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### PUBLIC ACCOUNTS COMMITTEE HEARING

#### 2016/2017 Audit Report on Government Commercial Companies and Commercial Statutory Authorities

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**STANDING COMMITTEE ON**  
**PUBLIC ACCOUNTS**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (WEST WING)**

**ON**

**THURSDAY, 3RD OCTOBER, 2019**

**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD IN THE BIG COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON THURSDAY, 3RD OCTOBER, 2019 AT 1.05 P.M.**

**Interviewee/Submittee: Copra Millers of Fiji**

In Attendance:

- |                     |                 |
|---------------------|-----------------|
| 1. Mr. Raj Sharma   | Chairman        |
| 2. Mr. John Deo     | General Manager |
| 3. Mr. Veenal Kumar | Accountant      |

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DEPUTY CHAIRPERSON.- Good afternoon everyone, on behalf of the Chairman of the Public Accounts Committee, I welcome you all to this meeting. Today before we move further on may I introduce the members of our Committee.

(Introduction of Committee Members)

Before we move on, may I request the representative from Copra Millers of Fiji to introduce their team and then we will begin with the proceedings. As a matter of interest, at any given time while you are deliberating, the Members can interject and ask questions and if you feel that you want to respond to those questions in written form later on, you have the liberty to do so. So, without further ado, may I request the representatives from Copra Millers to introduce the team and then begin with the proceedings. Thank you.

MR. R. SHARMA.- Thank you very much Deputy Chairperson of the Public Accounts Committee, Sir. The respectful and Honourable Members of the Committee.

We are here before the respectful Members to clarify the position that has come out from the Auditor-General's Report. Thank you.

DEPUTY CHAIRPERSON.- Thank you very much, you may begin with your deliberation.

MR. R. SHARMA.- Thank you very much, I believe there were three questions that has come to us, in particular, so we wish to respond accordingly. The questions have been provided to the Members, so the first one was;

Does the company have a Risk Management Policy and a policy on the classification of spare parts? If so, please present a copy of the policy.

We understand that at the time of audit, we did not have the policy. The Board and the management met comprehensively to look at the policy and the policy documents. Initially, we tried to engage an expertise to look at the policy. We could not get the right people, so the Board and the management formulated a policy and then after that, currently, it is being

reviewed by KPMG. For the benefit of the respectful members, we do have sound knowledge of the risk management that we are going through, so we had provided and captured that, but it is currently being reviewed by KPMG.

Also we have an Accounting Policy Manual and the policy that classification of the spare part forms accordingly on page 13 as it was highlighted and the accounting policy was again reviewed in August 2017 by the Board, so that is for the first one.

DEPUTY CHAIRPERSON.- Any questions, Honourable Members?

HON. V. PRAKASH.- Supplementary question on Question 1. I do not know whether you have an OHS Committee within your organisation?

MR. R. SHARMA.- Within the organisation, maybe our General Manager would like to take that question.

MR. J. DEO.- Mr. Deputy Chairman, we do have an OHS Committee at the factory and we are doing minimal compliance to the OHS requirements.

HON. V. PRAKASH.- Is the Committee effective? Have you had visitations from the Ministry of Labour?

MR. R. SHARMA.- Once in a year they would come.

MR. J. DEO.- There is continuous visits from them in terms of random checks from the Labour Officer, Savusavu like the normal safety gears that needs to be equipped by our workers. They check on those.

MR. R. SHARMA.- Coming to that question, Mr. Deputy Chairman is, annually we provide the safety gears, overalls and the boots and all those things to the staff who are working ensuring that they fully comply with that. And so far, we have had no major injuries or anything, so no claims at Copra Millers, as far as we know.

HON. V. PRAKASH.- What about those customers that bring things?

MR. R. SHARMA.- There is precautionary measure but they are not allowed to go inside the mill; that is one. Number two, they come mainly to the office and some of them bring their trucks. So the truck actually do not go inside, they wait on the weighbridge and they fully comply with the OHS requirements.

DEPUTY CHAIRPERSON.- Thank you very much.

MR. R. SHARMA.- On the other side, I think the General Manager wanted to add.

DEPUTY CHAIRPERSON.- Yes, you may do so.

MR. J. DEO.- We have the public liability insurance cover for the public coming in including the business insurance for our workers and also the property.

DEPUTY CHAIRPERSON.- Thank you very much for that response. Any other questions, Honourable Members?

HON. A.M. RADRODRO.- Sir, just a clarification in terms of the operations of Copra Millers Fiji Limited. This is operating at Savusavu. In terms of the history of its operation, was it always operating as Copra Millers Fiji Limited with a separate management or was it that the Ministry of Agriculture that had taken it on, can you just enlighten us on this and how has the transition come through in terms of the history? Copra Millers Fiji Limited and there is also some other similar, maybe sort of competitors that were operating there.

MR. J. DEO.- Chair, on the history of Copra Millers Fiji Limited, the company began in 1983 and the initial arrangement was on the three Ps – the Public Private Partnership arrangement. So, Mr. Hari Punja the hold management contract to run the operations of the mill. So it initially started with Mr. Hari Punja owning 51 percent shares and the 49 percent held by the Government of Fiji. It continued until 2000 when shares were sold back to the Government. That time it was the Coconut Industry Development Authority (CIDA). So, Copra Millers Fiji Limited was reporting to CIDA and in 2010, CIDA got dissolved and all the assets and the subsidiary company was transferred to the Ministry of Finance at that time. Now we are reporting to the Ministry of Economy and holding 98 percent shares in the company and two percent is held by the coconut producers.

DEPUTY CHAIRPERSON.- Thank you very much for your response. Any other questions, Honourable Members? If there is none, you may proceed further.

MR. R. SHARMA.- Next question, Chair and the respectful Members of the Committee. Why did the entity exceed the bank overdraft on numerous occasions?

We are going through, we had been and currently we go through huge challenges in the coconut industry. These challenges had been there before and it was worse off when *TC Winston* hit Fiji. Our coconut industry really went down and we were not spared even in Cakaudrove.

These included where the individual farmers' dryers and all those things being blown away and also the supply was down. We had to gradually pick it up and while picking it up, the other side in 2016 and 2017, the market was at a peak. We could get a very good price. We would get a price of around USD \$1,600 to USD \$1,700 per metric tonne.

Last year and this year, the price has really gone down and last that we knew was USD \$555 so almost one-third reduced. But on the other side, the supply picked up. In about 18 months to 20 months, the supply picked up. For us to look at a good price, we had to hold the stock for economies of scale so that we can make enough, then transport to Suva and from there, we send it across to the major buyers. As such, we also had to pay the individual farmers. We are not selling to the guy in overseas so that we can get our money but here we had to feed the individual farmers, so we had to pay them. That is why our overdraft facilities from \$250,000 went to \$400,000 and that is what the Board sanctioned to have it approved. It regularised and we were cash-strapped on that but for the benefit of Members, we have a loan of \$1 million with the Fiji Development Bank and we have got an overdraft now becoming permanent at \$400,000. We have got a property that secures this loan, it is \$5 million. So, in

terms of the bank security, we are okay. But it is the overdraft that goes as and when we get an income and we comfortably say that currently we sit at \$170,000.

As at September the current overdraft position was \$40,000. We have got a limit of \$400,000, as at 30th September we had \$40,000 which means it is the full maximum use of overdraft. So we do not see that coming as any risk for us.

The other point is, we also had this cash constraint which was, the supply of copra and the price is regulated through the stabilisation fund, and that has been working pretty much of an old formula that expired in 2016.

So the Government, in particular, the Ministry of Agriculture is in the process of reviewing that and that has also affected us as the millers. I would say the growers got a benefit of it because Government gives them a guaranteed price of a thousand dollars per tonne or for dried copra, but, millers we did not. To be honest to the Members, we are trying to work in a commercial basis, I mean even without the Government grants coming for our operations, we are trying to work on a commercial basis. However, from last year the Government has given a grant that is subsidising the nuts and the green copra, so that we do not pass the shocks to the farmers at least they are getting a minimum of \$0.20 to \$0.25 a nut.

DEPUTY CHAIRPERSON.- Thank you very much for your response.

HON. A.M. RADRODRO.- (Inaudible)

MR. R. SHARMA.- Stabilisation fund.

HON. A.M. RADRODRO.- (Inaudible)

MR. R. SHARMA.- Normal price would have been \$750, so the Government is giving \$250 per tonne to them. The normal price was \$750, the Government is topping up \$250.

DEPUTY CHAIRPERSON.- Yes, Honourable Prakash.

HON. V. PRAKASH.- We are very thankful that you have come a long way from *TC Winston* and as an industry, you know how important it is for local consumption especially to try and have import substitute, your industry if being relied by many in this country especially in the dairy industry, Deputy Chairman, I declare my interest.

DEPUTY CHAIRPERSON.- Thank you.

HON. V. PRAKASH.- Dairy farmers heavily rely on copra as a substitute feed and at the same time you will find that we have got the poultry farmers, because now you have seen that there are quite a large number of feed mills coming up in Fiji to try and make a quality feed, not only for Fiji but I think they are exporting those feed elsewhere into our neighbouring island countries.

One of the most important ingredient is copra and I hope that with the Government grant that you are getting now, the people who would like to have copra supply consistent and also have a price that they can meet to try and help with this import substitute. As you are

suffering, there are other industries who are also suffering quite a lot and in particular the dairy industry.

