,559</u>	<u>1,580</u>	<u>2,045,469</u>
Contract duration							
Short term	331,828	–	17,770	488,312	490	–	838,400
Long term	<u>184,661</u>	<u>62,180</u>	<u>448,847</u>	<u>402,732</u>	<u>107,069</u>	<u>1,580</u>	<u>1,207,069</u>
Total	<u>516,489</u>	<u>62,180</u>	<u>466,617</u>	<u>891,044</u>	<u>107,559</u>	<u>1,580</u>	<u>2,045,469</u>

17. Revenue from contracts with customers (continued)

Disaggregation of revenue (continued)

2020	Converged	Carrier	Enterprise	Mobile	Security	Legacy	Total
Timing							
Transferred at a point in time	–	–	29,653	9,590	25,604	–	64,847
Transferred over time	<u>671,142</u>	<u>82,952</u>	<u>402,147</u>	<u>1,024,162</u>	<u>246,684</u>	<u>6,311</u>	<u>2,433,398</u>
Total	<u>671,142</u>	<u>82,952</u>	<u>431,800</u>	<u>1,033,752</u>	<u>272,288</u>	<u>6,311</u>	<u>2,498,245</u>
Customer type							
Residential	659,402	–	–	1,033,752	12,749	–	1,705,903
Commercial	<u>11,740</u>	<u>82,952</u>	<u>431,800</u>	–	<u>259,539</u>	<u>6,311</u>	<u>792,342</u>
Total	<u>671,142</u>	<u>82,952</u>	<u>431,800</u>	<u>1,033,752</u>	<u>272,288</u>	<u>6,311</u>	<u>2,498,245</u>
Contract duration							
Short term	480,449	–	29,653	580,911	583	–	1,091,596
Long term	<u>190,693</u>	<u>82,952</u>	<u>402,147</u>	<u>452,841</u>	<u>271,705</u>	<u>6,311</u>	<u>1,406,649</u>
Total	<u>671,142</u>	<u>82,952</u>	<u>431,800</u>	<u>1,033,752</u>	<u>272,288</u>	<u>6,311</u>	<u>2,498,245</u>

Recommendation

- ***TSTT should submit a status update on the revenue generating initiatives the company intends to execute to capture the customer driven shift towards data driven services and fend off the increased use of calling applications by subscribers to the Parliament by April 24, 2023.***

7. Covid-19 Impact on TSTT's Operations

The Covid-19 pandemic introduced short-term disruptions and threatened long-term disturbances in TSTT's Operations. In an attempt to weather the storm TSTT quickly implemented hybrid working systems whilst ensuring it met its telecommunication deliverables to all of its stakeholders. TSTT's number one priority is the safety and health of its employees and customers during this ever-evolving Covid-19 pandemic which started impacting Trinidad and Tobago on the March 12, 2020. TSTT balanced creating a safe work environment for all employees whilst meeting our business needs and requirements, particularly as TSTT's operations were designated as "Essential Services" during the Pandemic.

However, supply Chain issues particularly during the Covid-19 pandemic period of 2020 -2021 led to delays in the receipt of equipment based on shipping and logistics as well as reduced availability arising from a decline in manufacturing during this period. Coupled with the uncertainty of the availability of foreign exchange, deviations to the timelines on the completion of several key projects and initiatives had to be made.

Recommendations:

- ***TSTT should submit a status update on its handling of the supply chain issues that the company has encountered during and after the Covid-19 pandemic period to Parliament by April 24, 2023.***
- ***TSTT should submit a status report on the projects that were deviated because of the company's limited access to foreign exchange and how the company intends to circumvent this challenge going forward to Parliament by April 24, 2023.***
- ***TSTT should submit a report on the lessons learnt from this pandemic to combat any similar situations in the future to Parliament by April 24, 2023.***

8. Expansion of TSTT's Wireless Network

There are several specific initiatives outlined in TSTT's 2022-2023 approved Strategic plan, designed to improve TSTT's Wireless Network coverage and capacity over the next several years. These include deployment of new sites including pole solutions and towers, additional spectrum deployment and the expansion of TSTT's Fiber Infrastructure. During the execution of its 2016-2021 Strategic Plan, TSTT experienced several delays to initiatives relating to the enhancement of the wireless network which may still serve as challenges under the 2022-2023 Strategic Plan. These challenges included:

- a. The delay in the granting of the 700MHz spectrum by the Telecommunications Authority of Trinidad and Tobago (TATT) delayed the deployment of the Mobile 4G LTE mobile network utilizing 700 MHz Spectrum and associated revenues from its deployment. TSTT anticipated acquisition from TATT in 2016 but was only obtained in October 2020.
- b. The ability to access land to build towers to expand the TSTT's Wireless networks is another challenge from the perspective of obtaining Town and Country approval which is usually a long and drawn-out process, as well as getting communities to accept the installation of cellular towers that will serve these said communities.
- c. Additionally, access to foreign exchange was a critical challenge, over the period of the 5-year plan. This impacted the timely purchase of equipment from foreign vendors and equipment manufacturers to whom payments must be made in US dollars.

