



TTFZ

**THE TRINIDAD AND TOBAGO FREE ZONES
COMPANY LIMITED
ADMINISTRATIVE REPORT
2014**



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TRINIDAD AND TOBAGO FREE ZONES COMPANY LIMITED

REPORT ON THE OPERATIONS OF THE TRINIDAD AND TOBAGO FREE ZONES COMPANY LIMITED (TTFZ) IN ACCORDANCE WITH SECTION 13 (1) OF THE FREE ZONES ACT AND SECTION 66D OF THE CONSTITUTION FOR THE YEAR ENDED DECEMBER 31, 2014

1. Introduction and Background to the TTFZ

In the late 1980's with the collapse of the oil price and the resultant IMF Programme, Government was persuaded that a Free Zones Programme based on the Jamaican model could quickly provide a significant number of jobs. To this end, the Trinidad and Tobago Free Zones Programme was initiated by the enactment of the Trinidad and Tobago Free Zones Act of 1988.

The Trinidad and Tobago Free Zones Company Limited (TTFZ) was incorporated on the 6th July of the same year, to administer the Free Zones Programme, under the provisions of the Trinidad and Tobago Free Zones Act.

The Free Zones Programme of Trinidad and Tobago aims to attract both foreign and local investors to set up manufacturing, international trading and services operations, within free zones, dedicated to exports, with a view to encouraging and facilitating, new investment, the creation of jobs, the generation of net foreign exchange earnings and the deepening of the technology base of the country.

Approved free zone enterprises engaged in exporting from a free zone to a territory, other than the customs territory, shall be exempt from import and export licensing, corporation tax, business levy, withholding tax or any other tax or levy, on sales, receipts, profits or gains in respect of those exports. Additionally, free zone enterprises enjoy a host of other benefits including but not limited to import duty concessions and swift work permit processing.

The TTFZ is committed to its mandate of diversification of our national economy and has aligned itself to the Government of Trinidad and Tobago's pillars of sustainable development. To this end, the company stands ready to provide unwavering support to all investors.

In 2014 the Trinidad and Tobago Free Zones Programme had:

- Ten (10) locations throughout Trinidad designated as free zone areas

- Sixteen (16) Approved enterprises with parent companies from Trinidad and Tobago, Switzerland, Canada, Germany and Suriname

However, the Trinidad and Tobago Free Zones Programme has been impacted by the adverse effects of the financial downturn in the global economy, which has led to a dampening of new investment prospects by both local and foreign investors under the Trinidad and Tobago Free Zones Programme.

The TTFZ's existing Board of Directors and Executive Management, found it imperative that innovative ways be found to respond to this global crisis. The TTFZ, under the strategic leadership of its Board, has therefore embarked on the development of a one-year operational plan; intended to transform the organization's work, image and branding.

Successful implementation of this newly created plan is also expected to pivot the TTFZ toward a path of growth and development. The Company's leadership has also sought to ensure that the Company's strategy aligns to that of the Government of the Republic of Trinidad and Tobago (GORTT) and to its line Ministry, the Ministry of Trade, Industry, Investment and Communications.

i. Mission Statement

The TTFZ's Mission Statement:

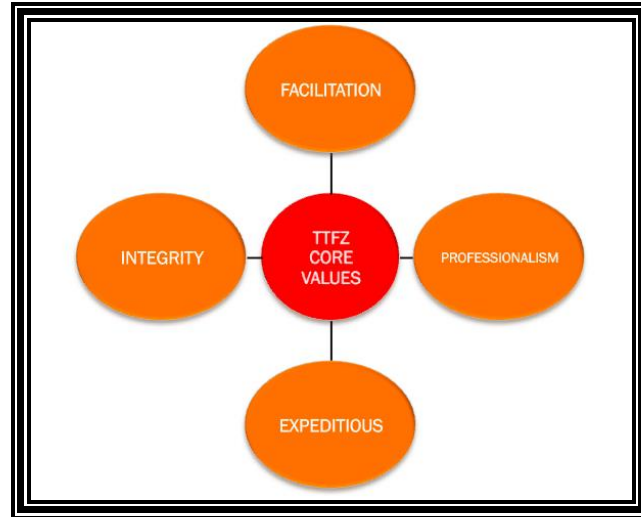
“Leveraging our competitive advantage to provide an investment friendly environment that facilitates business activities to achieve our aims of national economic diversification, job creation and attractive investor returns.”

