



TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

2007/2008 REPORT

IN ACCORDANCE WITH SECTION 66D OF THE CONSTITUTION OF
THE REPUBLIC OF TRINIDAD AND TOBAGO



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ESTABLISHMENT AND GOVERNANCE OF TSTT

TSTT was established through the merger of the Trinidad and Tobago Telephone Company (TELCO), which provided internal telecommunications and Trinidad and Tobago External Telecommunications Company Limited (TEXTEL) which provided external telecommunications. TELCO was incorporated as a limited liability Company under the Companies Ordinance on 16th May 1968 while TEXTEL was incorporated as a limited liability Company in December 1969.

The merger was effected through the acquisition by TELCO of the assets and liabilities of TEXTEL on 1st January 1991. On the 2nd January 1991, TELCO changed its name to Telecommunications Services of Trinidad and Tobago Limited (TSTT).

National Enterprises Limited (NEL) is the major shareholder of TSTT with 51% of the shares while Cable and Wireless (West Indies) Limited (C&W) owns the remaining 49% of the shares in TSTT.

The Company is headed by a Board of nine Directors comprising of five directors including the Chairman being appointed by NEL and four directors being appointed by C&W. The Management of the Company is led by the Chief Executive Officer and fourteen (14) executives who head a number of Lines of Business and Cost Centres within the company.

TSTT'S VISION

To become the most admired telecommunications provider in Trinidad and Tobago by 2007.

TSTT'S MISSION

To serve our customers with passion, providing innovative, world class telecommunications products and services through a high performance team which improves the quality of life of our society and delivers sustainable economic development.



PRODUCTS AND SERVICES

TSTT offers a wide and comprehensive range of domestic and international telecommunications services for residential and business customers. Services include the following:-

- Mobile Services
- Fixed Line and Carrier Services
- Broadband Internet / Data Services
- Enterprise Services

Within each service offering, TSTT provides a wide range of product options to its customers.



HUMAN RESOURCES AND ADMINISTRATION

TSTT is in the process of positioning itself for survival and profitability in a liberalized telecommunications market by becoming a customer-focused, market driven organization. As part of this repositioning process the company must review its human systems to determine strategies and plans that will support the organization in implementing its strategies and achieving its objectives. This manpower plan is part of the company's operational review.

In the face of the liberalization of the local telecoms market, establishment of the Telecoms Authority of Trinidad and Tobago, increased licensed competitors, reducing profits and the implementation of new technology within the industry, the company has to re-examine its human resource management.

HR Objectives

1. Improve employee satisfaction measured by the VOE survey
2. Achieve OSHA implement plan
3. Implement new appraisal tool at both Unionized and Non Unionized staff to improve employee performance management
4. Design and implement new organization structure to ensure achievement of our strategic and business objectives
5. Promote a positive working environment, improve employee communications and relations
6. Implement new employee Training and Development plan to prepare all employees so that they can reach their potential and therefore, contribute fully to the achievement of our strategic and business objectives
7. Complete new Unions collective agreements and strengthen and extend the Partnership process and other consultative, participative and communications processes across our organization



Policy Statement on Training and Development

TSTT recognizes that its most important resource is its employees. It is committed to the training and development of its entire workforce so that they will gain the necessary skills to reach their full potential. This will assist in enabling the organization to achieve its aims and objectives that are to provide specialized, high quality customer care and world class telecommunications services through a well trained and supported working team. By increasing the skills and knowledge of its staff the organization will produce confident, highly qualified staff working as an effective team.

Individual and team training and development needs will be identified through

- A training needs analysis questionnaire
- An annual performance appraisals
- Requests from Lines of Business and employees

The training and development needs identified will be met through a variety of activities depending on the nature and extent of the requirements deemed necessary after assessment.

All internal training provided by the organization will be of no cost to the employee. External courses and professional qualifications may be fully or partly funded by the organization depending on the nature of the training.

Employees are generally responsible for their own development and as such may inform the organization of their development needs and take part in prescribed development activities.

As part of the organization's continuing commitment to training and development, employees are asked to provide feedback on the value and effectiveness of the training and development they undertake. This information will be used to assess and improve the training process.

