

**STANDING COMMITTEE ON
JUSTICE, LAW AND HUMAN RIGHTS**

[Verbatim Report of Meeting]

HELD IN THE

COMMITTEE ROOM (EAST WING)

ON

TUESDAY, 16TH APRIL, 2019

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON JUSTICE, LAW AND HUMAN RIGHTS HELD AT THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON TUESDAY, 16TH APRIL, 2019 AT 8.35 A.M.

Interviewee/Submittee: Post Fiji Limited

In Attendance:

1. Mr. Raiyaz Ahmed - Head of Finance
2. Mr. Isaac Mow - Head of Retail

MR. CHAIRMAN.- Good morning, Honourable Members, and the Team from Post Fiji Limited (PFL). I would like to welcome you to the Standing Committee on Justice, Law and Human Rights. On behalf of the Committee, a warm welcome to you on being present here.

I believe you might be aware that you are here to present on the Public Enterprises Bill 2019. We did receive an email from Mr. Tikaram, informing us that he will not be able to make it this morning. So without any further delay, I give the floor to you to do your presentation with regards to the Public Enterprises Bill 2019. Thank you.

MR. I. MOW.- Thank you, Honourable Chairman and Honourable Members of the Committee. We are here this morning to present our submission with regards to the Public Enterprises Bill 2019, upon the request that we be part of the presentation since we are part of the Ministry of Public Enterprises.

We have sent our copy of response yesterday. I will just go over the submissions that we had made. First and foremost, on behalf of the Board and the Executive Management of Post Fiji Limited, we would like to commend the Committee for a well drafted Bill. We believe that this Bill will encompass all the areas of good governance and from our perspective, we have just picked out some minor inclusions that we feel should be part of the Bill as well.

Following the template that we had sent, the first part of our proposed submissions is on Part 1: Preliminary, Clause 2, the definition of spouse.

For suggested changes, we have proposed to include husband or wife or *de facto* partner to consider to be in a relationship. In terms of our explanation spouse needs to capture husband and wife and *de facto* as well, as opposed to just *de facto* alone, that is on the Bill.

MR. CHAIRMAN.- Excuse me, which Clause?

MR. I. MOW.- It is under definitions. Clause 2, Page 6, Honourable Chairman.

MR. CHAIRMAN.- All right.

MR. I. MOW.- Yes, spouse includes a *de facto* partner. Our suggested change is to include husband or wife, as well into the Bill.

MR. CHAIRMAN.- And what impact is that going to have on the Bill itself?

MR. I. MOW.- In terms of the Bill, because the Bill only talks about the spouse as a *de facto* partner, but there is nothing there that talks about the wife or husband being included in this Bill.

MR. CHAIRMAN.- Now, I understand where you are coming from.

MR. I. MOW.- The other inclusion is Part 7 - Principle of Financial Performance. On Financial records, Clause 56(2), we are proposing for the inclusion of Subclause (d) because the Subclause is only up to (c).

The suggested Subclause (d) to say, and I quote:

“It is the sole responsibility of a public enterprise to designate a person to be responsible for financial records retention. That designated person should have appropriate knowledge and access to departmental financial data for retention periods and legal and audit requirements. This may be converted in the form by using electronic transactions so that the retention becomes easily available including steps necessary to ensure originals are easily readable at all material times.”

HON. N. NAWAIKULA.- Can you just go back on that, please?

MR. CHAIRMAN.- Clause 56, Page 21.

MR. I. MOW.- Yes, on Financial Records, Honourable Member.

HON. N. NAWAIKULA.- Clause 56(1)?

MR. I. MOW.- Clause 56(2). The records required by Subclause (1).

HON. N. NAWAIKULA.- So what are you suggesting?

MR. I. MOW.- We are suggesting that a designated person be assigned to look after the financial records so as and when...

HON. N. NAWAIKULA.- Does that mean (a),(b),(c) or a new one?

MR. I. MOW.- A new one.

HON. N. NAWAIKULA.- All right, so it will be a new Subclause (d) that you are proposing?

MR. I. MOW.- Yes. New Subclause (d) to read, and I quote:

“It is the sole responsibility of a public enterprise to designate or assign a person to be responsible for financial records retention. The designated or assigned person should have appropriate knowledge and access to the departmental financial data for retention periods and legal and audit requirements. This may be converted in the form by using electronic transactions so that the retention becomes easily available including steps necessary to ensure originals are easily readable at all material times.”

HON. N. NAWAIKULA.- (Inaudible)

MR. I. MOW.- Yes, Sir.

HON. N. NAWAIKULA.- (Inaudible)

MR. CHAIRMAN.- Just checking, is it not a current practice?