I hope the partnership between the local industries with your company is very vital, because I think the copra itself is a very important ingredient for the feed that is needed in our country for various entities, not only dairy but you will find that it is in poultry. We believe that you will take that in mind on how important your industry plays for the national growth and other industries that rely for the proper feed for animals that are needed.

DEPUTY CHAIRPERSON.- Thank you Honourable Prakash

MR. R. SHARMA.- Thank you. May I add something? Just to give a background to the Honourable Members and Honourable Ratu Lalabalavu comes from that area, when Cyclone *Winston* hit Cakaudrove, most of the dryers of the individual farmers were destroyed and it fell under the ambit of the Ministry of Agriculture and they could not reach out timely. That is where we started that we will not wait, at least for the livelihood of the people, we will get old nuts too; pick the nuts, bring it and we will pay you people. With that, we extended our ordinary dryers. Immediately we set up one dryer, then another dryer at a cost of around \$30,000 to \$35,000 and now we have got three dryers. Before there was only one, because then we did not want to wait for those dryers to be set up by the farmers. That is what we immediately did.

Then in 2017, we were able to convince Ministry of Economy. I think what we had done is, realistically looked at and these things that yours truly went and saw what was happening in Philippine was that, that farmer was given an incentive to plant. You would see that sometimes back the Ministry of Agriculture started with one million trees to be planted, but these things never picked up. It was very difficult for us to convince the Minister for Public Enterprises, but he finally agreed. We came up with a plan last year, that any farmer who comes and applies with us, there is a guideline to follow, that you will be given \$20 per a coconut seedling. It was more focussed, from last year it started, 80 percent of that should be in the Cakaudrove area. The reason being:

- i. For the livelihood of the people;
- ii. Also commercially because it is closer to the mill for us.

We set up a guideline and on that basis we were given \$700,000 last year for that, but not fully used. So the farmer applies for it and based on the land, there is a policy guideline that initially you take the seeds, you go and plant and after six months we will come and inspect and give you \$10. After one year, then we will come back and give you another \$10. So last year 30,000 nuts have been given and last week we had a Board meeting to know the success rate; 95 percent are up. This year we also got the same thing and the Honourable Minister would know that there is a nursery that we have set up. This is a programme that we have done. This 30,000 is expected in seven years' time to give us 1.8 million nuts. Those sort of initiatives we have driven.

Coming back to Honourable Members, we do have a good sort of arrangement with dairy in Nausori that we are supplying and also to other mill mix that we supply to the people. There are some other strategic stuff that we have. We really want to diversify our Virgin Coconut Oil (VCO), initially it was not good but now it is self-sufficient. One of our good and

exclusive buyer is Pure Fiji, and we are quite proud to say that that we are distributing to them. There are many other initiatives.

Now on the agenda for us is edible oil which we are looking at. Currently it is a crude oil that we produce. This crude oil needs to be refined before it could be used for cooking, but at home we use it. So we are looking at that to be another process of edible oil. We are looking at machines to be set up within the next three months so by January that project will be producing direct into the pot that you can put the coconut oil.

HON. V. PRAKASH.- Honourable Chairman, I believe there was a tour by a Government delegation to India on the use of coconut was highlighted. Nearly every part of the coconut can be used to diversify lots of products. I am very glad, Honourable Chairman, that we have heard from the stakeholders that they are able to diversify some of that. We were told that the coconut industry in India is quite a lucrative industry because every part of coconut is useful. How far have you gone into your diversification and how many different products are you currently producing from the coconut industry which is quite important to Fiji? After you have answered this question, I will come back, beyond Cakaudrove which will be my next supplementary question. Thank you, Deputy Chairperson.

MR. R. SHARMA.- Thank you very much and through you, Deputy Chairperson, currently we are, like I had mentioned, producing crude oil and that has been the traditional oil that copra millers or any of them have been producing.

From 2016 we started with Virgin Coconut Oil and then we got coconut milk. These are the three main components of our products that we are producing at the moment. Now the fourth one will be edible oil starting from January. We are also looking at what you call the “coconut husk” outside. We are looking to get some specialities to look at that. I think we also have got a designate that meat that we would like to use. So these are couple of things on the agenda that we have got.

Deputy Chairperson, one thing for us is we want it to be commercially viable, the other one is, also the whole process I think management is saying the whole nut processing so everything from the nut is taken out. These are a couple of things that we have on the agenda. Even water, we are looking to process water even from dry coconuts.

HON. V. SHARMA.- So we have got five products coming and we hope to see more will be coming. I believe we have not taken any census of the coconut industry of the whole of Fiji because the *bu* industry is coming up very fast. You will find that fresh *bu* is now available at many urban centres and that is the challenge for you as you know. So far no census has been done because these are the places where you can see that the supply of coconuts is quite huge.

MR. R. SHARMA.- Point noted, Deputy Chairperson. You have got a very valid point. The major suppliers are from Cakaudrove but for the benefit of the Members we are also getting from the maritime islands. The maritime islands is also supplying us and it has been a tradition for us. We are privileged to inform the Committee and Deputy Chairperson that Government sometime back had introduced these bio-fuel mills. From last year we have started managing those mills too on a progressive bases. So Rabi is managed by us, Lakeba is managed by us, Cicia is managed by us and Gau is managed by us.



HON. MEMBER.- (Inaudible)

MR. J. DEO.- Koro and Vanuabalavu got damaged during *TC Winston* so the mill too has been damaged, even the coconuts as well. So now the programme under the Ministry of Agriculture is they are setting up the coconut nurseries to plant coconuts. This month the copra from Vanuabalavu and Koro has started coming.

MR. R. SHARMA.- We also spoke about Cicia declared as an organic island. So we are trying to brand that coconut oil to be totally organic coconut itself, put in the market and what we are looking at, whatever the premium price that we will get, we will pass it down to the community of Cicia. Even Rotuma also is quite heavy, we are looking at exploring that market.

DEPUTY CHAIRPERSON.- Thank you very much for your response. Are there any other questions Honourable Members? If none then you may proceed further.

MR. R. SHARMA.- Please advise whether the Government grant provided has improved the financial position of the entity? Certainly it has. The Government grant that has been given, 2012 had been a loss to us, 2013 had been a slight profit, 2014 has been a profit, 2015 has been a loss, 2016 and 2017 has been a loss, last year we made a profit of \$67,000 and that, despite *TC Winston* impact. This year we are running into a profit, not any huge profit because the world market price has reduced by 66 percent across, but we expect to make similar results at the end of the year.

We are pretty much mindful of, doing business cost is quite expensive when you look at logistics and movements of getting the containers across from Savusavu to load it here. But we are quite mindful, but definitely Government grant has helped us and we had not purely been on Government grant. We also borrowed from Fiji Development Bank and that loan have been given on our ability to repay and we have been quite sound in paying our loans.

DEPUTY CHAIRPERSON.- Any questions Honourable Members? There are no questions at the moment, you may proceed further if you wish to make any comments.

MR. R. SHARMA.- Once again we are honoured to be here Sir, and we are pretty much focussed to turn this company around and for the benefit of the Members, this company has been only limited to copra. Like the Honourable Prakash had said that we look at everything coming out of coconuts. We have got approval from the Government even to change the name of Copra Millers and it will be Fiji Coconut Millers. So we are to change the name of this company and hopefully we are looking to re-brand and re-launch by the end of the year. That is what we are looking at and we have picked “coconut” because every part of the coconut needs to be embedded and used in our product; not only limited to copra.

DEPUTY CHAIRPERSON.- Thank you very much.

HON. V. PRAKASH.- We are very thankful and impressed at the way the industry is coming up especially the name change because I believe that no matter what happened, still all the products of coconuts are very important to us and to any nation. I believe as much as the product that he will be able to produce and in the near future, it will benefit the country and especially the rural development which is the heart of Government development. We have a

very important place with rural communities and maritime in terms of earning and trying to be part of the industry.

I think with your expansion and producing more products would really revamp this coconut industry. I think the whole nation will benefit. Therefore, it is important that we should have some future plans for the industry and other products that you might be producing when we meet sometimes next or whenever you feel free, you can write over to the Public Accounts Committee and let us know what your new products are.

The Pure Fiji Oil is perfect and it is really giving a very good sort of lubricant too many people around the country whose skin normally gets very dry because of various reasons and that oil is really a very good lubricant. It is sort of selling quite fast.

MR. R. SHARMA.- Thank you, Sir. Just to add two more points on the Virgin Coconut Oil, these things are available in the tourism sector. You will find it in the airports, but two more points on the Virgin Coconut Oil. These things are available in the tourism sector, you will find it in airports but two more points I intend to make over here. Sometime back on television came one of the scientist who came to visit us. He is a scientist, researcher and an expert in coconuts. He found that Fiji's coconut oil was the best. One of our buyers, actually the people of Malaysia also get it from Sri Lanka and they have also announced that our coconut oil that we sell to them is one of the top they find it in the world as far as coconut oil is concerned.

DEPUTY CHAIRPERSON.- Thank you very much for your response.

HON. RATU N.T. LALABALAVU.- Thank you, Deputy Chair. I thank the General Manager and the Chairman as well for the explanation given on the dying industry. Although we are trying hard to resurrect it, tree of life as everyone knows that everything is useful. Most of the rural areas still rely heavily on this; our province and other provinces as well.