This policy applies to all employees.



TSTT's Performance Management Systems for Junior and Senior Staff

Telecommunications Services of Trinidad and Tobago (TSTT) and the Communications Workers Union (CWU) have collaborated and developed a new Performance Management system to assess the permanent senior and junior staff. This system shall be used to assess employee performance over a period of one (1) year commencing on the first day of their anniversary date of the given year.

The main elements of the system are:

- An Objective Work Sheet
- Performance Appraisal Sheet and
- Personal Development Plan

Objectives of the system

- To continually evaluate the performance of employees to facilitate their development through:-
 - a) Effective supervision and clarification of responsibilities
 - b) Feedback
 - c) Coaching
 - d) Monitoring
- To measure employee performance objectively in accordance with the Company's measuring tool;
- To recognize and reward employees accordingly to levels of performance

Features of the System

- Individual performance to be assessed in relation to individual's objectives, which should establish clear line of sight to strategic objectives of the:-
 - a) Unit/Section
 - b) Department
 - c) Corporate / Business Unit
- Measurement /standards to be established within functional areas to assure greater objectivity and consistency in rating persons performing similar tasks
- Greater focus on monitoring performance periodically and to evaluate performance and give feedback at least semi-annually



TSTT's Performance Management Systems for Management

TSTT's performance management system for management consist of two (2) dimensions

1. Performance Objectives
2. Behavioural via the 360 degree system

Components of the 360 degree system are as follows:-

- Leadership Effectiveness
- Business Execution
- Technical / Professional
- Relationship and Team Player
- Communications
- Customer Focus – External / Internal

Industrial Relations 2007/2008

Matters filed by Union at Court and Ministry

Item	No
Reported YTD	27
Won	3
Lost	1

Matters outstanding to date

Item	No
Trade Disputes	73
Industrial Relations Offense (IRO)	21
Interpretation of Collective Agreement (ICA)	1



The IR Strategy Moving Forward

- Continue drive towards reclaiming management's rights
- Management training
 - Getting it right the first time, through an understanding of the collective agreement
 - Managing absenteeism
 - Managing misconduct
- Increase the cadre of competent IR staff
- Improve the availability of access to immediate call-in advice and technical support
- Apply proactive collaborative approaches to engaging the Union rather than reactive
- Use In-house resources to appear before the Court



ENVIRONMENTAL POLICY

There is an increased awareness globally of the need to protect the environment against negative impacts. This can only be achieved through the combined efforts of individuals as well as Government and Corporate entities.

In order to minimize the likelihood of any negative impact that our operations may have on the environment, TSTT has established an Environmental Management Policy, which outlines responsibilities and procedures for managing our operations as it impacts, the environment. It is therefore recommended that all employees adhere to the policy and integrate the responsibilities and procedures into the company's overall operations

This programme is to be administered by the Safety, Health & Environment Section of the Safety and Security Department and is approved by Executive Management.



PROCUREMENT AND TENDERING POLICY

Objectives

1. Inventory Systems Accuracy
2. Purchasing Efficiency
3. Inventory Value
4. Purchasing Savings

The Telecommunications Services Company of Trinidad and Tobago Limited has published Purchasing Policies and Procedures, and both are available to all employees on the company's corporate intranet. The Policies are approved by the Board of Directors and the Procedures approved by the Tenders Committee.

Generally, the principle of duality is observed in all of the Company's procurement activities. That is, the originator of the need and the budget holder, being separate to the buyer and negotiator with the third party providers of goods and services. Both parties participate in the procurement process. A Purchasing and Supply Department is maintained to act as the agent and principle negotiator on behalf of the Company based on delegated authority from the CEO, Tenders Committee and Board of Directors. In keeping with this principle, all Contract awards are committed via the Purchasing and Supply Department. The Head – Purchasing and Supply, reports to the Vice President – Human Resources and Administration, and acts as the Tenders Committee Secretary.