MR. I. MOW.- At the moment, it is given to the Department and the Department is responsible for retaining the financial records, but in terms of our submission, we propose that a person be assigned. We have given our explanation there.

It has been noted with the Post Fiji Limited in terms of our money order original receipts, it fades within three months and this has been raised by Police and FICAC, and if the Department can look at its process and policies to ensure it makes copies.

Also, originals do go missing and the request has been made by the statutory authority that electronic copies should be kept as mandatory. We are looking from the Post Fiji Limited's point of view. There are other public enterprise companies as well, that provide the same service and could also...

HON. N. NAWAIKULA.- Are you suggesting a person?

MR. I. MOW.- Yes.

HON. N. NAWAIKULA.- Any particular position?

MR. I. MOW.- Not in any particular position but to

HON. N. NAWAIKULA.- But you are suggesting a person?

MR. I. MOW.- Yes.

MR. R. AHMED.- Normally, what happens in an organisation as it is, it says financial records are supposed to be kept for seven years, that is fine. But what we are proposing is, we nominate or designate a person so that in future if there is a need for a record, we know, all right the general manager finance or whoever is the designated person in the organisation is solely responsible to ensure that financial records are kept intact for the seven years.

MR. CHAIRMAN.- Why cannot it be the Finance Manager through the Department, just a way of thinking of it, for example, if you designate a person and the workload increases from that person it will become a department. So, who takes the lead in that particular Department?

HON. N. NAWAIKULA.- In experience, who would be the best person so that we can name him?

MR. R. AHMED.- In our view, what we feel is the head of the department should be the designated person and the head of the department can delegate or nominate a person within his department who is responsible but at Bill or at this level where we are looking at a Bill, the highest level of authority within the department or organisation should be responsible.

MR. CHAIRMAN.- Yes, because I believe that is the general rule, it applies. However, the financial manager or the chief accounts officer takes the responsibility of everything because what you are actually asking us to add is an operational issue in a particular Bill and if we designate one person,

just thinking loud, what if he leaves tomorrow and the record is not well kept, just by designating one person? What happens in those scenario?

MR. I. MOW.- Thank you, Mr. Chairman. We are just looking at it from the perspective of accountability because if anything does happen, there is a person who needs to be held accountable. So, if the person leaves the organisation in terms of that responsibility, he or she may have left the organisation but during that period if there was an audit carried out, that person should be held liable and accountable for the period he or she was in office.

MR. CHAIRMAN.- Just comparing that with the Ministry, where the Finance Manager/Director and then we have Permanent Secretary, Chief Accounting Officer, whatever happens in the Finance Department, it is either the Finance Manager and if not him, the Permanent Secretary who is the Chief Accounting Officer needs to be responsible. So, if you already have this setting, I am just trying to iron out and try to figure out why we actually need to put this because when we go to the drafters, we need to explain to them bit by bit to convince them that it should be in here. So, this is the question they are going to ask.

We already have our system in place whereby the Chief Accounting Officer is the one responsible at the end of the day. So, he can designate the Finance Manager or someone within the Finance Department to be looking after this. Why does this need to come in the Bill itself? Just a justification.

The system is already in place and we are asking something that is already there. The CEO has his powers to designate someone to look after this record. So, why does it need to be part of the Bill because convincing drafters is not easy?

MR. I. MOW.- We understand, Mr. Chairman, this is what we felt that should be part of the Bill...

HON. N. NAWAIKULA.- Can I just ask, looking at Clause 56 which says, and I quote:

“(1) A public enterprise, and each subsidiary of a public enterprise if any, must keep written financial records that—...”

(2) The records required by subsection (1) -

(a) must be kept for at least 7 years after the dates of the transactions to which they relate;...”

You are suggesting that person must be responsible for what?

MR. I. MOW.- Keeping these records.

MR. R. AHMED.- To ensure that records are kept intact.

MR. I. MOW.- Mr. Chairman, thank you for speaking from the perspective of the Ministry, but this is from the perspective of Post Fiji Limited. This are some of the issues that we face as a public entity because when it comes to people having accountable for their actions, we cannot actually pinpoint them because they normally leave the organisation and say, “Oh, I have left the organisation and I cannot be held accountable.” So these are the kinds of issues we face.

HON. N. NAWAIKULA.- One question again, Mr. Chairman. You have practical experience in that, what is the problem that is there that you are trying to solve by that suggestion?

HON. M.D. BULITAVU.- In terms of saying the Post Fiji case, the world clock case and the other cases that happened in Post Fiji Limited, there was conflict between the manager and the Board who was liable. Is that where you are coming from and where this needs to be brought down to who should be liable?