Core Values

The Core Values to drive the Company's Mission and Vision are:

- Facilitation - **We Engage** our customers to enhance value by providing a bureaucracy free environment and improving business synergies across the Free Zones.
- Expeditious - **Our Service** will be characterized by Efficient Zone operations and rapid execution via our business processes for on-time service delivery and prompt attention to stakeholder and customer needs.
- Integrity - **Strong Adherence** to the highest ethical standards in our business operations to drive accountability and transparency across the Trinidad and Tobago Free Zones.

- Professionalism - **Total Embodiment** of the highest standards of competence, courtesy and integrity in the administration of the Trinidad and Tobago Free Zones Programme. See diagram below:



ii. *Vision Statement*

The TTFZ's Vision Statement:

“TTFZ – The “Gateway” to global business and investment opportunities, leveraging our competitive advantages to provide the investor friendly Zone of Choice.”

iii. *Strategic Plan*

Toward the end of 2011, the Board of Directors and Executive Management collaborated to develop the organization's strategic plan for the period 2011-2014. This plan was lodged with the Ministry of Trade, Industry, Investment and Communications. Due to constraints related to organizational resources and readiness, several aspects of the plan were not implemented. This led to the development of the TTFZ's one-year operational plan.

Nevertheless, the methodology upon which the strategic plan was built is still seen as useful and is demonstrated below:



The diagram above depicts the Strategic Pyramid upon which the Strategic Plan was developed.

The TTFZ’s one-year operational plan is intended to provide a “road map” for the period January to December 2015. The Plan’s orientation is tactical and action-oriented. It focuses on the TTFZ’s priority initiatives and main short-to-medium term goals. The plan is intended to guide the Agency and help the Board and Line Ministry to effectively support the desired performance outcomes.

The planning process was designed to provide the Board with the opportunity to decide on TTFZ’s immediate future direction, based on a shared vision and strategy.

The Trinidad and Tobago Free Zones Company Limited’s one-year operational plan espouses four (4) main operational initiatives:

- **Enhance Monitoring and Improve Compliance**
- **Strengthen TTFZ’s Business Development Programme**
- **Increase Visibility and Strengthen Marketing/Branding**
- **Adopt strategies to Implement Operational / Transformation Plan**

The carefully selected Strategic Initiatives listed above were intended to advance the organization to improved levels of execution of its mandate for – **job creation, investment and economic diversification.**

iv. *Development of the TTFZ's 1-Year Operational Plan*

The TTFZ embarked on a project to develop an operational plan intended to execute the initiatives set out in the strategic plan. The core areas of focus are business development, marketing and branding, monitoring and compliance and implementation strategies. The present organizational structure of the Company is outlined below. However, in an effort to vigorously pursue the initiatives of the strategic plan, additional manpower is required. A proposed new organizational structure is also depicted below.

The operational plan will therefore consider the need for the creation of new posts such as Marketing & Communications, Monitoring and Compliance and Business Development. An additional Accounts Officer / Accountant will also be pursued to ensure compliance with generally accepted accounting principles.

The Strategic Plan targets increased awareness of the TTFZ's brand. Therefore the operational plan will seek to address the promotion of the Company's services, locally, regionally and internationally. A well-designed marketing campaign aligned to strategic partnerships will be undertaken.

A core goal of the strategic plan is growth to the TTFZ's business. For this to be accomplished the TTFZ will evaluate its present achievements, its known constraints and the level of innovation required for the Company to move forward.

The Board of Directors has remained committed to regular site visits of approved enterprises, embracing the need to ensure that the TTFZ's goal of 100% regulatory compliance is achieved. Nevertheless, the Board recognizes that there is a greater need for in-depth analysis of the individual performance of free zone enterprises by an Officer so assigned. The one-year operational plan will also address this operational gap.

Outlined below are brief summaries of the four (4) initiatives of the one-year operational plan:

1. Enhance Monitoring and Improve Compliance

Mandate & Objectives

Under its Act, the Board has the unambiguous responsibility to ensure that companies that have "Free Zone" designation and tax-free benefits are in compliance with the Act and their Agreement with the Agency.

The 2015 objective is to establish a more rigorous and robust compliance review process, in order to confirm that TTFZ's clients are complying with their legal obligations.

2. Strengthen TTFZ's Business Development Programme

Mandate & Objectives

The TTFZ's Board recognizes the need to devise new mechanisms to work and coordinate with other bodies and agencies which have a similar investment promotion and facilitation mandate.

