

TRINIDAD AND TOBAGO CONTRACTOR'S ASSOCIATION

(TTCA)

AWARDS AND GALA BANQUET

Saturday 14th November, 2015

Trinidad Hilton and Conference Centre

Feature Address: Gerry C. Brooks,

Chairman,

The National Gas Company of Trinidad and Tobago Limited

(NGC)/Attorney-at-Law

Salutations

- **Honourable Chief Secretary Tobago House of Assembly,
Mr. Orville London**
- **Honourable Minister of Housing and Urban Development,
Ms. Marlene McDonald**
- **His Worship The Mayor of San Fernando, Mr Kazim Hosein**
- **His Worship the Mayor of San Fernando, Alderman Kazim Hosein**
- **President of TTCA, Mr Mikey Joseph**
- **Chairman of Private Sector Civil Society Group, Mr Winston Riley**
- **Representatives of sponsors for this evening's event**
- **Specially invited guests, colleagues, contractors and members of the
construction industry**
- **Members of the Banking and Financial Services Sector**
- **Members of the Media**
- **Ladies and Gentlemen**

Good Evening.

This is an industry whose fortunes shape the national economy and it is my pleasure to address you tonight.

As a leading indicator, construction may signal growth.

Alternatively, it may flag potential adversity which if proactively addressed, can mitigate future hardship – both in terms of severity and duration.

Construction is the nerve centre of our economy. It is an industry in which I participated as a former Chairman of two leading block manufacturers in the clay and concrete segment. I also chaired two regional coatings companies and I served on the board of financial services companies, operating locally and regionally. Like you, I have worked in recessionary times,

and in buoyant times. I will draw on these experiences to proffer some thoughts and recommendations. May I thank your association for the kind invitation to address you.

At the outset, please allow me to congratulate all contractors who have offered their projects for consideration for the prestigious *'Contractor of the Year Awards'* tonight. Recognition by one's peers is the most difficult achievement but it is also the most gratifying and I wish you all luck as we await the anticipated awards later this evening.

May I also recognise the newest inductee into "The TTCA Hall of Fame." This is a former Permanent Secretary, whose work has shaped the San Fernando Technical Institute, Mount Hope Medical Services Complex and our country's very important

relationship with regional and multilateral agencies. Frederick Smith, CEO of Fedex declared: *“Leaders in any field get out in front and stay there by raising the standard by which they judge themselves – and by which they are judged.”* Mr. Justin Paul, you have raised the standard. *Congratulations on your well-deserved induction!*

Your Association’s theme – “People – The Blue Print of Our Success” is both relevant and prophetic. Indeed, your energetic President in a recent Express interview of October 21st, 2015 describes the current state of the industry as follows:-

“Construction has been steadily declining. Overall construction has been declining over the last two to three

years because the economy had been in decline and until that changes, you won't see much happening." To change the trajectory - people, philosophy and policy will need to change.

The simple truth is that the country has experienced two successive quarters of negative growth - Q1 and Q2 - 1.2% and 1.5% negative GDP respectively. First half of the year contraction is estimated at negative 2% GDP. Every five US dollar decline in oil prices reduces our country's revenue by One Billion TT Dollars. Recent gas prices fell below US\$2.00 Henry Hub for the first time in a decade in November 2015.

The projected Henry Hub natural gas price may average US\$2.81 per mmbtu for 2015 and US\$ 3.05 per mmbtu for

2016. In the short term, the IEA suggests gas demand will benefit from plunging prices with the long term outlook for gas becoming more uncertain especially in Asia. In short, volatility, tepid global growth, China and emerging market slow down, very moderate Eurozone recovery will demand a realignment of local fiscal and monetary policies. Continued US growth and

S & P 2016 TT growth forecasts of 1.8% are reassuring positive indicators.

Many of the themes at the global economic level and across the energy industry are resonating at the country and industry level. We, in the construction sector are not immune.

The Ministry of Finance and the Economy 2015 – “*Review of the Economy*” confirms a deceleration in the Non-Energy Sector of 1% and private sector, and, reduced borrowing to the construction sector of 8.6%. It also shows a moderation in lending to the Finance, Insurance and Real Estate sectors by 8.4%.

However, 7.6 Billion Dollars of Bank liquidity, robust cement sales to Q3, fiscal space and the need for significant infrastructural upgrade nationally create significant upside potential. The country has a window of opportunity to create a very different future, which if seized maturely and collaboratively can create a trajectory of sustainable growth and development for our country.

It will require courage, thoughtfulness, shared sacrifice and a new mode of engagement by all Stakeholders. It will also require drastic policy reform. This evening, I will proffer some recommendations using your theme - *“People – A Blue Print for Success”*. These views are that of the author and are not that of any other organisation to which I belong or lead.