MR. I. MOW.- Thank you, Honourable Member, that is exactly a classic example why we have included this because when it comes to accountability, there is a lot of blame game that happens. So, that is why we felt that if this is included in the Bill, there is actually a person who can be pinpointed in terms of accountability rather than having to push the blame to another person and saying, "I have left the organisation and that is the person that is responsible now." So, this is a scenario that we have looked at it.

MR. CHAIRMAN.- (Inaudible)

MR. I. MOW.- Exactly, Mr. Chairman.

(Inaudible)

Mr. Chairman, just moving on for Consequential Amendments, we see there is a lot of amendments with other public enterprise organisations. Post Fiji Limited is proposing if this Clause can also consider the reviewing of Post and Telecommunications Decree 1989 (Decree No. 37).

Post Fiji Limited is requesting for consideration of separating postal sector and telecommunications in separate Decrees. Post Fiji Limited requests that a new postal Bill be designed specifically for the company, incorporating the Universal Postal Union requirements for the postal sector.

HON. N. NAWAIKULA.- You are suggesting a new one or it is already there and you are thinking of an amendment?

MR. I. MOW.- There is an existing Post and Telecommunications Decree and...

HON. N. NAWAIKULA.- ...from the body of the Bill, is there a particular section you are referring to or

MR. CHAIRMAN.- That is a general comment exactly.

MR. I. MOW.- General comment, yes.

MR. CHAIRMAN.- I would have actually responded after the Honourable Member had spoken, please, the Cabinet.

MR. I. MOW.- Alright.

MR. CHAIRMAN.- It needs to go to Cabinet first.

MR. I. MOW.-Alright.

MR. CHAIRMAN.- Through the line Minister it goes to Cabinet and if Cabinet approves for a review, then it goes back to Post Fiji Limited and you can carry out a review and then pass it on. I think that is a normal procedure.

We deal with Bills that are actually presented to us by Parliament and it comes through Cabinet, approval of Cabinet through the Honourable Attorney-General, then to Parliament.

MR. I. MOW.- Thank you for the explanation, Honourable Chairman.

HON. N. NAWAIKULA.- But in any event, what were you suggesting an amendment to the Post Bill to what?

MR. I. MOW.- To separate it from the cost. At the moment, it is a Post and Telecommunications Decree, so we are proposing that it be separated, for Post Fiji Limited just to have a Postal Bill on its own.

HON. N. NAWAIKULA.- Post and Telecom, they are together.

MR. I. MOW.- Yes, because we have separated since 1996. We are an independent organisation now.

HON. N. NAWAIKULA.- But you are sourced from the same Bill?

MR. I. MOW.- Yes.

HON. N. NAWAIKULA.- Like you have the same mother, but you are different.

MR. I. MOW.- Yes, exactly.

MR. R. AHMED.- The Post and Telecommunications Bill which is prior 1996, since Post Fiji Limited has separated, Telecom has gone with ATH which is no longer a public enterprise.

HON. N. NAWAIKULA.- ATH is no longer a public enterprise?

MR. R. AHMED.- No, so the listed companies which are here are the only ones.

HON. N. NAWAIKULA.- Part of you is Post?

MR. R. AHMED.- Post on its own is a public enterprise now since 1996, upon separation. But we do not have a separate Bill of its own for Postal.

MR. CHAIRMAN.- Just get the Board to actually write to the Government because all the Acts prior to even 2000, we are trying to bring the new Acts in place with the current practice. The onus would be on Post Fiji Limited to actually review that particular Bill and then send it to the drafters, that is mostly the normal procedure. For example, if the Ministry wants to amend their Bill or anything or repeal the old Act and actually bring in a new Bill in it is entity, they just need to get approval and the Ministry works on it. It happened to an independent organisation as the Standing Committee, once it is presented to us we go back to the public, collect their views and then try to actually match it whether it is matching with drafters or not, but that is the normal procedure. The Board needs to write to the line Minister seeking his approval to review the Act.

HON. M.D. BULITAVU.- What difficulties does Post Fiji Limited face in terms of one legislation and these two organisations in one, and you are not together anymore? What administrative difficulties or legal difficulties you have in terms of why you need two separate laws now?

MR. I. MOW.- Thank you, Honourable Member. The whole reason why we are requesting for a separate Bill altogether is, you may understand that Post Fiji Limited comes under the Universal Postal Union (UPU) which is an arm of the United Nations. There are over 187 countries that fall under the UPU and Fiji is one of the countries that falls under this organisation.

Under this UPU it has its own sets of rules and regulations that we have to abide by. In a way, it is totally different from what is in the Post and Telecommunication Bill. Hence, this is the reason why ...

(Inaudible)

MR. I. MOW.- Yes, exactly.

HON. M.D. BULITAVU.- (Inaudible)

MR. I. MOW.- Yes, very true.