The 2015 objective is to generate at least two (2) new free zone clients, comprising robust market leaders in their respective industries; and at least five (5) small to large sized operators made up of local, regional and international investors. We will also build, strengthen and more effectively manage the TTFZ's business development pipeline, in order to sign-up 5 – 10 new clients per year going forward.

3. Increase Visibility and Strengthen Marketing/Branding

Mandate & Objective

To meet its business development mandate, the TTFZ will need to significantly increase its visibility and promotions. The work of the TTFZ is not widely known or understood, as such the Agency's executive management and the Board need to begin to build visibility and promote relevance.

The challenge is to target communications to the audiences that matter and "*get on the radar screen*" of a wide range of partners, potential clients and key stakeholders. The Agency will build on previous communications, limited though this was.

This communications strategy will need to identify the means and opportunities to encourage a range of organisations and firms to "*buy into*" the TTFZ and help it achieve its mandate, in the best interest of the Country.

The communications strategy will entail the TTFZ leveraging existing events and functions as well as adding new elements to enhance its identity and build awareness of the Agency. It will position the TTFZ as results-oriented, focusing on deliverables and accomplishments; and reintroduce the TTFZ via private and state media, and highlight its activities and achievements.

4. Adopt strategies to get the work done

Mandate & Objective

Plans do not implement themselves... people implement plans! The TTFZ will realign its services and support to target export-oriented businesses.

Further, the TTFZ does not have the appropriate structure to meet the expectations of its Board.

In the planning workshops, there was strong consensus among Directors that the Agency needed to be more fully staffed.

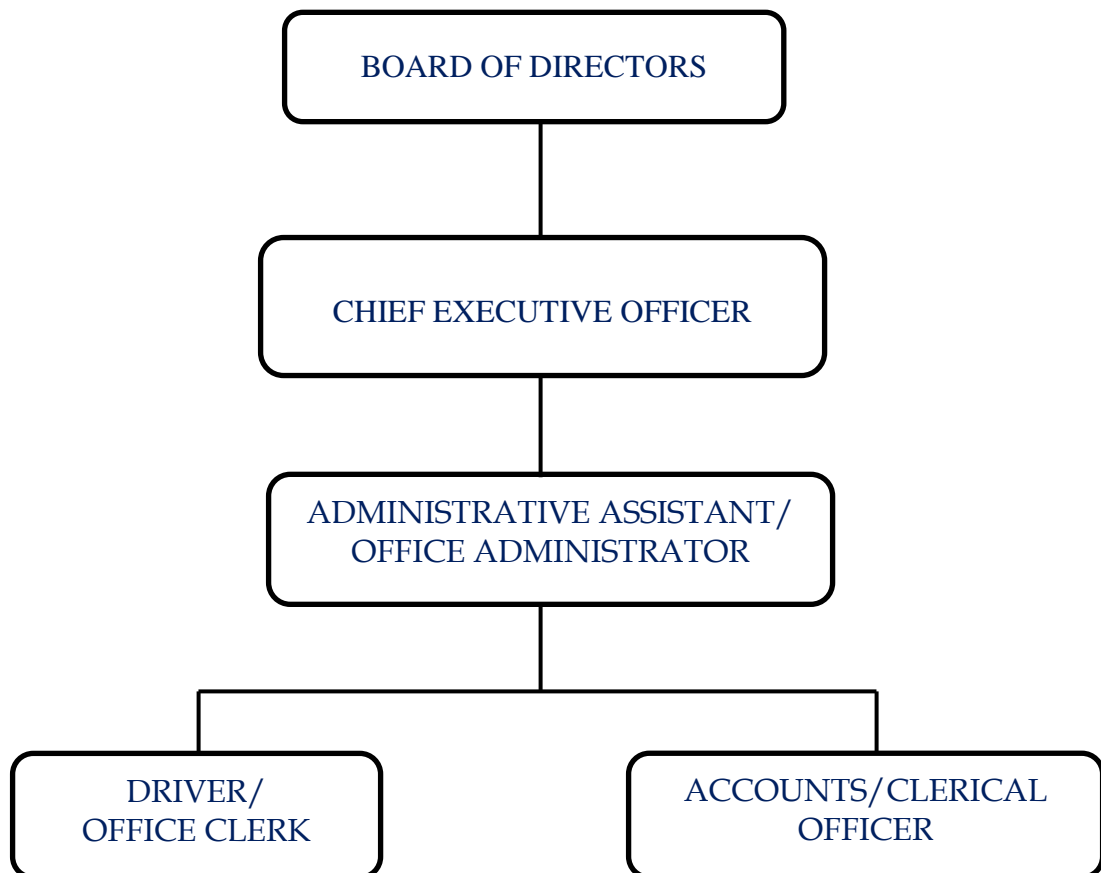
However, given the current MTIIC on-going rationalization exercise, the Board needed to find the necessary human resources to move the Agency forward, while at the same time retaining the necessary flexibility to be responsive to evolving requirements.