The question that I would like to raise, through you, Deputy Chair, Copra Mills is just to do with milling because the most important part the planters, the producers is quite loosely arranged. I will take us back to Colonial times, 1950s and 1960s where big companies owned big estates that ensured the steady supply of copra for us to become a big producer in the region competing with the Philippines, et cetera. Now, when that died out, it was so loosely arranged even this \$20 per tree to be planted as highlighted by the Honourable Minister of Agriculture in the House, which was news to us. That should have been heavily done by the Ministry of Agriculture because they are still in charge of the plantation.

MR. R. SHARMA.- Yes.

HON. RATU N.T. LALABALAVU.- The planting and how to entice them to plant more crops and all. What sort of plans do you have apart from the questions raised by Honourable Prakash, you know the trip to India by the Honourable Prime Minister Qarase, when they came back, they can make 20 bi-products of coconut.

MR. R. SHARMA.- Yes.

HON. RATU N.T. LALABALAVU.- From carpets to mattress and doormats and everything but again it is a big thing because you have to try and do the promotion and the mechanisation but India is well advanced especially the State of Kerala. What would be the view of the Copra Millers (the mill) for the long term steady supply of copra coming in from the planters? How can that be better organised? Because if we rely on the Ministry of Agriculture, see if they have opened a station in Mua, it is too far, not close to the farmers.

MR. R. SHARMA.- Yes.

HON. RATU N.T. LALABALAVU.- It is situated between Matei and Somosomo, it is stuck up there on the hill. There they do all the trials and all that. But who gets the benefit of that, we do not know. Now, we have been informed \$20 but from your perspective, how would you like to see this, can it be something similar to the cane industry, their farmers are well organised. They are well represented in the industry but in here you only have 2 percent as shareholders in Copra Millers.

MR. R. SHARMA.- I am sorry, Deputy Chair. A very valid question, Honourable Member, that you have asked. We do have challenges and you have picked up the right one taking us back to the Colonial time when it was well organised and that is where we still have those shortfalls right now; 35 percent according to our reports and some of the reports that SPC has produced, 35 percent of the coconuts fall, that is, no one to pick it up. So they germinate because of the old age of the people on the estates, which is number one.

Number two, people also have switched to some other sort of products even in Cakaudrove, people have switched to grog and also to *dalo*. Grog is getting them a premium price at the moment. Last Saturday we spent the whole day on strategic planning to produce this report and one of the things that management told us is that it is not the men folks who are more into these, it is the ladies who collect and put it on the road. So that is another point.

Now, after *TC Winston*, we found that while the Government had a plan to plant those 1 million tress or whatever, it did not go to the expectation, that is where we said, “let’s go back to the Ministry and we put this incentive.”. So every year we are looking at 30,000 nuts and this is structured in a way of, if it is not in an individual but rather in a communal way, then the landowners and the *mataqali* and *turaga* that is a guideline that they have to endorse and give it for application.

Second one, we are giving it to the people who would have a land that they can plant. So that sort of structure we have. We would have about 200 registered farmers in our database and there are about 900 suppliers. These suppliers could be anyone who supplies. So those sort of structures we do have, but you have rightfully said that it needs to be restructured, we are still to talk to Ministry of Agriculture. Recently they have got a registered agriculture supplier grower IDs and all those things, and a database, and growers database are already with Livestock Council that we had engaged with them, but this is something we want to have with the Ministry of Agriculture.

We also have it on the rise, that these are registered people like you have rightfully said in the sugar industry. So even the Government subsidies being passed down is accountable for those people and they reciprocally need to pass it down to the entities for their benefit. We are working towards that.

The other part of your question was, diversification. I have mentioned that there are four items on the list at the moment. Honourable Ratu Lalabalavu, we are looking at the next 7 years from now. We always face this problem in the agro sector, the consistent supply of things. We may have the market, but the supply also needs to be consistent.

At one point in time, like in 2016, we had a price of \$1,700 per tonne as a price. We did not have copra, but we had our buyer needing it. We thought of getting it from Kiribati; mill and send it but the cost of getting it from Kiribati to mill we would not make any money, so we left that aside. So these are the plans that we have, so that it becomes a consistent supplier and the benefit is passed down to the people over here. In the maritime areas, we are not making money, but it is part of a corporate social responsibility; those benefits passed down to the people.

On Saturday the management was mentioning the cost of getting the things from Lakeba is, no we are not making money, but there is some sort of livelihood we are putting and we are trying to cushion it. But for the first year of bio-fuel, the Department of Energy is trying to subsidise those for us.

HON. RATU N.T. LALABALAVU.- Just a supplementary question on that one, Honourable Deputy Chair? Just throwing ideas across so you better assess yourself as a miller. Another way, this is the planting, because you are on the far end; milling.

MR. R. SHARMA.-Yes, Sir.

HON. RATU N.T. LALABALAVU.- If there is no good production from the planting side, then it is the same story all along; you will continue to get Government grants just to operate the mills but at a huge cost. What we are trying to float to you, Deputy Chair, the idea of protecting the millers interest. When ensuring that something more like tangible that is out there, like to protect the interest of the mill with the planters. You arrange them in cooperative, I raise it in the House and the Honourable Minister for Agriculture shot me down saying, “No, more cooperative” but when Honourable Premila spoke again she said, “No, the cooperative of the Ministry is still there”. It would be ideal and that will be more conducive to the ownership of land that the *mataqali* have out there. In addition to that the social issues that you have raised, before they used to have a fund deducted ...

MR. R. SHARMA.- It is still there, Sir.

HON. RATU N.T. LALABALAVU.- ... from copra that is banked to the Ministry of Fijian Affairs. This took care mostly for education and buildings for the copra farmers. That is still there as we have just heard but it is not going like before, because the generation now hardly know that there is an account in *iTaukei* is known as the *lavo musuki ni niu*. I do not know what the English term for it is. These are from the proceeds set aside for their own benefit as well but it has been organised by the Government. Along those lines because here we are trying to resurrect something, we are not trying to reinvent the wheel, it is already there; just a big waste. Some of us continue, the rest is just piling up; *vara, vara, vara* all the time; sad. But again when you look at the big estates in Taveuni, Deputy Chairperson, they are still selling oil. See the Tarte's in Vuna they are still selling virgin oil. They have been doing it since the Colonial time and they are still continuing and they thrive on it. Sadly it is the other side of it,

I mean the farmers, the landowners have completely lost interest in it, just a way of throwing something across to help the millers.

MR. R. SHARMA.- Through you Deputy Chairperson, again you raised a very valid point. This is part of our agenda to have a total community inclusiveness with the Board. Once a month we will be going to each of the communities, even the management is going on a weekly basis to educate the importance of that so that we have a consistent supplier, that is one part we are looking at to all the major supply areas of Cakaudrove that we have said that we will be trying to educate, create an awareness and have a totally inclusive of that. I think what we have discussed with the Provincial Council, DO Savusavu and the Ministry of Agriculture, for the benefit of the Members also there is a Coconut Taskforce which involves the Commissioner Northern and also the officials of the Ministry of Agriculture in Savusavu and one of the representatives from the Ministry of Agriculture. It is a coordinated effort that we have been trying and I think recently they have established a Coconut Officer. Before there was no Coconut Officer based in Savusavu so that is also been established over there. We are trying our best and your point, Honourable Member is very much valid to have a total inclusiveness of the community.

MR. J. DEO.- Deputy Chairperson, this was well organised before like as Honourable Ratu Lalabalavu has mentioned. When there was a Coconut Industry Development Authority (CIDA), it was an authority purely on coconuts; coconut planting, research, diversification and all. So after dissolving CIDA, I think the coconut industry lost direction at that point in time. Now even through you, Deputy Chairperson we are trying to ask the Ministry of Agriculture if the Coconut Unit can be set up in Savusavu, and managed by the Ministry of Agriculture. So that the records like coconut information data and we have a point of contact.

MR. R. SHARMA.- It has just been started now but it was not there before. But now I think this year when the Minister had launched this strategic plan, we have the figures of what they expect it to grow. So our plan needs to synchronise with them because will be backed by them, whatever initiative they have so that is how we try to synchronise and work according to them. In fact, this document before finalised, they need to be also accountable for that. So, we are getting it vetted by them too. That is what we are looking at.

DEPUTY CHAIRPERSON.- Thank you for your response. Honourable Radrodro.

HON. A.M. RADRODRO.- Deputy Chair, I think you have just taken the word out of my mouth in terms of the question that I wanted to ask. The impact of CIDA not being there anymore, in terms of how they conduct their work when they were there and now they are not there. You just mentioned that most of these things are happening because of the absence of CIDA and the roles that they play to effectively contribute to the coconut industry.

You have highlighted a lot of challenges faced by copra millers in terms of pricing. It is based on the world volatility. The question that I would like to ask is, some of those challenges that you have highlighted, pricing then you have your products, your competitors apart from natural disasters, diseases and you have that industry in Sigatoka, Pacific Green. That is from coconut trees, all these are all your challenges in terms of the operational capacity of the industry. Are there any plans that you have to address these challenges where you will entice the community and the involvement with the Copra Millers of Fiji to ensure that you go back to that achievement that used to be there before?