MR. R. AHMED.- At the moment, the Post and Telecommunications Bill which is in place is quite outdated as well because the business dynamics and environment have changed over the period, and there are new things evolving everyday with the change in technology so we need to reflect those in the Bill.

MR. I. MOW.- Also, the other important part of the proposed new Bill is because under the Crimes Decree, there is a section there that is specifically for postal. And our proposal is to move that section to be reflected in the Postal Bill because at the moment when it comes to fraud cases or embezzlement cases, sometimes it is really hard for FICAC or Police to use something that is from our own, sort of, Decree to be able to take the alleged person or people into task because the theft of postal articles is under the Crimes Decree.

HON. N. NAWAIKULA.- In 1989, there was a Post and Telecommunications Act that established them as two separate companies; Post Fiji Limited and Telecom.

Telecom, at that time, majority of the shares was held by the Government, then it gave it all out. Is that correct? But now it is totally private. Therefore, that part of the Act is now totally redundant. It is like a dead carcass sitting there and that is the reason why you want a new Bill.

MR. CHAIRMAN.- Just a clarification. That particular Act that we are talking about, Telecommunication and Postal Act 1989, I believe, the telecommunication bit of that Act has been repealed. So what is left is only Postal Act now.

HON. N. NAWAIKULA.- (Inaudible)

MR. CHAIRMAN.- No, it has already been repealed. Under the Laws of Fiji if you actually see, everything has been repealed. The only content left is for postal.

HON. N. NAWAIKULA.- That part?

MR. CHAIRMAN.- That part.

HON. N. NAWAIKULA.- (Inaudible)

MR. CHAIRMAN.- Repealed, yes. So now, what you need to do is that, even the Postal Act, you need to review that because time has lapsed, those laws do not apply anymore to the modern way of operations, you need to review that and bring in a new modern law that suits your operations.

HON. N. NAWAIKULA.- Can I just ask you a question? (Inaudible).....

MR. R. AHMED.- Maybe, we would not be in a position to answer that because we really do not know what happened in the past.

HON. N. NAWAIKULA.- I am just wondering, if not I(Inaudible)

MR. CHAIRMAN.- Who is the major shareholder for telecommunications?

MR. R. AHMED.- ATH.

MR. I. MOW.- ATH is an investment company. Government owns about 13 percent. The major shareholder in ATH is Fiji National Provident Fund that owns 72 percent of the shares.

(Inaudible)

MR. I. MOW.- It is a very good question, Honourable Member. I think that question needs to be asked to the executive members of Telecom.

(Inaudible)

MR. I. MOW.- Your comments are noted and we will take it back to the Board and advise them accordingly. We were just asked late yesterday afternoon to come and do the presentation on behalf of the Board, because our Chairman is busy with the Coca Cola Games. Hence our presence here this morning. But if we were asked to do a presentation, we would have prepared a good presentation for the Committee.

For the Committee's information, Post and Telecommunications separated way back in 1996, so we became separate entities. Telecom ran its own operations and Post Fiji ran its own operations, it was back in July 1996.

From 1996 onwards, we have been operating independently from Telecom and apart from our core business of postal, we have diversified into other areas of business. These are some, sort of, the top shelf information about Post Fiji Limited as an organisation.

We apologise, Honourable Chairman and Honourable Members of the Committee, there are some other points on our way here we had just picked out. I will just let our Head of Finance, Mr. Raiyaz Ahmed, to shed some light on that. Thank you.

MR. R. AHMED.- Thank you, Honourable Chairman and Honourable Members of the Committee, just on Part 2 - Public Enterprise Principles, Clause 6 of the Bill itself, it has five Subclauses to it which clearly outlines the principles of Public Enterprises which is well noted as:

- commercial objective;
- measurable performance;
- responsible management;
- transparent performance, et cetera.

However, there is nothing mentioned about 'public enterprises corporate social responsibility' towards the society and the public at large. So whether we can incorporate that in the principles or not because looking at some of the public enterprise organisations, for example, Post Fiji Limited, we are obligated to serve the people in the remote and maritime islands which is not commercially viable, but yet we provide the services because it is of a social responsibility for the people out there in the maritime.

MR. CHAIRMAN.- I would just like to draw your attention to Page 10 of the Bill, Part 4 - Principle of Commercial Objective. We have a whole Division of non-commercial obligation which is social obligation.

MR. I. MOW.- Clause?

MR. CHAIRMAN.- 20.

HON. N. NAWAIKULA.- I was wondering, I think this is more than that; some are purely social and some are the non-commercial. What I am thinking is, with addressing this one the drafters can correct us. It relates to where a public enterprise undertakes a need that it will lose, but it needs to be paid for that. In addition to that, you are referring to what, social obligation?

MR. R. AHMED.- Yes, social obligation.