The amount of operational activities that the Directors can take on is limited. The Board meets once a month to review, monitor, set direction and monitor performance. To ask for more would be unreasonable. Directors are already contributing and active; in any event, operational implementation cannot be done by Directors. If Directors do not delegate or become too heavily involved in activity, it will compromise them.

2. Organizational Structure

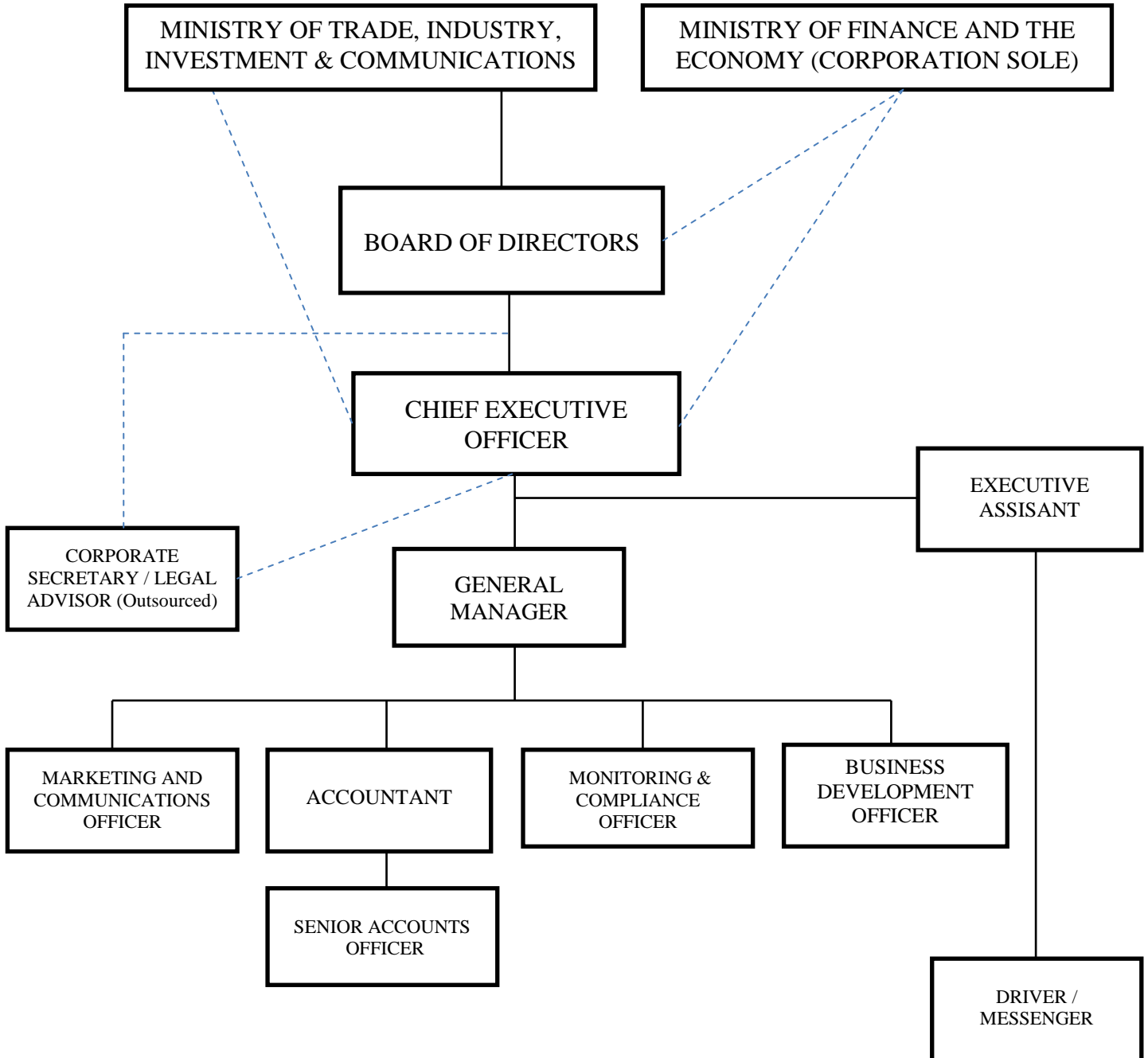
(a) Corporate Structure

TRINIDAD AND TOBAGO FREE ZONES COMPANY
LIMITED
ORGANIZATIONAL CHART



TRINIDAD AND TOBAGO FREE ZONES COMPANY LIMITED

VIRTUAL ORGANIZATIONAL CHART



(b) *Services / Products Provided*

The TTFZ provides the following products / services:

Issue of Free Zone Orders (Licenses)

The TTFZ under the authority of the Trinidad and Tobago Free Zones Act, grants approval for enterprises which have satisfied the requisite criteria, to operate within the free zones programme, by issuing free zone orders. These free zone orders when gazetted by the Government Printery become legal notices. The notices generated by the Government Printery are legally binding and outline the approved activity free zone enterprises are permitted to conduct as well as the location of their operations.

The free zones orders / legal notices are utilized by holders to access a number of benefits under the Free Zones Act 1988, such as exemption from duties and taxes.

Facilitation Services

Guidance and Information

The TTFZ facilitates the diversification of the national economy through its administration of the T&T Free Zones Programme. In this regard, the Company provides support to both local and foreign investors enrolled and interested in the free zones programme. Investors are provided with as much information and assistance possible via telephone calls, email and our website: tffzco.com. Investors are also directed to monitoring and oversight agencies for requisite approvals such as the Environmental Management Authority and the Customs and Excise Division.

The TTFZ may also provide follow-up support for enterprises awaiting approvals from similar agencies and/or Ministries. Furthermore, interested investors also benefit from recommendations of appropriate locations of operation and are provided with contact information for operators of industrial estates such as the National Energy Corporation (NEC) and e TecK.

The Company also supports the work of the nation's investment promotion agencies by hosting meetings, reviewing proposals, facilitating networking initiatives and providing valued information as required.

Work Permits / Visa Waivers