MR. R. SHARMA.- Thank you, Deputy Chair. We do have challenges and some of the strategies to execute and overcome these challenges we have already done from post-*TC Winston*. One is that we are looking at in the next years to come so people start planting and care being taken. That is where seed distribution is number one.

HON. A.M. RADRODRO.- How long does a plant take to mature?

MR. R. SHARMA.- Around six to seven years. So that is one ....

HON. A.M. RADRODRO.- Compared to some short-term crops that you like *yagona*, as you said.

MR. R. SHARMA.- Yes.

HON. A.M. RADRODRO.- That are there that could compete with the farmers. Anything that you have on that?

MR. R. SHARMA.- *Dalo* and those things can compete. But what we are looking at, coconut is one and it takes seven years. Still now post--cyclone without these planting still going, we are coming back to normalcy, what it was before the cyclone. That is number one.

Number two, 80 percent of our oil was exported. So, it was always there, vulnerabilities of the shocks of price. We are cutting it down to look at having at least 70/30 or 65/35 to local market to be a substitute for all the imported oil that we get. We normally import about 17,000 metric tonnes of oil which equates to \$34 million. So, \$34 million of coconut oil comes over here. In this book, currently we are looking at a sale of \$3 million. In the next five years, we are looking at around \$5.4 million; 33 percent. How are we going to do it is refinery and edible oil. We want to set that machine in the next three months. So even the price over there fluctuates, at least we have a market over here. Currently we sell edible oil in overseas markets for about \$1.30; that was the last. Without refined, currently you will find \$2.75 - 750ml right now. So we get almost 1.25 percent more than the price. The other cooking oil you get it for around \$3, \$3.50 or even \$4 per litre - \$3.75 for 7millilitres. That is what we are looking at, a minimum of \$3.50 per litre for our cooking oil that we will be able to do in six months' time. That should be out on the shelves.

DEPUTY CHAIRPERSON.- Thank you very much for your response. Honourable Members, we are coming to the end of our session ....

HON. A.M. RADRODRO.- Mr. Deputy Chairman, just looking through your answers regarding the Risk Management Policy. You have mentioned about the register being given to KPMG. Can you advise the Committee what is the cost of this register being given to KPNG from this review or something?

MR. R. SHARMA.- We had called up an Expression of Interest, tenders were called. There were bidders looking at to around \$11,000 to \$12,000 to carry out the policy. For the benefit of the Members, yours truly has experienced, I had been a Risk GM at HFC Bank, so I basically knew about the risk management, what we had taken the Board through. Risk management are basic simple things, you know your risks, what the members have highlighted,

what is the chance of those risks happening, what will be the impact of that, so we did an exercise on that.

And after doing the exercise we had formulated a policy, but, we wanted someone independent to check and that check is coming at a cost of around \$8,000. They will review the policy at a cost of \$8,000, also help the management to manage that because we also wanted someone to have an independent view of what we are doing and the Board is fully informed of the decisions.

DEPUTY CHAIRPERSON.- Thank you very much for your response. Any final concluding remarks Honourable Members? Yes, Honourable Prakash.

HON. V. PRAKASH.- This industry is one of those industries which we cannot say is a new industry. This industry is quite old and is very important to our nation as we know, especially through the rural dwellers and maritime families. We are really interested to see that it grows and it is quite important that Government assistance is being given and utilised well to show that the industry is able to focus on further growth and is able to bring out more production from the rural areas. We also know that there are a lot of genetics in all parts of agriculture and seven years is a long time to get something out of it. I am sure through other genetics involved coconut production can be earlier than that seven years. It can also be researched so that we can have better varieties of coconut with a lot of flesh in it. These areas need to be explored and indeed it is a very important industry.

The other thing, Deputy Chairman, I would like to take the management and the Chairperson through the SDGs. We all know that the females are quite part of this industry. I think they have been for decades now, they have been with this industry. We would really like to see that gender balance is always there with the industry, so that the hard work that our females are doing in the rural areas, it filters down to the management and also to the levels where we can see that our female members of the community are also part of management, who also take lead roles in the industry.

As we know that this industry is very important to our country and definitely when we go overseas and see your products on the shelves like coconut oil and other things, we feel really proud that Fiji is found throughout the world.

With these words, Deputy Chairman, we appreciate your initiative and we do understand that there is a lot of room for improvements and I think that is the way it should be and Government is there to assist any industry that is providing alternatives and trying to justify the grant that is given so that the country can benefit. With these words, I wish you all the best and I thank you for the work that you have carried out in spite of so many variables and challenges that you face.

DEPUTY CHAIRPERSON.- Thank you very much Honourable Prakash.

(Vote of thanks – Deputy Chairperson)

The Committee adjourned at 2.00 p.m.

The Committee resumed at 2.06 p.m.

**Interviewee/Submittee: Unit Trust of Fiji (Management) Limited**

In Attendance:

- |                        |                          |
|------------------------|--------------------------|
| 1. Mr. Vilash Chand    | Chief Executive Officer  |
| 2. Mr. Sakiusa Bolaira | Regional General Manager |
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DEPUTY CHAIRPERSON.- Good afternoon everyone. On behalf of the Chairman of the Public Accounts Committee and Honourable Members I welcome the team from Unit Trust of Fiji for today's submission.

(Introduction of Committee Members by the Chairman)

Before we move on, as a matter of interest as you will deliberate, Honourable Members from time to time may interject and ask questions, you are required to give a response. And at given point in time you feel that you want to give a written response, you may do so later on. So without further ado, may I request you to introduce yourself and then move on with the submission. Thank you.

MR. V. CHAND.- Thank you Deputy Chairperson and Honourable Members. Thank you for giving us the opportunity to be here and present ourselves in terms of the 2017 Audited Financial Statements.

We have gone through the issues raised by the Committee, there are several questions being asked and we are more than happy to answer those questions.

For Question 1(a) – we have seen that the questions are divided into different parts and I would like to take the Honourable Members through.

The first question was to give the background of Unit Trust of Fiji (Management) Limited. Unit Trust of Fiji (Management) Limited as a “Manager” for Unit Trust of Fiji and is responsible to manage the investment portfolio for and on behalf of the investors which we term as “unit holders” and provide six monthly tax-free dividends.

The “Manager” which is in short is the Unit Trust of Fiji Management Limited referring to is licensed by Reserve Bank of Fiji to conduct and carry out the business of managing UTOF. The Manager has been operating the affairs of UTOF since 25th April, 1978.

The duties, roles and responsibilities of the Manager are stipulated under the Unit Trust Scheme Deed and Companies Act 2015 and the newly Public Enterprise Act 2019.

One of the key functions of the Manager is to identify potential investments, evaluate the investment viability, conduct due diligence and recommend the investments to the trustee.

Question 1(b) Deputy Chairperson and Honourable Members was regarding the advance made to Fiji Wai Limited. By way of background Fiji Wai Limited (FWL) is a separate



legal entity which was established by the Unit Trust of Fiji Management Limited in 2006 to seek expression of interest from strategic partners to invest in a JV with the intent to establish, finance and operate a water bottling plant in Ra.

By virtue of the structure and the expenses incurred, 1 percent shares were allocated to Unit Trust of Fiji (Management) Limited and the remaining 99 percent shares were allotted to Unit Trust of Fiji (Trustee Company) Limited. Until 2017, all the expenses pertaining to the water project was expensed off until the advice from the auditor to reclassify as advances so that the company is able to track its expenses and recover once a project commences its operation.

The Manager which is Unit Trust of Fiji (Management) Limited and Trustee Unit Trust of Fiji (Trustee Company) Limited via Fiji Wai Limited (FWL) have advanced the funds to meet the cost associated with consultancy, lease and premium payments to landowners, goodwill payment to landowners, research and development for the project, water testing and also compiling an Environmental Impact Assessment (EIA) Report to comply with the Act.

Deputy Chair and Honourable Members, whilst we are on the water project, I would like to give a brief update as to where we are in terms of the progress. Fiji Wai Limited acquired a 99 years lease from native land leases at Naseyani Village, west of Viti Levu which contains substantial springs water flows. The water at its natural form was tested and it met the USA FDA Requirements in the year 2006. The 2,200 acres of land has 12 natural springs and the water samples from 2 springs known as Koroilagi and Lewavinivini were tested in USA. The average flow of these two springs are 4 litres per second which is equivalent to 126 millilitres per annum.

In addition to the issuance of leases, Fiji Wai Limited or UTOF has completed other preliminary requirements for the project. The reports and approvals held on file are Environmental Impact Assessment Report. The EIA Report is fully compliant with the Environmental Act 2008, Geo-Technical Investigation Reports for the proposed plant site which was prepared by Tonkin & Taylor International Limited, Auckland, New Zealand and water testing from two sources which met the USA Compliance Standards. The other springs were also assessed and tested by the laboratory at USP and approvals from Town & Country Planning and Ra Rural Local Authority for project commencement.

So in terms of the project, Mr. Deputy Chairman and the Honourable Members, the progress we also made is, we have spoken to a number of investors locally and offshore in terms of forming a joint venture. Our contribution is that whatever expenses we have incurred to date will be turned into equity. We are looking for fresh capital from the investors and secondly we are looking for the know-how.

Unit Trust is a managed fund, we are not into the water business, however we see there is a huge potential in this particular business and therefore we are exploring potential opportunities with some JV partners. We have spoken to a number of investors from China, USA and from Australia as well.