The procurement process is a tiered system. All contracts expected to exceed one hundred and eighty thousand (TT\$180,000) are required to be submitted via sealed bids to the Company's secured Tender Boxes. On submission, the boxes are opened according to a protocol set in the procedures and a multi-disciplinary evaluation committee is formed to assess the bids.

The evaluations are approved by the relevant Heads and Executives up to the applicable Financial Authority limits. Contract awards up to one million US dollars (or its equivalent in TTD) are approved by the Chief Executive Officer. Awards up to TT\$20Million are approved by the Tenders Committee – which comprises of Board Directors, CEO, and some Executives, . Awards over TT\$20Million are approved by the Board of Directors.



TSTT subscribes to the highest levels of ethics and fair play in all its procurement activities. The objectives of the Policies and Procedures are to ensure fairness and transparency in all transactions while obtaining the best value for the Company and ultimately for its shareholders. The company also considers strongly Corporate Social Responsibility issues in its procurement process as the Company is mindful of the role it plays in the national economy and society at large.

Material and Inventory Control Policy

A material inventory is maintained to support company operations and largely consist of goods to support sales, and materials to support maintenance and operations. The Inventory valued at around TT\$70million is managed by the Material Accounting and Control Section within the Purchasing and Supply department. The physical materials; receipt, storage and distribution is managed by the Warehousing and Transport Section of the Purchasing and Supply Department. The Company operates a main warehouse in Chaguanas and four regional warehouses in Macoya, San Fernando (Cipero Street), Laventille and Tobago. Shortly the warehouse in Chaguanas will be re-located to a modern consolidated facility being constructed in Macoya.

Applications to create and maintain stock items are made via the various Heads of Department. Once approved as a stock item, the replenishment and procurement of these items are executed on the basis of past usage and forecast submitted by the relevant departments and lines of business. Stock purchases are made via Requisitions and Purchase Orders and go through the normal procurement processes.

TSTT has implemented an ABC classification that is based on value, usage and criticality to the organization.

The Inventory is perpetually verified and counted by the Inventory Control unit within Material Accounting and Control. A schedule to verify item by item, one hundred percent (100%), is prepared at the start of the financial year, with greater frequencies allocated based on ABC classification. The mobile stores stock, is also counted one hundred percent (100%) each year.



The Company also employs other strategies for parts of its operations. Some strategies include Vendor Managed Inventories (VMI's) such as a Cable VMI , managed on a third party basis by the Purchasing and Supply Department and Third Party Supply Chain Management services employed by our Mobile division for the supply of lower end mobile phones.

Generally the objectives of the Materials and Inventory Control policy are;

- (i) To ensure material availability to support Company operations effectively
- (ii) Ensure that inventory values are accurately reported and expensed in the Financials and
- (iii) Optimize the value of the Inventory held and as such manage working capital effectively.

Contractual Procedures

Transactions entered into by the Company must be by an appropriate Contract or Agreement processed and executed in accordance with the Company's approved Contract Procedure. Draft contracts must be included with documents when Tenders are invited.



FINANCIAL OPERATIONS

Goals and Objectives (2007/2008) are captured within the various revenue and expenditure categories

2007 / 2008 Budget Information

Budget Formulation

- Budget broken down by components:
 - Four Lines of Businesses – Mobile, Fixed and Carrier Services, Enterprise and Broadband
 - Seven Cost Centres – Corporate Secretary, Human Resources & Administration, Finance & Control, Legal & Regulatory, Marketing, Network & IT, Customer Services

With regard to the budget and the financial performance of TSTT for financial year 2007/2008 please find attached as Appendix A, the audited financial statements of TSTT for the said financial year in question.

DEBT POLICY

PURPOSE

The purpose of this policy is to outline the goals and practices for managing the risks of the debt of Telecommunications Services of Trinidad and Tobago Limited (TSTT). In particular, it seeks the goal of long-term planned approach to debt management and optimize credit ratings.

Overview

As all approval for debt funding has to be approved by the Ministry of Finance, the majority of the Tenders for Debt Financing will be towards best efforts and basic debt financing models rather than exotic and complicated debt solutions or tax shelter type instruments.