Additionally, the TTFZ applies on behalf of foreign and local investors for work permits and visa exemptions for start-up operations or where the required expertise is not readily available locally. The Company provides any assistance it can to investors in this regard.

In the medium to long terms, the TTFZ hopes to enhance its service offerings by building a database of key suppliers, relevant state and non-governmental agencies as well as complimentary services, to better serve existing and prospective clients. The Company also plans to commission required studies critical to strategic decision making, intended to enhance our present free zones programme and model.

Aftercare Services

The TTFZ supports the operations of approved free zone enterprises by the provision of aftercare services. To this end, the Company when called upon leverages its relationships with other stakeholders, to play an integral role in assisting with the provision of solutions for operational constraints experienced by free zone enterprises.

(c) ***Levels of Authority***

Tenders Committee

The Tenders Committee is convened when approval is required for the following purposes:

- (a) Purchase of Assets over TT\$50,000;
- (b) Contracting of Services over TT\$50,000;
- (c) Sale of Assets over TT\$50,000.

The Committee makes recommendations to the Board of Directors where final approval is obtained.

The Chief Executive Officer is authorized to incur expenditure on behalf of the Company:

- in respect of specifically budgeted items up to the approved budgeted sum
- in respect of items not specified in the budget up to TT\$50,000.

Cheque Signing Limits

All Company Cheques irrespective of the sum are to be signed by:

- The Chief Executive Officer and any one (1) authorized Director

The Board of Directors provides overall strategic direction to the Company. In this regard, the Board may pass resolutions or grant approval to implement specific decisions to guide the organization at a policy level, to ensure that the Company's Mission, Vision, Goals and Objectives are achieved. It also has the responsibility to ensure that

managerial performance is reviewed on a timely basis and that corrective measures are implemented where required.

3. Performance Accomplishments

The TTFZ was faced with a number of challenges in 2014. During the year in review, the Board undertook the recruitment of a new Chief Executive Officer, completed statutory audit and annual general meetings which were outstanding for the financial year ended 31st December, 2013 and also managed challenges associated with global economic forces including falling oil prices.