My presentation will be disaggregated into 3 elements.

Theme 1: *People – The Blue Print of our Success : ‘Governance and Architecture’*

Theme 2: *People – The Blue Print of our Success : ‘NGC as a catalyst for the sector’*

Theme 3: *People – The Blue Print of our Success : ‘Daring to change the model’*

By the time I have completed theme three, you would have grown tired of me. We can then enjoy dinner. So with your leave, let us address Theme 1.

'People - A Blue Print : Governance and Architecture'

Our sector is vulnerable to systemic economic risk which is frequently amplified by weak, self-serving boards whose objectives are influenced by personal gain and political patronage. In this construct, bona fide firms, with generations of business history languish for extended periods if they support or are perceived to support the wrong party.

Cash flows dry up as new jobs are not awarded, and receivables are not paid. Projects are unceremoniously and inexplicably halted. Contracts are awarded to new players with no industry pedigree on the back of "hastily constructed

international affiliation.” Not surprisingly, these partnerships are short-lived.

Project delivery times and contractual requirements are not met. The country suffers! Banks report loan losses and impairments! Suppliers and sub-contractors are out of pocket! Overseas suppliers look at Trinidad and Tobago with anxiety! Workers lose their jobs! It is a Lose-Lose Model, which is repeated ritually with every election and which requires an overhaul. Even worse, governments, on the eve of elections, frequently sign and/or turn the sod on ill-advised projects just before an election. There is an avalanche of local projects that exemplify this at industry level.

They create chaos, volatility, impaired confidence, systemic

risks and economic hardship. In an era of growing fiscal deficits and successive GDP declines, overhaul of the governance and architectural model is an imperative.

In my respectful view, there are two significant pieces of Legislation which lie at the heart of the Governance and Architectural Framework, which, if addressed, can be game changers. These are (I) *Integrity in Public Life Act* and, (II) *The Public Procurement and Disposal of Public Property Act No 1 of 2015*. Let us deal briefly with each.

(I) The Integrity in Public Life Act – Numerous learned commentators, have called for its urgent review and overhaul.

More Commissioners and Chairmen, whether over the mode of their appointment and/or decisions made by them, have fallen victim to the Integrity Act than have

been persons caught for wrong doing. The public has little, if any confidence, in the institution and/or the Legislation. Despite numerous allegations of corruption – from *Clico* to *Life Sport*, *EFCL* to *Udecott* no Government/official or perpetrator has been brought to book.

Last week several newspapers reported the President's ongoing difficulty in identifying suitable candidates to lead/serve on Commissions and State Agencies.

A similar difficulty occurs with appointments to State Boards including - *HDC*, *Udecott*, *EFCL* and *ADB*. All of which have considerable influence over the Construction Sector. "It has been a difficult process" declared the

President. Today the pervading response to public service is “no thanks”.

The above represents a lethal cocktail of weak, outdated but well intentioned legislation, aggravated by unethical, unprincipled and frequently unqualified talent leading Boards of State Enterprises which have adversely affected the Construction Sector.

Tonight, I make the call for the President to appoint a bipartisan committee drawn from the public, private sector, civil society and labour to review the Integrity Legislation to make the appropriate recommendations for its modernisation and overhaul in the interest of our country. This will be a first, but critical step in the

restoration of Integrity in Public Life allowing captains of industry to come forward and contribute fearlessly and fully in the country's interest.

(II) The Public Procurement and Disposal of Property Act No 1 of 2015 was assented to in January of 2015. The Legislation, while not perfect, can improve governance, accountability and oversight over public Procurement. Government must move with dispatch to appoint a highly qualified and respected Regulator/Chairman pursuant to the Act. It is my understanding that the previously proposed Chairman has resigned. No active or former

politician should be appointed to this position. It requires a commercially minded, highly qualified and, respected individual who is principled, operating in the national interest.

It is also important that the enabling regulations, under Section 63 of the Act be developed and submitted to Parliament for affirmative resolution at the earliest juncture. It is also imperative that funding be identified to support this office.

May I strongly suggest that a specific line item be appropriated for same in annual budgets to ensure ongoing independence and efficiency of the Office of the Regulator. The savings in procurement, timely project

delivery, confidence, and growth of the Sector will repay these costs many times over.

A new Public Procurement and Disposal of Public Property Bill 2015 has been recently tabled. It strengthens the procedure for the disposal of State land. Section 3 makes it an offence for the Regulator to trade with the Government without the prior approval of each House. It lays out a procedure for the removal of the Regulator which includes a Resolution of Parliament and the appointment of a tribunal with mutatis mutandis the power of a Commission of Equity under the COA Act. A word of caution to Parliament - 'let us not overburecratacize process.' Tribunal and Commissions of Enquiry are notoriously expensive, inefficient and should be avoided.