Accordingly, the determining factor in TSTT's debt policy other than the cheapest cost of funding/borrowing will be the assessment of risk relating to proposed or existing debt instrument and the participating financial institutions. The tolerance for risk (volatility to interest rate changes as well as FX risk exposure) is a key factor in the final decision on the debt funding. In addition, the corporate debt capacity must ultimately drive the limit on borrowings

Tolerance for Risk

The chance of adverse effects as a result of a commitment to make cash payments that are certain in amount and timing under uncertain future financial climate. The appetite for this risk is very low as determined in policy by both management and the Board. Accordingly, the company will only enter into fixed rate and generally local denominated TT\$ currency funding arrangements. The latter is not an absolute conditionality, but deviations from it will only be considered by after careful consideration and full ratification by the Board.

RISK MANAGEMENT PROCESS

The company's risk management process for investment activities should include a series of procedures and limits.

PROCEDURES

- A Position paper will be prepared by the CFO and submitted to the Board for approval. This paper should indicate the advantages and of seeking debt financing and the ultimate reason for the solution as opposed to internal financing.
- Once the Board approves the proposition for debt financing, an RFP should be sent out to financial and non-financial institutions registered with the SEC. A cut-off date must be clearly stated.
- A competent evaluation committee shall be determined by the CFO and the same shall openly and transparently open, asses and recommend a financier out of the batch that would have complied with all of the tender regulations above.



- A letter signed by two authorized signatories is prepared and hand delivered to the institution where the funding is to be supplied as recommended by the evaluation committee above.

INVESTMENT POLICY

PURPOSE

The purpose of this policy is to outline the investment goals and practices for managing the returns and risks of the investment portfolio of Telecommunications Services of Trinidad and Tobago Limited (TSTT).

RISK PROFILE OF INVESTMENTS

RISK RATING SYSTEM – TRINIDAD AND TOBAGO

Because of its nature, the majority of the investment thrust will be towards short-term lower risk investments. Accordingly, the determining factor in TSTT's investment plan other than the return that an investment offers is the assessment of risk relating to proposed or existing investments. The risk rating of an investment is determined by issuer, tenure and type.

ISSUER

The single most important factor that affects the rating of an investment is the issuer. The rating is affected significantly by the issuer's ability to provide the investor with the return expected. Evaluation of this ability to meet investor's expectations is the most critical in any investment analysis. It is critical when investing in the debt issue of private and/or public companies that we assess the ability to pay the debt. The higher the risk, the higher the return the Company should demand.

TENURE

In general, the longer the term of an investment, the greater will be the risk and the higher the required return. The basic reason for this is that the further out we go in time, the less certain we are of future events such as interest rates, the legal and political environments.



TYPE

Because of the relatively small investment portfolio that the Company possesses and the nature of the company's liabilities and obligations, the focus should be on cash instruments and short-term bonds and debentures, including commercial paper.

Cash deposits should only be placed with licensed banks in Trinidad and Tobago and other financial institutions licensed under the Financial Institutions (Non-Banking) Act, 1979. Funds should never be invested at any time in bonds or debentures or other instruments of indebtedness on which payment of principal or interest is in or has a certain risk of default.

RISK MANAGEMENT PROCESS

The company's risk management process for investment activities should include a series of procedures and limits.

PROCEDURES

Investment in Cash/Money Market Instruments

- Interest rate quotations for the tenure being considered are obtained from the various financial institutions.
- Funds are placed with the institution offering the highest rate while ensuring that approved limit guidelines have been met.
- A letter signed by two authorized signatories is prepared and faxed to TSTT's bankers instructing the latter to transfer the funds to the relevant institution by 1.30 p.m. that day. A cheque payable to the institution may also be prepared and delivered to the institution in lieu of a transfer.
- A letter signed by two authorized signatories is prepared and faxed to the institution where the funds are being placed confirming the transaction.



Risk Exposure Limits

In order to control the company's risk exposure to any one institution the following limits will be maintained:

1. Deposits at any one institution should not exceed 25% of the total amount of deposits held.
2. No deposit should exceed 10% of the stated capital of the institution at which the deposit is to be placed.
3. The Vice President, Finance or the Treasury Administration Manager should obtain the approval of the Chief Executive Officer before placing any deposit over \$40 M.