Furthermore, the Company also dealt with constraints related to limited resources and manpower. Notwithstanding these, the TTFZ has achieved the following for 2014:

➤ **Development of the TTFZ’s One-Year Operational Plan:**

This “*Plan*” is intended to provide a “*road map*” for the next 12 months, for the period January to December 2015. The Plan’s orientation is tactical and action-oriented. It focuses on the TTFZ’s priority initiatives and main short-to-medium term goals. The plan is intended to guide the Agency and help the Board and Ministry effectively support the desired performance.

The planning process was designed to provide the Board with the opportunity to decide on TTFZ’s immediate future direction, based on a shared vision and strategy.

In the planning process, we sought to:

1. Determine the main operational issues affecting the Agency.
2. Come to a shared understanding of the evolving business environment.
3. Address the key opportunities and challenges facing the TTFZ.
4. Surface the significant issues facing the Agency and Board.
5. Build consensus on the “*way forward*”, based on the key issues the Agency must address.
6. Agree on the priorities, targets, and broad strategy for the next 12 months.

➤ **Development and Implementation of the following Policies:**

1. Credit Card Policy
2. Administrative Policy Manual
3. Finance & Accounting Policy Manual

➤ **Hosted Business Dinner**

➤ **Participated in the following Conferences:**

- **Trade & Investment Convention (TIC) 2014**

- **Americas Competitiveness Forum**
- **Trinidad and Tobago Investment Conference (New York)**
- **6th Latin America China Investors Forum (China)**

- **Partnered with sister agencies to disseminate information on the free zones programme**
- **Developed new Company brochures in English, Spanish and Mandarin**
- **Developed business card flash drive of promotional materials**
- **Development of information clip for Project ICON**

2014 also saw the revitalization of a dormant free zone enterprise, Barana Seafood Processors Limited. This company resumed its free zone activity of processing fish and other seafood products. Its resumption of activities represents an investment of USD 2.3M to the local economy. The re-tooled operation will also provide employment to sixty (60) persons.

The TTFZ continues to receive interest from prospective clients as well as former free zone enterprises desirous of reapplying for free zone status. The Company anticipates the addition of at least three (3) new enterprises in 2015 based on ongoing discussions and negotiations.

The Company can boast of the following achievements in 2014:

- Total exports from free zone enterprises – USD 143,167,365
- Total purchases from the Customs Territory – USD 42,527,405
- Employment within free zone enterprises – 1000 (indirect employment excluded)
- TTFZ net profit - TTD 1,245,385 (*unaudited*)

4. Financial Operations

(a) *Budget Formulation*

The development of the TTFZ's budget is based on the Company's mandate, expected operational expenditure and the organization's strategic goals and objectives for the projected year. Formulation of the Company's budget for the coming year is also done in consideration of actual income and expenditure from the previous year.

Development of the Company's budget has customarily been the purview of the Chief Executive Officer in collaboration with the Administrative and Accounts Officers. The formulated budget is reviewed and approved by the Company's Board of Directors, then forwarded to Corporation Sole and the Line Ministry.

The TTFZ strives to undertake its actual operations within budget as far as possible.

(b) *Expenditure versus Budget*

Find below the TTFZ's Statement of Comprehensive Income for 2014 and Budgeted Expenditure for 2014:

Statement of Comprehensive Income (*unaudited*)

	Year Ended 31 December, 2014
	TT\$
Revenue	3,937,980
Other income	<u>0</u>
Administrative expenses	(2,843,216)
Operating profit	1,094,763
Net finance income	<u>150,621</u>
Net profit	<u><u>1,245,385</u></u>

Trinidad and Tobago Free Zones Company Limited
Particulars of Budgeted Expenditure 2014

	2013
	TT\$
<u>INCOME</u>	4,042,574
<u>EXPENDITURE</u>	
Personnel (including Directors' fees)	1,877,200
Administrative	243,000
Motor Vehicles	60,000
Repairs and Maintenance	104,000
Professional Fees	240,000
Marketing	1,625,000
Office Rent (including electricity & security)	300,259
Insurance	30,000
Bank Charges	5,000
Donations	10,000
TOTAL EXPENDITURE	4,494,459

(c) / (d) *Debt Policy / Investment Policy*

As per section 3.1.14 of the State Enterprises Performance Monitoring Manual, “State enterprises ... are required to obtain prior approval of the Minister of Finance for ... new investments in non-government securities, the incurrence of new / additional long-term debt ...”