Notwithstanding, we also have discussed with a number of investor partners in Fiji, so the next step, what we have done based on the Board's approval, we had appointed a chartered accountant, BDO Fiji, to prepare an independent information memorandum which is a

prospectus or a business plan so that it brings some credibility to the entire project and is done by an independent party.

Once that is released, then we can approach a number of investors through an EOI public submissions and then once the Board decides which partner to work with then the JV basically commences. So, that is where we are in terms of the water business in terms of the project.

c) Recovery of advance from Fiji Wai Limited

Deputy Chair and Members, the expenses incurred to-date will be recovered as equity potentially once the project JV is established and the water bottling business commences operation.

d) Recovery of advance done in 2017

The “Manager” has not received any funds from Fiji Wai Limited in 2017.

e) Legislative governing Unit Trust of Fiji allows Unit Trust of Fiji (Management) Limited to provide those advances?

The mandate provided under the Companies Act 2015 and Scheme Deed allows the “Manager” to spend funds to explore, identify, conduct due diligence on potential investments which will benefit the investors or unit holders. In this case, the expenses related to Fiji Wai Limited was re-classified as advances to ensure that the funds are recovered directly or via equity once the project is implemented.

Question 2:

a) Delay in submission of draft financial statements to the Office of the Auditor-General (OAG)

We acknowledge the findings when we also agree what has been highlighted by the OAG. The delay in submission was due to pending reconciliations, tax-effect accounting calculations, internal resourcing and planning.

The same was noted in 2018 which is last year.

Going forward, based on our discussion with the Board and looking at our internal resources, we have recruited additional resources as part of succession planning. Also we have reviewed our business processes and recently we have appointed a Head of Finance and Investment to provide the financial leadership and ensure that the financial governance and timelines are adhered to.

So, Deputy Chair and the Honourable Members, we acknowledge what has happened to us in 2017. There was a delay; 2018 is the same. We acknowledge that and we have taken necessary actions to rectify the issue on hand.

DEPUTY CHAIRPERSON.- Yes, Honourable Prakash.

HON. V. PRAKASH.- Deputy Chair, Unit Trust of Fiji is a very important entity to our country and the people who are trying to invest in it. Getting your assurance is something which is very important and very good as far as the financial statements are concerned. It is important that those financial statements before the due date is always made available because based on the trust that the investors have, they have put in their hard earned money and indeed any organisation would be looking at a very transparent financial system. It is good, Deputy Chair that they have given assurance but I think that is something that should be met. There should not be any excuse for those kinds of things because that area is very important for our growth as well. As you have said, you are looking for young investors. There are youths and other people to try and invest and as we know our youth are very dynamic. They will always be looking at transparency and accountability and I think that should be taken on as a very serious note; financial statement and financial requirement of Unit Trust of Fiji. It needs to be adhered to if it needs to grow and attract more customers.

DEPUTY CHAIRPERSON.- Thank you, Honourable Prakash. You may move on.

MR. V. CHAND.- Thank you.

DEPUTY CHAIRPERSON.- I am sorry, Sir. There is a question from the Honourable Member.

HON. RATU N.T. LALABALAVU.- Sorry, Honourable Deputy Chair. Thank you, Sir, for the explanations given so far. I declare my interest also for holding unit shares as well; my clan and my family as well. The question that I would like to raise there is the Unit Trust Investment arm. One of the things that kind of made us buy units from the Trust was the backing of Government. Now you are going to diversify, how do you see your role there just to ensure despite the competition that you now have with Fijian Holdings Trust and other trust organisations coming up, that continuity of this Trust is maintained with that Government backing? Do you still have the Government's backing?

MR. V. CHAND.-Thank you, Sir. May I respond to that, there are a couple of things you have highlighted, Sir, is very important. I think the first thing is Government backing, yes. Government owns 100 percent of the Management Company and also 49 percent of the Trustee company. So Government's support is always there, the other thing we would like to acknowledge in terms of competition, yes we do have competition. We have competition with Fijian Holdings Unit Trust directly, and we also have competition with financial institutions and the banks.

So the rule of the game is very simple, Sir. You have to provide the best return in the market. We are proud to say that for the last several years we have been paying record dividends and that is one of the contributing factors why we have seen the increase in the board size, we have seen the increase in the number of unit holders and I think most importantly we would also like to advise the Committee here is that we have gone regional. Apart from Fiji we have explored ourselves to the region, second, we have been very active in that area and we are pleased to announce that to-date we have received \$22 million from the region; Samoa and Vanuatu.

So we have got funds like Unit Trust of Samoa, Samoa Provident Fund, Samoa Parliamentary Pension Schemes Funds, Vanuatu National Provident Fund and Vanuatu Teachers Union; they are on board, collected an invested of \$22 million. The other strategy in terms of going forward and growing our books is also exploring of opportunities with the Fiji residents working abroad. We are trying to bring that financial literacy programme to them that by the time they retire they return to Fiji they have got some financial backing.

We have got a number of investors coming from United Kingdom, United States of America and Australia as well. Still it is untapped market, there is a lot of ways we can grow that market. What we are doing now is we are partnering with FRU, when our rugby players leave our shores we try to go and brief them. We are also partnering with RFMF to see if we can create that awareness programme with them. Those are some of the things we are doing, Sir, to ensure that the business grows and if I can give you the numbers:

- In 2010, Unit Trust of Fiji was worth \$60 million, today it is worth \$260 million;
- Our customer base at that point in time was around 10,000 to 11,000; today we have 21,000 customers with us.

DEPUTY CHAIRPERSON.- Thank you very much for your response. Any other questions, Honourable Members?

HON. A.M. RADRODRO.- Thank you Chair. Just a question CEO and Board Secretary. First of all I would like to declare my interest as well as a unit holder in the entity. Is it okay, if I ask the question, Sir?

(Laughter)

MR. S. BOLAIRA.- Deputy Chair, it is a good conflict of interest as the Honourable Member alluded to earlier.

(Laughter)

HON. A.M. RADRODRO.- In terms of highlights that you have given regarding Fiji Wai Limited, it started in 2006 but today nothing has materialised. In terms of actualisation of the investment, why is it taking long and at what point does the Unit Trust of Fiji see it “alright this is not a viable investment” or is there any timeline given to it associated with this? Say for this example, the Fiji Wai Limited where it started in 2016, today it still has not materialised. Is there any timeline given associated with this plan, I know it is an investment but in terms of your risk assessment and whatever that you do with it and other assessments that are associated with these investments? Is it going to materialised sometime in the future? That is the first question.

The second question, I note that you have also highlighted that you are going regional particularly the Samoa Parliamentary Pension Scheme you mentioned, maybe you can enlighten the Committee on this particular scheme?

MR. V. CHAND.- Thank you, Honourable Member. I will start with the region first then I will go with the timeline in terms of the project. From the region perspective, we have signed the MOUs with respective organisations like Unit Trust of Samoa and also the Samoa

Provident Fund. There are a couple of things we are exploring as partners. One is to allow them to make direct investments into Fiji basically they come directly to us. Secondly we are partnering with them to make some core investment in the region, if there is a potential JV or potential equity to be done with the agent, we can all participate.

Thirdly is to have a knowledge sharing and capacity building programme running. The Parliamentary Pension Scheme is a scheme which Parliament held for civil servants, I am not sure the background of it. So they had certain funds allocated in the bank which is not earning anything so they decided to explore opportunities elsewhere and it happened that we were there and presenting to the Samoan counterparts, and after listening to us and looking at our returns and so forth, they decided to put that money across here.

HON. MEMBER.- (Inaudible)

MR. V. CHAND.- Yes, Samoan Parliamentary Pension Scheme.

The other thing is, we are pleased advise that Unit Trust of Fiji is now part of the Pacific Island Investment Forum. The members of this forum are only superannuation and Fiji National Provident Fund is one of them. Until last year when we were made aware that there is a forum happening in the region, we approached them with the intent to be part of that forum. Last year in Cook Islands we attended (Sakiusa and I) and we got Unit Trust to be part of that forum as well. So basically that forum gives an opportunity to interact with a lot of Asian partners. The other partners we are currently working with are Tonga and Tuvalu. With Vanuatu we have got a slightly different context. Vanuatu is also investing directly with us. The other thing we have been working closely with Vanuatu Provident Fund and the Central Bank as well as we approached their Cabinet in terms of establishing Unit Trust in Vanuatu. So that is something we might be venturing into subject to due diligence and approval process. If we happen to go there, we are basically providing the know-how and the skills and they will provide the finance.

Sir, in terms of the Fiji Wai Project, I acknowledge that it has taken a lot of time. The initial period of work, in fact it is a project which has been inherited by us so it is of balance sheet item. After evaluating the proposal we saw that there is a merit, there is a business case for us to consider this project. But as I said, the project will not be financed by Unit Trust of Fiji because Unit Trust of Fiji as a trust fund has created its own policy statement that they will not venture into green field. So hence we started exploring potential partners from overseas. The partners from overseas has taken a lot of time in terms of due diligence and then they came back and then there is a lot to and fro. So the approach we are taking now, Sir, is that once the BDO raises the independent information memorandum then we will be calling an Expression of Interest publicly which will basically allow all the stakeholders to consider and express their interest.

In terms of timeline, we are looking at finalising the JV particularly by at least first quarter next year and then the project proper should be completed within 18 to 24 months' time.