Investment in Short-Term Bonds/Debentures

- Investment opportunities are identified and considered by the Investments and Loans Officer as well as the Treasury Administration Manager.
- An investment proposal is prepared by the Treasury Administration Manager and submitted to the Vice President, Finance for review.
- Any proposal for an investment over \$40 M is to be submitted to the Chief Executive Officer for review.
- On approval the proposal is returned for execution.

CLASSES OF BONDS/DEBENTURES

The following debt instruments should be considered for investment purposes:

1. Direct obligations of the Trinidad & Tobago Government
2. Securities, including mortgage-related instruments, issued or backed by agencies that are generally viewed as having the implied guarantee of the Trinidad & Tobago government.



3. Corporate Securities (no stocks), including non-mortgage, asset-backed instruments (non-government issuers) of quoted companies on the Trinidad and Tobago Stock Exchange or other regional exchanges with a capitalisation of not less than TT\$100M.
4. Direct obligations (e.g. bills, notes, bonds etc.) and bullet instruments issued by other Governments that have sovereign debt rated BBB+ or above.

Risk Exposure Limits

In order to control the company's risk exposure to any one issue or instrument the following limits will be maintained:

1. In order to control the company's risk exposure to any one issue or instrument, it is recommended no investment in any one issue or instrument should exceed 10% of the total issue amount.
2. The Vice President, Finance or the Treasury Administration Manager should obtain the approval of the Chief Executive Officer before placing any investment over \$40 M in any bond or debenture issue.

SELECTION OF FINANCIAL INSTITUTIONS/SECURITIES DEALERS

It is recommended that TSTT only place investments with approved and licensed financial institutions subject to the following:

- The institution must have been operating for at least three years.
- A review of the institution's financial statements for the last three years should be undertaken.
- An analysis of the financial viability of the institution should be performed.
- Any recent changes within the institution that may affect TSTT's conducting business with the institution must be analysed.



INTERNAL AUDIT

Goal and Objective:

The goal of the Internal Audit function at TSTT is to strive to achieve a control environment within the company's operations that assists management, in as cost effective a manner as possible, to achieve the company's objectives.

These are synthesised into the three main areas:

Planned Audits

Continuous Monitoring, and

Clearance of control deficiencies identified in the annual external Audit

Internal Audit procedures:

Planned Audits:

At the high level an annual Plan is crafted which reflects the areas considered as having the highest residual risk. This Plan is built up over several months and obtains input from research and interactions with the respective line areas. This is approved by the Audit Committee before implementation.

The audit Plan is distributed among the available audit resources and individual audits are conducted on the assigned areas. These focus on Financial, IT, Operational and Compliance issues.

The results of these audits are discussed with management and agreement is obtained on the accuracy of the issues and the implementation plan that is to be put in place to remediate.

Specific dates for completion are agreed upon and a formal follow up is conducted shortly after the due date with sample reperformance of audit routines to confirm the satisfactory completion.



The Audit Committee is routinely apprised of the progress of implementation of the action items.

Continuous Monitoring:

The pilot phase of a project was implemented within which Internal Audit , by using a data analysis tool connected to two of the company's systems, initiated the process of analysing data for evidence of irregularity. This project is intended to enable Auditors to have appropriate access to most of the corporate data which will enable more near real time auditing of almost all transactions in the respective areas.

Clearance of External Audit Issues:

Internal Audit led a cross functional team set up to correct specific items identified within the Management Report generated by External Auditors on the completion of the annual audit. This involved a full review of the root cause of each deficiency and the driving of an implementation which in many cases required collaboration with overseas system providers.



AUDIT COMMITTEE

There is in existence an Audit Committee of the Board of Directors

Objective and Role

The committee is responsible for ensuring the objectivity and credibility of financial reporting and that in presenting results to shareholders, the Directors have exercised the care diligence and skills prescribed by Law.