5. Human Resource Development Plan

(a) *Career Path Systems*

Aligned to the completion of the Company’s One-Year Operational Plan, the need for the creation of targeted posts has been identified. In this regard, the Company hopes to engage in organizational restructuring in 2015 as per the virtual organizational chart at page 10 above. The TTFZ also appreciates that training is an integral part of the development of its human resources. To this end, staff members are encouraged to pursue company-supported training opportunities geared toward increased efficiency and effectiveness of the particular job function.

(b) *Performance Measurement Tools*

Each employee's attendance record is updated annually, on the anniversary date of employment with the Company. Each employee's performance is reviewed annually, usually in December. The assessment is based on the use of an appraisal system. Each individual's report is completed by his/her immediate supervisor and includes the opportunity for discussion before completion.

(c) *Promotion – Performance based? If not, what are the criteria used?*

The implementation of the TTFZ's virtual organizational structure will provide opportunities for upward mobility to existing members of staff. As the Company grows in size, promotional advancement will be evaluated based on performance, experience, training and educational suitability for the post. That is, based on best-fit for the organization.

(d) *Recruitment & Selection Procedures*

Vacant posts within the organization at the lower levels may be filled using the following steps:

- i. Advertise vacancy in daily newspapers
- ii. Sort through applications received based on experience, qualifications, training etc.
- iii. Conduct interviews with suitable candidates
- iv. Make selection based on interview and evaluation process
- v. Formally offer (by contract) post to most suitable candidate

Similar steps are used for the recruitment and selection of senior members of staff except that in this case the services of a human resource consultant or executive recruitment agency is usually contracted to undertake steps i and ii.

As part of the recruitment process each permanent member of staff of the Company receives a letter of appointment which sets out basic conditions of service such as starting salary, probation period, notice period for the termination of service and includes clauses relating to confidential information and the use of time and effort in the service of the Company.

All offers of employment shall be confirmed and require acceptance in writing and may be subject to medical examination and certification of fitness by a Medical Officer appointed by the Company.

6. Reporting Functions

(a) Departmental Reports

The TTFZ's Accounting Department produces an Income and Expenditure Statement monthly. This report is used by the Chief Executive Officer (CEO) to monitor and evaluate the Company's financial performance at a glance. It is also used to report to the Board and Line Ministry on the Company's financial health and ability to meet operating expenses with available income.

(b) Reports to Ministries, President / Parliament

The following reports are submitted to the Ministries, President and Parliament:

- Annual Returns
- External Debt of State Enterprises
- Status of Loan & Overdraft (App C)
- Summary of National Ins. Contributions (NI 187)
- N.I.B. Statement of Contributions Due (NI 184)
- Monthly Return of PAYE Tax & Health Surcharge Deductions
- Monthly Income & Expenditure Report
- Quarterly Appendix B (Submitted to Min. of Finance)
- Audited Financial Statements
- Strategic Plan
- Annual Budget
- Administrative Report
- Annual Performance Appraisal Report
- Board Minutes
- Litigation Reports
- Quarterly Returns
- Award of Contracts Report

7. Procurement Procedures

(a) Selected Tender

The procedure used for procurement at the Company is the selected tender. The TTFZ has opted to utilize this system for the following reasons:

- A core of prequalified suppliers can be established in advance, making the overall procurement workload significantly lower than that in an open tender.

- Product quality may be more easily assured through this restricted tendering system.
- It is easier and faster to evaluate bidders based on proven track records, product quality and expertise known to the Company.

As mentioned above the Tenders Committee of the TTFZ's Board of Directors has the responsibility of oversight of any type of procurement which exceeds TTD 50,000.00.

In this regard, the Tenders Committee will review proposals and / or presentations from prospective suppliers and make recommendations to the Company's Board of Directors. The Board grants final approval for tenders at this level.

The TTFZ's Administrative Report 2014 has been reviewed and submitted by the Company's Board of Directors.

In line with the Company's newly developed one-year operational plan, the TTFZ hopes to undertake organizational restructuring in 2015. The Company also plans to commission critical research into the operations of free zones globally in the New Year.

This research will provide much needed guidance toward the development of an overarching free zone policy document aimed at improved administration of the Trinidad and Tobago Free Zones Programme.

Additionally, the TTFZ hopes to continue its transformation by undertaking a well-designed programme of marketing and development, geared toward the accomplishments of its strategic goals and objectives.