HON. N. NAWAIKULA.- Give us some examples so that we can be clear on that.

MR. R. AHMED.- The example would be in our context, if we are operating a Post Office in Ono-i-Lau, commercially with the population in Ono-i-Lau, it is not viable to operate a Post Office because that Post Office is obviously going to make loss.

HON. N. NAWAIKULA.- (Inaudible)

MR. CHAIRMAN.- This is basically like AFL, only the profitable airport is Nadi, the rest of them are social obligation. So similar, for example, Post Fiji shop in Suva might be viable, all the rest of them in the islands, rural and maritime areas, are basically social obligation.

MR. R. AHMED.- Exactly.

HON. N. NAWAIKULA.- ... when this Bill is passed, you can get into a memorandum with the Government so the Government gives you annually, the money for that so that you do not do it for a loss.

MR. R. AHMED.- That contractual agreement is already in place with the Ministry of Economy, in terms of compensation for the losses that are incurred to operate non-commercial or non-viable Post Offices, which are not commercially viable.

MR. CHAIRMAN.- That is actually why the Government is trying to bring in these reforms so that, that amount of dollar value can be forked out from the revenue itself that public enterprises are actually collecting. The Government has its own social obligation through the Ministry of Social Affairs. That is where the reforms are coming from that. All public enterprises need to actually get it from their own revenue and still be viable, and then pay dividend to Government as well.

Yes, go ahead please.

MR. R. AHMED.- The next one is Clause 21(2), where it says, and I quote:

“Money payable by the State under a non-commercial obligation agreement is payable out of the Consolidated Fund unless otherwise approved by the Minister responsible for finance.”

I think it is supposed to read, “...Minister responsible for Economy...” So, you can just incorporate that change.

The last but not the least maybe, in regards to Clause 51- Chief Executive Officer; it outlines the qualities and the capabilities of the CEO. But nowhere in the Bill we have any timeframe or outlined timeframe in terms of when a CEO for the public enterprise must be appointed, within what timeframe. Clause 51 (1), (2) and (3), so if we can look at some sort of timeframe as to by when a CEO must be appointed.

That is all Honourable Chairman and the Honourable Members of the Committee.

MR. CHAIRMAN.- Thank you very much, Sir, for those comments, they are noted. I would just like to seek the clarification from Madam DSG with regards to the word ‘spouse’. Spouse, I think is defined in other legislation as well.

Any other comments Honourable Members?

If not, then on behalf of the Standing Committee on Justice Law and Human Rights, I would like to thank you for presenting this morning before the Committee. We have noted some very valid points. So once we are back at Committee deliberation stage, we will definitely be deliberating on it and if further clarification needs to be obtained, we shall go back to the drafters and get that.

Thank you very much for availing yourselves this morning.

MR. I. MOW.- Thank you, Honourable Chairman and Honourable Members for having us here this morning to present before the Committee. I would like to apologise on behalf of our Chairman and the Board members for not being here today. But we will take the comments and the views that have been raised this morning, back to our Board. We will ask them to do separate presentation to the Committee as soon as possible. Thank you very much.

The Committee adjourned at 9.16 a.m.

The Committee resumed at 9.22 a.m.

Interviewee/Submittee: Unit Trust of Fiji

In Attendance

- | | | |
|------------------------|---|--------------------------------|
| 1. Mr. Vilash Chand | - | Chief Executive Officer |
| 2. Mr. Sakiusa Bolaira | - | Regional General Manager |
| 3. Ms. Poonam Chand | - | Risk and Compliance Department |
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MR. CHAIRMAN.- I, on behalf of my Committee on Justice Law and Human Rights, would like to welcome the Team from Unit Trust of Fiji - Mr. Vilash Chand - Chief Executive Officer; Mr. Sakiusa Bolaira, Regional General Manager; and Ms. Poonam Chand, Risk and Compliance Department. A warm welcome from the Committee and thank you very much for availing your time this morning to present to us on the Public Enterprises Bill, Bill No. 4 of 2019.

(Introduction of Committee by Mr. Chairman)

Without further delay, I now give the floor to you to introduce your Team and do your presentation with regards to the Public Enterprises Bill. Thank you.

MR. V. CHAND.- Good morning, Mr. Chairman and the Honourable Members of the Committee. First, I would like to take this opportunity to thank the Committee for allowing us to share our views in terms of the Public Enterprises Bill, Bill No. 4 of 2019.

I would like to first introduce my team as Mr. Chairman has stated in his opening remarks, however, it is my duty to provide introduction.

(Introduction of Team members by Mr. Chand)

We have taken note of the Public Enterprises Bill, which was given to us, we have read it with a lot of interest and we have also gone through section 11 of the Companies Act. With regard to legal background, none of us are lawyers so we will just share our views in terms of the practice. What we found from the particular Bill which was given to us is, there are five different sections we would like to provide our views on.