Recommendations:

- ***TSTT should indicate the reasons for the company's four (4) year delayed receipt of the LTE 700 MHz Spectrum from the TATT to Parliament by April 24, 2023.***
- ***TSTT should submit a status update on the rollout of the Mobile 4G LTE mobile network utilizing 700 MHz Spectrum and the revenue the company calculated it lost as a result of the project's delayed deployment to Parliament by April 24, 2023.***
- ***TSTT should submit a status report of its process of acquiring/accessing land to build cellular towers and how the company deals with the challenges associated with acquiring/accessing land to build cellular towers to Parliament by April 24, 2023.***

9. Implementing shorter termed Strategic Plans

TSTT's 2016-2021 strategic plan was for a five (5) year period but given the rate of change of technology and generally the dynamics of the telecommunications industry over the last few years, TSTT's Management decided that it was best to focus on a short term two-three (2-3) year strategic

plans as opposed to a five (5) year plan. TSTT stated that a short-term plan would facilitate adjustment to the changes in technologies, consumer demands and behaviour as well macroeconomic factors, all of which ultimately impact on revenue projections. In this regard, TSTT’s current Strategic Plan 2021/2022 and 2022/23, is a short-term plan, and it provides the opportunity to recalibrate based on changes to the assumptions that drive the plan outcomes, as compared to TSTT’s previous 2016-2021 Strategic plan. TSTT’s Board of Directors approved a two-year Strategic Plan for the Company (2021/22 and 2022/23) at Board meeting #1 of 2021 held on February 10, 2021. The second year of the Strategic Plan as manifested in the Annual Operating Plan 2022/23 was approved at Board Meeting #2 of 2022 held on Thursday March 24, 2022.

Observation:

- *The Committee notes TSTT’s shift to using short to medium term Strategic Plans as opposed to the long term Strategic Plans previously in use given how transformative and volatile the telecommunications industry is.*

10. Delinquent Customer Accounts

TSTT defines delinquent customer accounts as an account where the customer has debt beyond ninety (90) days. The Committee was told to note that despite there being customers who were active and still making payments on their account, if it has not brought to account within ninety (90) days, the account would still be deemed delinquent. Below is a summary of TSTT’s delinquent accounts as at February 2022.

Customer Category	No of customer accounts (active)
Government & State Agencies	176
Enterprise	3,032
Residential	21,122

Recommendations:

- *TSTT should submit a status report on how the company treats with inactive accounts and delinquent accounts in arrears for more than 365 days to Parliament by April 24, 2023.*
- *TSTT should submit a report on its debt collection initiatives and indicate whether they differ when dealing with Government & State Agencies, Enterprise and*

Residential customers to Parliament by April 24, 2023 and how those initiatives could be realistically achieved given the scale of the problem concerned.

11. Increasing Accounts Receivables

During the analysis of the TSTT's 2017 to 2021 audited financial statements, a significant increase in the amount due from customers was noted. The increase of \$799m in amounts due from customers from 2017 to 2021 was mainly driven by a combination of:

- increase in Ministry of National Security (MNS) debt of \$546m, and
- the impact from the migration to a new billing platform in line with the company's Digital transformation strategy.

TSTT indicated that during the migration, the company purposely halted its dunning process to avoid negative customer experience issues during the transition, thereby resulting in monies not being collected.

Ministry of National Security CCTV Receivables

Period	Gross Receivables	YoY increase/(decrease)
2018	\$285Mn	\$244Mn
2019	\$483Mn	\$198Mn
2020	\$748Mn	\$265Mn
2021	\$587Mn	(\$161) Mn – Payment of \$200Mn received in this year

Recommendations:

- ***TSTT should submit a status update on the implementation of the company's new billing platform, the challenges encountered during the migration and the total costs associated with the transition to Parliament by April 24, 2023.***
- ***TSTT should provide a status update on the value of the Ministry of National Security's (MNS) CCTV Receivables to TSTT and indicate whether a payment plan to settle the debt had been agreed to Parliament by April 24, 2023.***

12. Purchase of Massy Communications

On August 1, 2017, TSTT acquired 100% issued ordinary shares of Massy Communications Limited (renamed Amplia Communications) for \$215M. The cash consideration for this transaction was paid out in 2018. The purchase agreement included Massy Communications' entire infrastructure relating to its enterprise and consumer networks, all existing enterprise and retail customers, and the entire operational and business support systems.

Recommendation:

- **TSTT should submit a status update on the return on investment realised to date from the company purchase of Massy Communications on August 1, 2017 to the Parliament by April 24, 2023.**

Conclusion

In light of the above, the Committee notes that TSTT is committed to the continued provision of the essential communications solutions and services that will enrich the lives of citizens, businesses and visitors to Trinidad and Tobago.

The Committee is optimistic that the company will continue to strategically position itself in the ever-evolving telecommunications industry whilst simultaneously moving towards achieving its mandate within the most sustainable, cost effective manner.

The Committee therefore awaits the responses of the Minister of Public Utilities to the recommendations proposed above, in accordance with Standing Orders 100(6) and 110(6) of the Senate and the House of Representatives respectively which states inter alia that –

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

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

Sgd.
Mr. Wade Mark
Chairman

Sgd.
Mr. Rushton Paray, MP
Vice-Chairman

Sgd.
Ms. Amrita Deonarine
Member

Sgd.
Ms. Renuka Sagrarsingh-Sooklal
Member

Sgd.
Mr. Fitzgerald Hinds, MP
Member

Sgd.
Mrs. Laurel Lezama-Lee Sing
Member

Sgd.
Mr. Keith Scotland, MP
Member

Sgd.
Mr. Stephen Mc Clashie, MP
Member