DEPUTY CHAIRPERSON.- Thank you very much for your response.

HON. A.M. RADRODRO.- Thank you very much. Just a supplementary question to this earlier question in terms of investment prospects for Unit Trust of Fiji (Management)

Limited. There were some major asset diversification that was undertaken by the Government namely the Fiji Ports Corporation Limited, Energy Fiji Limited and the Grand Pacific Hotel; these are some of the major projects that were undertaken. Did Unit Trust of Fiji express its interest in terms of these divestment activities that were undertaken in terms of these assets diversification by the Government?

MR. V. CHAND.- The main fund which we have just spoken about, which is \$260 million, it is owned by investors. What Government basically owns is the 100 percent of the management company, which is currently sitting at half a million dollars. The Government has not expressed its interest or the Ministry of Public Enterprises has not advised us that there is some sort of divestment process that they are looking at, but nonetheless, both the entities are public companies so publically we are trading units and people are buying and selling units from the Fund.

HON. V. PRAKASH.- Through you, Chair. For Fiji residents working outside of Fiji, the amount of remittances that the country receives from those very valuable members of our community; it is quite high and it is helping the country.

Do you have any scheme to try and also attract them to be part of the Unit Trust of Fiji so that when they retire and when they come back to our shores, they always will have something with them because some of them are having FNPF being deducted on a short-term but some of those there, they do not have those facilities and I think Unit Trust of Fiji is one of the places where they could invest and have something? Are you able to reach these very important members of our community?

MR. V. CHAND.- Deputy Chair, through you, maybe I will allow Mr. Bolaira to comment on this.

DEPUTY CHAIRPERSON.- Yes.

MR. S. BOLAIRA.- Thank you very, Honourable Members. A very much refreshing question, an issue that we always challenge Unit Trust of Fiji to go to the next level. So, we are quite pleased to announce that we have a global investment plan set up specifically for non-residing investors. That is targeting Fiji residents or former Fiji residents residing abroad. That is very popular and whenever we travel overseas. Honourable Member, we had never done this before. It has always been a domestic market. Since we are opening up Unit Trust to the region, which was also one of the facilities that we actually launched. That facility is now available for anyone, any Fiji resident or even non-resident or non-citizen to come in. We are also quite pleased with the recent Government announcement of removing the non-resident withholding tax, meaning tax-free for all either you are here in Fiji or abroad. So, that is an added incentive which we are actually using in terms of our campaign and it is getting very popular.

Also, we are noticing an interesting trend of how investors either here or abroad are beginning to understand what investment is for retirement. Mostly, we are seeing this trend coming from the British Army where most of them have left some years ago, they are now nearing their retirement. Most of them are in their forties, so are thinking of coming back to Fiji and this is something that we have been exploring. We have seen an influx of queries coming, walking to our front doors asking for this.

There is an interesting trend that we are seeing in the British Army and most of maturing or Fiji residence are wanting to come back, they are now talking to us in terms of investment which is a really good trend that we are working on.

HON. V. PRAKASH.- I am also very pleased that the Government is also encouraging for such an incentive by giving tax free for those residents or former residents. Maybe later on if you can provide us in writing the breakdown of those people who are offshore and how many of them or percentage of them who have been sort of associated with you especially our sports personnel. I think they are doing quite well throughout the globe. Then we have got the British Army and we have got other people who go and work offshore including our short term workers who go on a seasonal basis for fruit picking, et cetera. It would be interesting because there is an incentive by you, you have been working very hard to try and attract them and it would be very pleasing to see how much we are able to attract of our own people who are working offshore and who are trying to invest through investment Fiji.

MR. S. BOLAIRA.- Thank you Honourable Member. We both sit on the Reserve Bank Capital Market Advisory Committee and there is a big push from Reserve Bank to also allow any financial institution to start compiling this very interesting data. It is an interesting data and Reserve Bank and we are adjusting in terms of our ICT and getting our system ready to collect those data. The data is there but we do not have the breakdown in terms of demographic, so we will see that coming to, it is also part of compliance with Reserve Bank.

HON. V. PRAKASH.- It will also attract others who are in the field, they might not know that what are the benefits that they are going to have especially during their retirement when they come back home, there is always something there.

DEPUTY CHAIRPERSON.- Any other questions, Honourable Members?

HON. A.M. RADRODRO.- Deputy Chairperson, just another question to the CEO and the Board Secretary regarding working with other stakeholders of Government. There is a push now for more Overseas Worker's Schemes, whether your entities are liaising with the relevant line Ministry to ensure that this is also made known to the people that are engaged in this Overseas Worker's Scheme especially now where there is a call for more numbers for this project.

Secondly, what sort of approach and whether public media awareness, media outreach that the entities are doing to inform the public about the product and the information that you. Now that you have heard about your global package that is there for non-residents of Fiji, is there any sort of media strategy or media outreach that you do to ensure that this very valid information is made aware to the general public?

MR. V. CHAND.- I think Honourable Member for both actually we are approaching key stakeholders, but, I must say there is a lot of room for improvement. We need to do much more than what we are doing now, we just need to get aggressive and get more engagement with the stakeholders. In terms of publicity, we do local publicity but I think in overseas we do not do any publicity, the only thing we do is we use our embassies to convey the messages to the Fijians working aboard.

HON. A.M. RADRODRO.- (Inaudible)

MR. V. CHAND.- Yes, we have provided them pamphlets via email. One of the challenges maybe which we have been facing in the recent years was because a lot of British Army basically are working in different areas and they are not generally in one place, so the employers which they are employed with, they are not willing to deduct any salary for their savings plan or whatever. Their funds are given to them in a Bank and then you decide what you want to do. One of the things we have been exploring and we are working hard is how to get that market money across to Fiji? We need to have that channel, we need to use our funding banks. For us, it becomes a bit harder because as soon as we expose ourselves to the bank, they take that customer. It is a competition, so there is something which we have been liaising with our counterparts to see if the funds can be channelled directly to our account in Fiji at a very minimal fee. The RBF has also come up with lot of money transfer programmes which they have been using and recently been promoting. We are exploring that with RBF as well and see that if we can work with RBF and with the corresponding banks to see if the money can flow in into our own bank accounts in Fiji. Sir, I whole-heartedly agree that, yes, we need to engage stakeholders more aggressively and that is the area which we have been focusing on as part of our strategic plan anyway.

HON. V. PRAKASH.- Media could be another area that can be very effective in reaching our overseas counterparts and local counterpart as well, because I think that is getting very popular now. With rumours, you can see that it comes from all over the world about our country, but we can counter it with good policies and good incentives. I think social media would also be able to attract large number of customers who want to invest.

MR. V. CHAND.- Honourable Deputy Chairman and Honourable Members if I can add whilst on the topic of investment and what we are doing in terms of the workforce. The other thing we are doing back home is, one of the things we have found out that even with Fijians working here, by the time they retire, literally they do not have much money to look after their post retirement. We have witnessed and we have seen that in many cases we visited. One of the incentives of programme we have been running for the last couple of years has been, which is called “Employee Investment Scheme”. Again we are pleased to announce that we have signed up or partnered with 40 employers so far where these employers are facilitating the deduction at source. For an employee, whilst they are having the superannuation mandatory deductions happening, they can also opt to invest directly with us through the deduction scheme. So far we have got 40 employers on board, likes of FRCA, Vodafone, FINTEL, Ports, PAFCO, et cetera. So that particular scheme is actually making lot of difference in the society. We can see lot of employees whilst they are in the workforce, they are saving for their future.

HON. V. PRAKASH.- Through you, please also consult Fiji Corporative Dairy Company Limited (FCDCL) in Nausori. We have got dairy farmer shareholders and I also declare my interest.

DEPUTY CHAIRPERSON.- Thank you Honourable Member.

MR. V. CHAND.- Sir, we have just signed the agreement with FCDCL last week. We have signed for their employees and we are now getting onto the next stage which are the farmers.



DEPUTY CHAIRPERSON.- Thank you very much. Any other supplementary questions?

HON. A.M. RADRODRO.- Yes, Honourable Deputy Chairperson. Just another question in terms of your role in investment. Now that you have highlighted Fiji Wai that you are currently doing a preliminary work on, any other specific areas that you are directing your interest to going forward in terms of investment like in tourism or sports, et cetera?

MR. V. CHAND.- Thank you Sir. Apart from Fiji Wai, which is of balance sheet item which we looking at as a project, we are also looking in terms of the future growth of the portfolio. One of the key projects we are currently working on is the property development at McGregor Road. We had acquired this particular property five years back; it is a double-storey office. The Board has agreed for us to reconsider it and put a high rise building.

As we speak, we have engaged a project manager and a consultant to look at the feasibility of it. A feasibility report came, presented to the Board and the Board is happy with the concept. We are now engaging an architect to do a concept drawing. That project itself will take up \$15 million to \$20 million investment. We are planning to have at least an eight to ten-storey building. Currently that similar premises is rented out by Department of Environment, so basically they will vacate the place at the end of the year and we will start with our development. Apart from the property development, we are also look at some of the commercial properties in Suva and in the West as well. We also looking at some of the equity stocks because the equity stocks are giving us very good returns. Thirdly as part of our diversification process, we also need to look at offshore. So that is something we are looking at subject to RBF approvals, we might consider first quarter next year.

DEPUTY CHAIRPERSON.- Thank you very much for your response. Are there any other questions?