Mr. Chairman, I have got the submission in writing.

MR. CHAIRMAN.- (Inaudible)

MR. V. CHAND.- Mr. Chairman and Honourable Members, as I mentioned, the first item which we have identified for our discussion this morning is from Part 5 - Clause 22(3) which is on Page 11 of the Bill. There is a suggestion from our side.

Clause 22(3) says, and I quote:

“The statement of corporate intent must be publicly available.”

We are of a view that it should be expressed as, “maybe publicly available with the approval of the Minister.” The reason we are saying “may” is not that we do not want to have public disclosures, we

would like have much public disclosures as we can, but we understand that this Statement of Corporate Intent (SCI) contains sensitive business information, such as nature as scope of activities intended when taken; statement or the strategies for achieving these goals and primary objectives; and as well as some of the trade secrets.

Considering the competitive environment we are in, we are of a view that the SCI disclosure in the public arena may expose our trade secrets. So, that is why we said it may be publicly available with the approval of the Minister. Nevertheless, the full public disclosures are being made available through the annual report which I believe is part of Division 2 - Operational Transparency, Clause 58 and 59. So, we believe that the disclosures through the Annual Report will suffice for our stakeholders.

The second item which we identified and we would like to add value is on Part 5 again, Clause 27(1) which says, and I quote:

“The business plan must contain information about the operations, strategic directions and financial projections of the public enterprise for the financial year and the following 2 financial years.”

Upon reading this particular Clause, we have noticed that one of the key elements which is not being taken into account is human capital development. So, we are saying in our submission is that, let us put some emphasis on human capital developments, such as competency, upskilling, organised structure, to accommodate business objective and development.

From the Public Enterprise Act 1996, we were required to submit three different documents, the:

1. Statement of Corporate Intent;
2. Statement Corporate Plan; and
3. Employment Industrial Plan.

The Employment Industrial Plan actually contains the human capital side, so since that document has been no longer applicable, we believe that most of the elements of that document could incorporated in the business plan.

The third item for discussion is from Part 6 - Clause 31(2)(b), which is a point of observation. There is significant changes making reference to restrictions on directorship that includes Civil Service with directors, direct regulatory or operational responsibility for the principal business of the public enterprise will not be eligible for Board appointment. Related reference on Clause 68(2) is noted.

However, we believe that whilst we have mentioned about the directorship, the Clause has made no reference to Board observers whether this is also applicable. In the current practice, we have a representative from the Ministry of Public Enterprises representing on the Board as Board observers. So, I wanted to see what would be the position after this Bill is enacted.

The second last item, Mr. Chairman and Honourable Members, is Part 6 again, Clause 42. Again, it is a point of clarification on disclosure of interest, one of the critical issues right now in terms of Board deliberations. There must be a provision that stipulates that those who are representing this interest of shareholding for the parent company and/or investment in a subsidiary company should not be deemed as a conflict.

In such cases, the representative is appointed by the parent board to safeguard and protect its interest and stakeholders. With the example of Unit Trust of Fiji Management Limited, we being the

fund managers, we invest in a number of entities. Most of them are direct investments and as virtue of our shareholding, the Board appoints the members of the Board or the members of the Management to represent our interest in those Boards. So we want to see that some clarity to be made in the Bill in terms of the conflict of interest in that regard.

The last item, Mr. Chairman and Honourable Members of the Committee, is again in Part 6, Clause 55, which is a point of clarification on Directors and officers' liability insurance cover. Clause 55 clearly states what are permitted by identifying the Directors and officers of the company and it gives the condition which is stated on (a), (b) and (c).

The point of clarification was that, we as an entity would like to obtain Director and officers insurance cover, shall we seek Minister's approval prior to securing that insurance cover for the company? So, that is the only point we felt that shall require bit of clarification.

Mr. Chairman and Honourable Members, these are our observations and the comments or submission to the Public Enterprises Bill 2019 and we are happy to take any questions or clarifications that the Committee would like to seek from us. Thank you very much.

MR. CHAIRMAN.- Thank you, CEO, for that wonderful presentation with regards to the Public Enterprises Bill. Before I open the floor, I would like to ask, the Board observers, are they voting members?

MR. V. CHAND.- No, they are not.

MR. CHAIRMAN.- As far as I believe, then it will not actually apply to them, they can still sit in as an observer in the Board but it is particularly for the Board Members.

Then we also have Clause 68(2) which states that there might be certain civil servants or still might get appointment even after their term expires. That is something that I think will actually be decided upon in regulation or once this Bill does become an Act.