Membership

The committee shall be appointed by the Board of Directors of the Company and shall consist of not less than three (3) members, one of whom shall be a Cable & Wireless appointee. A quorum shall be two (2) members. The Chairman of the committee shall be appointed by the Board.

Frequency of Meetings

Meetings shall be held not less than twice (2) a year. The External Auditors may request a meeting if they think that one is necessary.

During the 2007/2008 financial year the Audit Committee functioned in full compliance with its terms of reference.



PROGRAMMES & PROJECTS 2007/2008

Goals and Objectives

Driven by market, economies of scale, competition and the Company's personal goal to remain in a state of "always on" and best in class in Trinidad and Tobago, TSTT's focus was on the convergence of its network. By simplifying its network infrastructure TSTT was able to provide greater efficiency of service to its customers while maintaining a competitive advantage in the Telecoms market.

Maintenance and expansion of the mobile network is also critical to retain its position in a highly competitive market place.

Mobile (Migration 1800 to 1900)

This involved a migration of the GSM1800 to GSM1900 as mandated by TATT to work towards turning down the GSM1800 network to maintain a seamless handover of the GSM850/1900 network .

Enterprise (Metro-E)

- ❖ Metro E nodes were deployed in Trinidad and Tobago and Tested

Fixed (VOIP Testing)

- ❖ Cricket World Cup (2007) - Prepaid VoIP SIP lines were delivered for use by visitors and media personnel.
- ❖ Audio conferencing - This service, which was launched in the preceding year, allows for companies to purchase a hosted audio conference bridge service from TSTT, which can be used to hold meetings via audio conference, reducing the need for face-to-face meetings.



Opportunities and Proposed Solutions

Fiber

A number of programmes were undertaken in 2007/2008 in order to ensure diversity and improve transport resiliency.

Power

During the 2007/2008 financial year upgrade and remedial works were undertaken at TSTT on the Power Systems supporting the telecommunications network

Reporting

TSTT's reporting systems were improved by providing a data warehouse.

Capital Expenditure

Capital Expenditure by TSTT for key projects during 2007/2008 totalled TT\$497.6m.

Enterprise

- ❖ Core MPLS network built in 2007, with four MPLS routers built for redundancy
- ❖ Customers now have ability to monitor their performance via web-based portals
- ❖ TSTT's portfolio of the "one-stop-shop" was now completed with the integration of voice, data communication, internet and video solutions.

Technology & Access Plant

- ❖ Modernisation of the plant mainly through the deployment of 27 Digital Loop Carriers which facilitated the shortening of loop lengths to provide customers with Broadband services.
- ❖ Installation of new plant in San Juan, Santa Rosa Heights, Carapichaima, Chickland/Four Roads Freeport, Carapo Village, O'Meara Road and Palmiste Chaguanas.



- ❖ Service was provided to new housing developments: Cashew Gardens, Carlsen Field, Peas Tree and Goya St. Developments in El Dorado. Service provided was mainly through a fibre to the node solution i.e. fibre to the DLC and copper last mile to the customers.
- ❖ New fibers were placed to facilitate Network Resiliency through our major Exchanges - Nelson, Thompson, Couva, Princes Town, Mausica, Sangre Grande, Chaguanas.
- ❖ Approximately 250 km of Fiber cables were placed.
- ❖ Provided point to point fibre for a variety of business customers throughout the country



GENERAL REVIEW OF THE AGENCY

Targets/Outcomes:

- Create Line of Business/Cost Centre organization to focus on customer needs, and drive financial awareness culture. – New organizational structure implemented.
- Re-launch Broadband DSL service – Blink service launched in November 2007.
- Continue migration of Mobile customers to 850/1900 MHz network – Achieved on plan

A major challenge was the high level of cable cuts and copper theft, which both disrupts service as well as wastes significant resources in time and capital.

Plan/Solution:

- Educate the population that copper theft is not a victimless crime
- Increase security around cables prone to theft
- Lobby for Government to ban or control copper exports
- Start changing long copper cable runs to fibre.

Level of success

This was quite successful as the copper theft loss was reduced from over \$25m in 2006/07 to less than \$15m in 2007/08