HON. MEMBER.- (Inaudible)

MR. V. CHAND.- The office is basically our registered office. There is no staff, there is no assets, there is no equipment it is just Shelf Company for now.

DEPUTY CHAIRPERSON.- Thank you very much. You may move on to the last part of your presentation.

MR. V. CHAND.- Deputy Chairperson and Honourable Members, the last question again was related to the finance statements. There were a number of adjustments done during the process of the audit. I acknowledge the findings and the comments are true. There were some adjustments and the adjustments were particularly related to Fiji Wai expenses which we have been treating as expenses and the auditor has advised us that it would be prudent if we can re-classify that a receivable.

HON. MEMBER.- (Inaudible)

MR. V. CHAND.- Yes.

HON. MEMBER.- (Inaudible)

MR. V. CHAND.- In terms of going forward, Deputy Chairperson and Honourable Members we continuously look at our business process. We acknowledge that a lot of enhancements and improvements are required. One of the things we have done is, with the Board endorsement we have appointed the Head of Finance & Investments. The business is growing, the volume of transaction is increasing, and we had to get a very senior role to be employed to look at the financial management side of the business. We had a Manager Finance but we had lacked in some areas so we have taken a hard line and we decided to get a more senior role to look after the financial management of the company because Sakiusa and I were pretty busy in other areas of the work.

DEPUTY CHAIRPERSON.- Thank you very much. Are there any supplementary questions or concluding remarks Honourable Members?

HON. A.M. RADRODRO.- ... Abridged Financial Statement. There is receivables somewhere of \$558,000. Can you just highlight to us what are these receivables relating to?

MR. V. CHAND.- Sir, mostly the Unit Trust of Fiji (Management) Limited and Unit Trust of Fiji Company Limited is very closely correlated. The management company basically operates on a management fee and a sales fee. Those fees are paid by the Trust so that is the receivable which is sitting in our books otherwise the management company is a very simple company. It just has fixed assets; furniture and equipment and it includes us. Part of our job is to manage the portfolio which we are managing on behalf of the investors. There is no Government budget allocation in terms of operations, we operate on our own based on the fee we generate from our portfolio management and the sales revenue. So whatever receivable and payables are, they are basically interrelated.

HON. A.M. RADRODRO.- How many trustees?

MR. V. CHAND.- Currently we have two trustees namely, Mr. Iowane Naiveli – Chartered Accountant by profession and Mr. Anil Tikaram a Legal Practitioner by profession.

DEPUTYCHAIRPERSON.- Alright Honourable Member. Yes, Honourable Prakash?

HON. V. PRAKASH.- I would like to thank Unit Trust of Fiji for the growth in investment which is encouraging for those who are investing into that company and others have declared and I also declare interest that we are part of that. We also would like to see that there is more promotion of the various ways in which you can attract more customers because the reason is, a part from workers who are investing in FNPF, there are so many people who do not have opportunity like FNPF to try and save money for their dry days. But Unit Trust has proven that it is a trust that can be trusted and therefore I think your awareness programme needs to be a bit vigorous so that the benefit is going to those who do not have any kind of saving, for example, those that are not on FNPF. We know that through other efforts there are people who have been involved and they have invested but even those people who have invested, they can be encouraged. I believe that promotion of your products is quite important and I think it is very essential for the people of this nation. I thank you for all that you have done and hope when meet in the future sometime you will be able to develop your figures, it is very interesting and encouraging.

DEPUTY CHAIRPERSON.- Thank you very much Honourable Prakash. Are there any other final concluding remarks?

(Vote of thanks – Deputy Chairperson)

MR. V. CHAND.- Thank you.

The Committee adjourned at 2.51 p.m.

**STANDING COMMITTEE ON**  
**PUBLIC ACCOUNTS**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (WEST WING)**

**ON**

**FRIDAY, 4TH OCTOBER, 2019**

**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON  
PUBLIC ACCOUNTS HELD AT THE BIG COMMITTEE ROOM (WEST WING),  
PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON FRIDAY, 4TH  
OCTOBER, 2019 AT 2.00 P.M.**

**Interviewee/Submittee:      Fiji Development Bank (FDB)**

In Attendance:

- |                                |                         |
|--------------------------------|-------------------------|
| 1. Mr. Mark Clough             | Chief Executive Officer |
| 2. Ms. Sheikh Maizabeen. Nisha | Manager Finance         |
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DEPUTY CHAIRPERSON.- Good afternoon everyone. On behalf of the Chairman of the Public Accounts Committee Honourable I welcome you all to the deliberation of the Public Accounts Committee and today's submission is from the Fiji Development Bank- FDB Nominees Limited. Before we move on may I introduce the Members of our Committee.

(Introduction of Committee Members by Deputy Chairperson)

Before we begin, as a matter of interest while deliberating the Members will be injecting from time to time and you are expected to give responses to their questions. Should at any point in time you feel that you want to give a response later on in written form, you have the liberty to do so. Without further ado, may I request you to introduce yourself and your team and then you can begin with your deliberation.

MR. M. CLOUGH.- Thank you Deputy Chair. My name is Mark Clough. I am the CEO of FDB. I have with me my colleague Ms. Sheikh Maizabeen Nisha who is the Manager of Finance. Unfortunately our General Manager of Finance and Administration could not be here today because he had an accident but he is alright. Thank you again for your invitation.

DEPUTY CHAIRPERSON.- Thank you very much.

MR. M. CLOUGH.- Would you like me to produce some headline results or talk to the notes?

DEPUTY CHAIRPERSON.- Yes, the way you want to.

MR. M. CLOUGH.- Alright. The headline financial results for the 2017 year include assets which increased from \$375 million to \$402 million, which is an increase of 10 percent over the year. Within those assets was a loan portfolio which increased from \$376 million to \$438 million; an increase of 17 percent over the year. Disbursements rendered during the year amounted to \$107 million and that is accommodated in that portfolio figure of \$438 million. On the profit side, the profit per year ....

DEPUTY CHAIRPERSON.- There is a question from the Honourable Member.

HON. A.M. RADRODRO.- Just a clarification for the benefit of the Members in terms of your financials that is now under discussion. Your financial performance and financial

position has consolidated and there is another portion for bank. If you can just give us an hindsight on what these two portions mean in terms of the operations of the bank.

MR. M. CLOUGH.- Thank you, Honourable Member. The majority of the consolidated is, of course, the bank. The bank owns a small subsidiary called the FDB Nominees Limited and I believe there are a number of questions that the Committee had which we chose to address at this meeting.

It is quite a small subsidiary. It is a private company providing the financial administration services to a company called Fiji Investment Corporation Limited (FICL) which is a Government-owned entity. That entity was previously administered by Ministry of Industry, Trade and Tourism (MITT) I believe, but some years ago probably ten years ago that administration was moved to nominees.

The activities had not changed from financial administration from year to year. The main asset of FDB Nominees is a receivable being a management fee receivable from FICL for all the financial administration work that it does. So that is a receivable as at 2017 was outstanding for quite a period of time.

The main liability for the company is a loan from FDB and that itself, that loan was to meet the operating cost albeit small for the private company over a number of years. So the receivable was approximately \$425,000. The liability was approximately \$408,000, \$405,000 rendering net assets of approximately \$10,000 to \$15,000.

DEPUTY CHAIRPERSON.- Thank you. You may move on.

MR. M. CLOUGH.- Thank you, Deputy Chair. On the profit side, 2017 generated a profit of \$8.15 million which represented an increase of 12 percent from the previous year and also kept a gradual increase in profits for the bank over a number of years. Its operating income was \$24.5 million, expenses of \$12.4 million and provisions of approximately \$4 million. There was a decline in provisions as well as significant cost control including keeping expenses below inflation which contributed to the healthy result.

With regard to account numbers or approvals, approvals for the year were 1,400 for new projects and businesses valued at \$145 million. They were comprised of 1,250 focussed sector projects valued at \$88 million and 149 non-focussed sector projects and businesses valued at \$58 million.

In terms of the portfolio of FDB at the financial year close, they included 3,985 accounts in the focussed sector valued \$198 million or approximately 45 percent of the portfolio and 958 non-focussed customers valued at \$240 million or 55 percent of the portfolio.

Agriculture was represented the highest number of approvals during the year. But there was also significant growth and approvals in manufacturing particularly for SMEs. The bank as at the end of 2017 had a 47 percent share of agricultural financing and 99 percent share of cane financing and it is also a consistent contributor and an enabler to building and construction, tourism infrastructure and transport.

On more operational issues, we undertook a reasonably significant realignment during the year in attempts to make us more efficient and improve our responsiveness to customers and that includes the instillation of Regional Managers in each of the 3 divisions across Fiji. As well as a dedicated Pre-Settlement Unit within the bank and the separation of prime and Suva branches with prime representing larger corporate customers.

Also in the 2017 year, we commenced the restructure of the HR Division or as we call it the Talent and Organisational Development Division to improve staff culture, productivity, engagement, development and leadership and the cost or the results of those in subsequent years have led to increased expenses which we obviously need to keep control off.

There was high liquidity in the market at that time, notwithstanding FDB is subject to interest rate risks. Given that we do not have a retail deposit base but rather need to raise our funds through the issue of bonds and so that is subject to the requirements of our bond investment and investors rather than deposit rates paid to retail customers as the commercial banks do. However, in an attempt to diversify our funding base, we commenced development of a term deposit product and that would raise funds from the public but moreso large leaks of funding, predominantly from corporates.