Apart from that as far as clarification is concerned, what basically happens is, we do not clarify at Committee stage. All the questions that are brought in are sent to the Drafters because they are the ones who drafted the Bill.

What happens is, whatever the clarification you are actually seeking, we will send it back to the Drafters for them to explain why this particular clause is in such a manner and what is their justification. The justification is part of the Report that is sent to Parliament. So once we do present the Report in that, you will be able to find out what are some of the explanations given by the Drafters through the Committee to all the submissions that came in.

I now open the floor to Honourable Members if they have any questions or comments they would like to make.

When was Unit Trust of Fiji established?

MR. V. CHAND.- Mr. Chairman, Unit Trust of Fiji was established in 1978 by an Act of Parliament. We had our Unit Trust Act since then until the Companies Act 2015 came into force and that was when the Unit Trust Act was repealed.

MR. CHAIRMAN.- For example, if you look back to 1980s and 1990s and currently, what used to be the profit made back then and what is the profit you make currently?

MR. V. CHAND.- Mr. Chairman, Unit Trust of Fiji was a pretty small entity in 1970 and even in the 1980s until 2000. In the early 2000, the investment portfolio was sitting around \$20 million, with the customer or investor-base of around \$1,000 or \$1,500. Since then, we have grown and today, we have exceeded our investment portfolio of \$250 million, with the investor-base of \$20,000.

We have expanded ourselves as well, we have gone into the region. We have now got Vanuatu and Samoa on board, so they are making direct investments into our fund right now with the vicinity of around \$20 million and its potential to grow.

We are expanding also in the Branches - Nadi and Labasa, and also we are targeting most of our Fijians working abroad, particularly in the UK and US - rugby players, nurses, British Army, so they are directly investing in our fund.

HON. N. NAWAIKULA.- Can I just ask, what is the difference between Unit Trust of Fiji and Fiji Holdings Unit Trust? Do they do the same kind of thing or how does this differ?

MR. V. CHAND.- Thank you, Honourable Member, for your question. We both do the same business, we both manage funds in Fiji. We are competing against each other. Market share-wise, we are holding round about close to 70 percent market share, and they hold the remaining 30 percent.

The difference in terms of shareholding, if you allow me to share this, we are 100 percent owned by the Fijian Government and Fijian Holdings Unit Trust is 100 percent owned by Fijian Holdings Limited.

HON. N. NAWAIKULA.- Is your shareholding there guaranteed by Government? Is there something there or not?

MR. V. CHAND.- No.

HON. N. NAWAIKULA.- Was it there before?

MR. V. CHAND.- No.

HON. N. NAWAIKULA.- Never was there?

MR. V. CHAND.- Never.

The set up was done in 1978 with the intention that, 'let us create a vehicle for ordinary Fijians', because they could see there was nothing available at that point in time where our indigenous Fijians could save and create the world. That is how the idea had floated and mooted by the Government then. The idea actually floated from the UK, and that was how we got established.

MR. CHAIRMAN.- Just outside the ambit of this particular Bill, I would just like to get, in a way of background, how do people invest and what do people invest? What is the return like? For example, let us have a cap of \$10,000 if someone is willing to invest. What do they invest in and how?

MR. V. CHAND.- Mr. Chairman, you are enabling me to do my marketing. I am more than happy to do so.

Basically it is a direct investment. Any person in Fiji or abroad can be an investor with us. Basically, they buy in units, like they are buying shares in a company, so they are buying units in Unit Trust and become a unit holder.

Proportionately, whatever they buy they hold that unit holding and then we declare dividends every six monthly. So whatever dividends we declare, is paid across the board, and the dividends we pay is tax free as well. It has been given by the Government since 1978.

In last year's Budget, the exemption has also been extended to non-resident investors. So investors coming from outside of Fiji, they also enjoy the same tax free benefits which the resident investors are enjoying.

In terms of what we do with the funds, we pool all of the funds together. Once it gets to a sizeable value, then we go and make direct investment in companies, whether it is a public company or private company.

We also invest in:

- Government bonds;
- managed funds;
- direct properties; and
- we can also go offshore subject to RBF approval.

Entities such as, HFC Bank, we own 25 percent; we own 10 percent of Marsh Fiji - the insurance broking company; 15 percent of Fiji Gas; we own shares in RB Patel, FMF, so there is a number of companies we own shares in.

One of the majority shares we hold in is South Sea Towage Limited which is part of Fiji Ports Corporation Limited, providing tug or towage services. It is a monopoly business which was owned by an Australian company, which we went and bought out the shares from them. So we make direct investments and the property we are going to redevelop is in McGregor Road and we are going through an approval process to see what would be the value proposition in terms of building that particular property for our fund.