Section 6 of the Amended Act also introduces the concept of a Review Board which can interalia review decisions of the Regulator. One suggestion is that the Board, given the presence of a Retired Judge, and a Registered Engineer be vested with the authority to determine the breach by the Regulator and make recommendations to the President as appropriate including and up to removal of the Regulator. This will be more efficient and more cost-effective. Appeals may lie thereafter to the High Court. Complexity will only stymie procurement efficiency and add costs.

May I also request that a *“common sense approach”* (as the Honourable Chief Justice described it) be adopted in

procurement to recognise the unique needs and differences of particular organisations covered by the Act. It must be implemented in a way that makes commercial sense, preserving their strategic, competitive agility and advantage, whilst providing a bedrock of Governance. Let us not delay implementation of this important legislation.

**Theme 2: People – ‘A Blue Print for Success :
NGC a Catalyst for the Sector’**

A new Board has recently been appointed at The National Gas Company of Trinidad and Tobago Limited (NGC). As Chairman, I have been overwhelmed by the public expressions of good will and support. There is considerable work to be done to remedy numerous ill-considered initiatives and poorly conceived projects in the recent past which will adversely

impact the financial results at NGC in the short term – including 2015. As a Board, we are addressing these professionally and pointedly: But we are moving forward!

The NGC Group is aligned around a clear aspiration to *‘become an integrated international energy company’.*

It will employ a judicious mix of organic growth, targeted mergers and acquisition activity and strategic expansion of our participation in the energy value chain locally and internationally. The Board has commenced a renewed strategic planning process involving all Presidents of the key subsidiaries of the NGC, PPGPL, National Energy, NGC CNG, Labidco and the Executive Leadership team to agree on a Strategic Plan 2016 – 2020 inclusive. This will be done in the

context of a soon to be agreed *Gas Master Plan for the country*.

NGC is the key state enabler of the country's gas based industry and by implication is the prime mover of the future development of the Sector. Group taxes and dividends yielded historically 16% of Government's revenues.

This has reduced considerably in 2014 and 2015. Our immediate mandate must be to restore and improve this baseline position. It will require a more integrated group holdings structure, transformative strategy to catapult the Group into an International integrated energy company. At the appropriate juncture, and once the strategic planning process is completed more will be shared with key Stakeholders and the national community.

At Group level, the NGC Group directly creates 1200 skilled jobs annually and approximately 5000 more through the approximately 250 million spent on third party goods and services.

Through our subsidiary, National Energy, we are committed to the development and support of infrastructure of the Energy Industry, and the development of industrial port and related estate and marine infrastructure.

Current and proposed projects include Berth 2 at the Port of Brighton in La Brea and operationalization of Port Galeota. The reconstruction of Berth 2, which is due for completion in 2017, will require elaborate and innovative construction methods to ensure its strength, reliability and longevity. As

construction proceeds, specific packages will be available to local contractors to allow you the opportunity to become involved in national energy infrastructural projects.

Looking into the future, potential port, marine and infrastructure projects include the development of Pier 2 at Port Galeota and the Port of Brighton for which a Master Planning exercise has been completed. National Energy is also evaluating the development of Point Lisas North, South and East Industrial Estates. I share these with you tonight so that they may be woven into your Capex planning and budgeting for 2016 and 2017 to allow you to leverage these opportunities.

At NGC, CNG facilities required will include conversion stations and CNG Stations. At PPGPL – a gas refining facility and other projects are being considered. These multimillion dollar projects will offer a strategic pipeline of opportunities to contractors, engineers, equipment operators, architects, financiers and operators in the Sector.

The industry must deepen the cadre of qualified, skilled workers in:-

- Construction and construction management of industrial estate**
- Port selection, design and supervision**
- Pipeline construction**
- Quantity surveying**

Emphasis and preference will be given to local content and local contractors (I repeat - emphasis and preference will be given to local content and local contractors.) This philosophy has been espoused and echoed by the Energy Minister Minister – the Honourable, Ms. Nicole Olivierre (Ah sounding like ah public servant, eh!).

We at NGC are also committed to developing the skills of local contractors to meet the specifications of the planned and required cadre over the next decade. This will involve deeper collaboration with the UWI, NESC, UTT, TTCA and to deepen training programs that will enhance the skills of local work force to accelerate greater participation.

Strategically, we must look beyond our jurisdiction to the Guyana and Suriname borders. We will rekindle opportunities in the African continent. Our sector must become more mobile as the linking of our construction services to our Energy sector becomes more pronounced and integrated.

Putting it simply – *As we succeed – you succeed. As we travel - you travel - let us move forward together!*

Theme 3 – “People : A Blue Print Daring to Change.”

In law, the definition of insanity is captured by the ‘Mc Naughten Rules’. In business, the classical definition is doing *“the same thing and expecting different results.”* The CEO of Walt Disney said *“It is in our best interest to put some of the old rules aside and create new ones.”* We need to put some of the old rules aside: in the sector.

Large scale rice farmer, Richard Singh in the Sunday Guardian newspaper of November 8th, 2015 said “ *Lack of labour has been hampering production and frustrating the farming community to no end.*”

This has been ongoing for years. Singh operates two large rice farms in Plum Mitan and Tacarigua. *Amcham, The Chamber of Commerce* and the *TTMA* have repeatedly complained about the lack of labour for the service, manufacturing and hospitality sectors. Similar challenges face us in the construction sector as the country continues to subsidize inefficient, misaligned make work programmes. The country can no longer afford to subsidise – MUST, HYPE, JUMP, CEPEP which are compromising multiple industries and sectors. I do not advocate their termination but their urgent graduated, deliberate downsizing.

The country also cannot afford this with a potential revenue gap of 4 – 21 Billion Dollars.

Let us look at the Canadian model for immigrant workers and apply it locally. Impose a maximum graduation period of nine months in these programmes with KPIs. Insist on certification and qualification in areas earmarked for strategic country development.

MET's, EET's welders, machinists, masons, fabricators are areas in need of capacity building. Embed technical and vocational education at the secondary school. Develop a national programme with the UTT, UWI, NESC, TTCA and other relevant stake holders for certifying tradesmen (annually or bi

annually) from painter to carpenter from joiner to air condition technicians.

The industry needs standards and will only survive on consistent quality. Transformative change requires courage to rationalize 'CEPEP and other make work programmes' even as TTCA and the industry drive standards and certification.

I believe the industry must drive the latter with Government supporting through the introduction of a Contractor Registration and Licensing Programme and a Lien Act to provide financial enforcement. *Let's put aside some of the old rules.*

Colleagues and Government, as we move to improve our buildings' infrastructure, we need a Building Code. Let us not wait for natural disaster. Let us give the Committee a budget to finalise its work and a time frame within which to do it.

My final comment relates to the illegal quarrying and mining which has led to Sector inflation, shortage of aggregate and vital raw material for Block manufacturers in the Sector, loss of value for home owners. Quite simply, it is a racket played out in the full glare of the industry over which *National Quarries* and the Ministry of Energy has not been able to get a handle as a few unscrupulous persons and companies have profited in their own self-interest.

Local companies, when granted acreage, cannot mine these acreages 6 and 7 years later, despite the seeming support of state agencies and the Ministry. It is either CEC, Town and Country approval or, the final license that prevents their ability to mine the acreage. Meanwhile, hundreds of millions of dollars in plant and equipment produce at less than optimum capacity because of inadequate supply. Honourable Ministers, I am confident that the industry will support you. The mining sector requires overhaul and better regulation. This includes the Ministry, *National Quarries*, *EMA*, *T and C* – and, the intervention of the Police.

Let's put some of the old rules aside as the Disney CEO advocated.

My comments are not meant to be political but in the national interest. Country first! My address has embraced three major themes (a) the economic environment and the need for legislative and policy changes (b) the NGC vision (c) the pivotal role of the Construction sector in transforming Trinidad and Tobago (d) deliberate accelerated reduction of widespread, unaffordable subsidies and transfers replaced by targeted training and development opportunities to catapult our country on a path to sustainable development

CONCLUDING REMARKS

Jack Welch former CEO of General Electric declared: 'A leader in any sphere focuses on shaping tomorrow. Learn from it but do not waste a moment on it. Get on with tomorrow.'

Shaping a sustainable tomorrow for our industry and country will require disruptive thinking.

It demands that we address the pain points of our industry and craft new edgy, uncomfortable recommendations. It will require the support of the Opposition. It will require courage and integrity - which is in short supply in our country.

Let us move away from slick answers and clichéd language to confronting issues and responding maturely and decisively. I give you the assurance as Chairman of NGC that will be my continuing mantra and philosophy.

Colleagues, it has been a unique privilege for me to address you at industry level. It is an industry in which I have

participated, visiting and working with franchises, architects, engineers, contractors, hardware owners, suppliers and international parties.

I congratulate the TTCA on its works and its vision.

The opportunity to build a more vibrant sector is possible and imminent. If there is a recession, we do not want to participate.

I am confident that our best days are yet to come.

Ladies and gentlemen. - Thank you.

END