Mr. Chairman, the other important point is, what is the return for our members? There are two different funds which we have established for our investors and those are; Income fund, which is more compatible to term deposits in Fiji. Our average return for that is 3.5 percent or 3.7 percent which is again tax free. The other is the Income and Growth Fund attracts two different types of returns - dividend, plus growth, and that is where majority of the investors are.

Averagely, if I can give you our four-year track record, in:

1. 2015, we paid out 11 percent return;
2. 2016, 11 percent;
3. 2017, 19 percent; and
4. 2018 which has just finished last year, the numbers have been audited, we are looking around 25 percent return.

So, if you look at the return which we provide in the market, it is very, very competitive.

The other important point I would like to mention here is, how we are making a difference in society. We are allowing investors and particularly, iTaukei investors. We have around 90 percent iTaukei investors in our portfolio and they range from:

- Farmers;
- Provincial Councils;
- Tikinas;
- Groups;
- Women's fund; and
- Church groups.

There are a number of people coming and we see the cases, where they have started creating their wealth over a period of time and then they use those funds for their specific projects, such as:

- Community halls;
- Church; and
- Providing decent education to their younger children, et cetera.

That is how we have contributed to the society so far. Thank you, Mr. Chairman.

MR. CHAIRMAN.- Thank you. Any further comments?

HON. M.D. BULITAVU.- Thank you, Chairman, thorough you, thank you CEO and the Team. I thank the Unit Trust of Fiji and the Management, you were very helpful. You have rightly stated, it will really help us, especially from my area also in Vanua Levu, most of our Mataqali Trustees and Church Trustees trust the shareholders in the company.

Every time and again we have issues, such as someone passing on, the changing of trustees and the requirements of minutes, et cetera. Probably, it is just something for the organisation to take back on how this could be done not to compromise the standard and the systems that you have, but when you come down to village level. Most of the time when we travel around, these are some of the issues that they come up with which they find difficulty with. You have an office there in Labasa, at HFC?

MR. V. CHAND.- Yes.

HON. M.D. BULITAVU.- On the availability of the form and the types of form to fill, et cetera. But I discourage people from redeeming this, but to continue to reinvest with Unit Trust because it has really benefited the community.

Some of the other things that have probably come to your attention is the changing trustees and the intra-conflict between members, one group comes up with a new deed of trust and another group says that they have taken over from this group, but again, it comes down to how that could be protected, their shares and the purpose of their shares to be achieved. Those are some of the things that I would like to comment on. Just a final question, given that Government owns the biggest shareholder of 100 percent, are we registered in the stock market?

MR. V. CHAND.- No, we are not registered in the stock market.

HON. M.D. BULITAVU.- The way forward from this after you have gone into buying shares from those subsidiary companies that you have said, in 10 years or 15 years' time, how do you see the

Trust moving away from the Government ambit to become a standalone in terms of just a company and the shareholders?

MR. V. CHAND.- Thank you, Honourable Member. Maybe, I will just provide a bit of clarification on our structure. When the Government decided to create this particular vehicle or entity, they invested in a company called Unit Trust of Fiji Management Limited, which is the company we are representing today. Then by virtue of the structure, because they brought a UK model, Unit Trust in a UK model requires a manager which is the management company, requires a trustee and also require fund.

The Trustee Company is also a separate company which is called Unit Trust of Fiji Trustee Company Limited. Again, Government has got some direct shareholding there, and then the other 51 percent is held in Trust by the Directors or the Trustees. So that is why it is independent. The fund which we manage, is totally public fund. No one has got control over it. It is a public fund and we are following the necessary regulations to manage that fund.

The other important point here to note is, once we are owned by the Fijian Government in terms of management company, the fund itself is regulated by Reserve Bank of Fiji (RBF). So, all the regulations are being provided by RBF in terms of the day to day operations, even to the stage or your point on-boarding of the customers. When we on-board the customer, when we want to change the trustee signatory details, et cetera, all has to be followed by a process and the law which we focus on is Financial Transaction Reporting Act, I would say rather.

The regulation is very clear in terms of what our dos and don'ts are. But they have got some exceptions in terms of the investors who are coming from villages. That is what Poonam is looking after, they have given us some leeway in terms of on-boarding those type of customers because given a customer coming from a village and given a customer coming from a central area, is two different types of customers we see. So the requirements are a bit flexible but just in terms of our governance structures, RBF is there to provide us with annual licensing in terms of our fund and also in terms of our individual employees, who can act as a representative for the fund.

MR. CHAIRMAN.- Thank you very much, CEO, for those explanations.

Once again, on behalf of the Committee, I would like to thank you very much for representing Unit Trust of Fiji and presenting on the Public Enterprises Bill. Thank you for availing yourself, *vinaka*.

The Committee adjourned at 9.48 a.m.