Other highlights included the submission of our Green Climate Fund (GCF) presentation which later in the year resulted in our accreditation. Also, during the year, we saw the retirement of our long-serving CEO, Mr. Deve but also a continued emphasis on financial literacy to the point where we see financial literacy as a foundation for a sounder client management. In addition, the Sustainable Energy Financing Facility (SEFF) was utilised for renewable energy and that is partly guaranteed by the World Bank.

With regard to, Honourable Chair, if I might just outline some current challenges and opportunities for FDB. The challenges include currently market conditions which have slowed significantly and we have seen a slowdown in our business activity. Cost of funds is an issue due to liquidity issues or otherwise but as I mentioned earlier, we are subject to the vagaries of the investment requirements of bond investors. Operating cost, in particular labour, we need to keep a lid on, we are now more focused on paying our staff better. Obviously with the requirement for productivity but that comes at a cost to the FDB obviously. We need to improve our customer responsiveness, that is a consistent challenge and not just for FDB but also undertake technical renewal whether it be in IT systems or whether it be at the amenity of our branches. Certain opportunities are presenting itself in the current year and that includes GCF projects which are coming to fruition. So, we currently have two rather large projects which hopefully will draw on GCF funding.

We are continuing our engagement with multinationals on projects, so to the extent they are larger projects then we will attempt to co-finance those projects with multinational agencies such as the Asian Development Bank. Looking at new products which are appropriate for the economic environment and they include value chain financing, revolving credit, contract financing and farming for retirement. Of course, we are continuing our focus on financial literacy to include items such as the need for insurance and indeed discretionary savings in addition to force savings such as Fiji National Provident Fund (FNPF) contributions.

I would just like to conclude, Honourable Chair and Members, that at the end of this financial year and even currently, we are seeing the retirement of our current Chair, Mr. Bob

Lyon and it is no accident that the better performance of FDB over a number of years has corresponded with his term as Chairman of the Board as well as the support of the Government. So, we wish him all the best. We also had a rather positive report presented on FDB and other development banks within the Pacific by the Asian Development Bank on the Finding Balanced Report and that cast the FDB in a particular good light when it comes to governance, financial performance and the like.

DEPUTY CHAIRPERSON.- Thank you very much for the deliberation. Honourable Members, any questions or comments?

HON. A.M. RADRODRO.- Thank you Deputy Chair. Thank you very much CEO for a very comprehensive brief of FDB. Just in terms of the functions of FDB as you have highlighted here, basically priority in terms of rural and agriculture sectors in Fiji. The role that you play to ensure that this sector plays a major part in the economy. I note that you have also highlighted one of your major highest portfolio is in the agriculture sector as well, can you also identify in terms of this portfolio, how many are commercial and how many are non-commercial? It really impacts in terms of your functions and in terms of the rural agriculture sectors.

MR. M. CLOUGH.- Just a clarification question Honourable Member, when you refer to the agriculture you are talking about commercial and non-commercial agriculture clients?

HON. A.M. RADRODRO.- Yes, I said rural agriculture sectors.

MR. M. CLOUGH.- In response to the first part of your question, one thing that the FDB Report highlighted was the role of development banks in providing what is called, 'additionally', and that means that they fill the gaps that the commercial banks do not apply themselves to.

And obviously agriculture is one of those sectors because they see those sectors as high risk. And so one of the roles of development banks is to address those high risk sectors which are the key for the prosperity of a great number of Fijians and so that is one of our primary roles whether it be agriculture or whether it be SMEs or other sectors which are not addressed by the commercial banks.

With regards to the second part of your question Honourable Member, I do not have any statistics on the separation between commercial agriculture and non-commercial agriculture. Collectively when it comes to agriculture in particular cane farming, there has been a recent emphasis on mechanisation and the establishment of co-operatives of farmers. The result is that cane harvest have been used in little line cane farms for harvesting obviously for more habitual rain, the use of hand cutters remains in place for cane, but, I refer to the Minister of Agriculture now, who has expressed a number of times and said he would like to see agriculture becoming more commercial and we certainly more focused on that, but, I apologise I cannot give you a breakdown.

I can give you a breakdown of the number of customers between focus and non-focus which is roughly 4-1 of focus sector which includes a high proportionate of agricultural customers with the remainder in a non-focus sector being more corporate.



DEPUTY CHAIRPERSON.- Can you give the breakdown which the Honourable Member is seeking in form by way of a written response?

HON. A.M. RADRODRO.- Written response at a later date, can you provide that?

MR. M. CLOUGH.- Yes, I will.

DEPUTY CHAIRPERSON.- Thank you.

HON. V. PRAKASH.- Deputy Chairperson.

DEPUTY CHAIRPERSON.- Yes, Honourable Prakash.

HON. V. PRAKASH.- First of all I would like to thank the CEO and welcome to FDB which is one of the most important stakeholders of developing our nation.

I think initially when the bank was setup there was a lot of curiosity amongst people especially in the rural areas and now we are glad that you are also supporting the commercial activity which means that there will more profit coming into the bank. And you will be able to support as we have seen that you are earning quite a good amount per annum and the growth is quite good. At the same time we have seen the decline in the rural sector especially in agriculture and other activities and there is quite a large number of people that are coming towards urban center.

Now the question here is and I declare my interest to Deputy Chairperson because I am a client of the bank for about three generations, we are with FDB. You had stated that your market is now slow which means that you do not have the attraction of more customers or what are the factors contributing towards your market becoming slow?

MR. M. CLOUGH.- Just going back to the first part of your question, Honourable Member, about the movement of Fijians from rural to urban areas. I think that is more a generational thing than rather that is, a young person less interested in agriculture as distinct from being a commercial venture or a viable commercial venture. A young person is more focused on technology perhaps, but then again the drive towards commercialisation of agriculture is met and the smart farming that we are seeing now is also an opportunity to keep those young people involved in the rural sector. The second part of your question Honourable Member?

HON. V. PRAKASH.- (Inaudible).

MR. M. CLOUGH.- It is not just FDB, Honourable Member. Yes, we have seen a slowdown in activity but I believe there is a general slowdown as well. We are still getting good inquiries, but not the level that we have seen in the past. I think it is more about sentiment and uncertainty rather than anything else. That is one reason we are looking at different products to promote so that it is more relevant to the current economic situation.

HON. V. PRAKASH.- Honourable Deputy Chairperson, through you, comparative to other lending agencies in the country now, as a customer we feel that FDB takes quite a lot of time in giving “yes” or “no” to loan compared to the other lending authorities who actually

gives in a day or weeks' time. With FDB you will find that it takes quite a lot of time from the officer in-charge to other levels, and then by the time it comes back, a lot of these customers you will find that they are trying to market around other areas that they are able to get. Do you not think that that is one of those factors that FDB customers look elsewhere because of the delay in response from your side?

MR. M. CLOUGH.- Thank you Honourable Member. I cannot disagree with you. It is a constant focus of the Bank to improve response times. Sometimes it is a case of saying, "no" quickly as distinct from wanting to say, "yes", but not having enough information. As you know, a decision whether it is a "yes" or "no" is sometimes or usually better than no decision at all. It is a constant focus of ours, the turnaround times, most of the investments that we are undertaking at the moment whether it be technological renewal or otherwise, is focused on increasing response time for customers. We have not got it right yet but we need to train more, we need to spend more particularly on technology to improve those response times.

HON. V. PRAKASH.- Another supplementary question, Honourable Deputy Chairperson. As one of those who has had a relationship with the Bank from early childhood to this age, we could see that there is lot of change in the way loan officers behave compared to now.

Now, mostly the loan officers are acting similarly to other commercial banks. You will find that most of the time they are just operating from their desks at the bank but there was a time when we had bank officers in the field interacting with its customers. Their presence itself will mean a lot to the customer and the neighbouring people who would like to grow. Quite a lot of times these bank officers used to use their time with their customers and that resulted in the growth of the economy. There was a time when people were not owning businesses and through FDB they became businessmen and business women because the bank officers had a very big heart to develop the industry especially in the rural or even the urban centres. But these days we find that those people who were supposed to be out in the fields interacting and selling the products are not around. As you have suggested, there is room for improvement.

There was a time when people used to have less income or no income through banks advisory capacity and through their visits and through the assistance of the Ministry of Agriculture they have become well established businessmen because the potential of a family was taken as an asset and they became business people particularly in the crop and dairy areas. We know that people who were just milking cows all their lives, the bank approached them and made them owners. So there is a big gap between the time when officers used to interact with people in the field than what it is today. There is a big change.

MR. M. CLOUGH.- A few points on that, Honourable Member. As you know we have a significant portion of the agricultural market in particular the cane market. Some of those farms are quite remote. When it comes to a site visit or a project visit then it could be to quite a remote area which takes a great deal of time. We have to be very particular about optimising the time we spend in the field because of the distance that some of our customers might be from the office. We have to be very careful about that.

That said, project visits, site visits and customer visits are a key part of our business whether it be a review of a loan or an account, for example, as part of an evaluation or whether it be just getting closer to customers and that is particularly relevant in the current year because

of certain economic conditions, our customers might be experiencing difficulty. We do not want the customer to get to a point whereby they are experiencing difficulty to the point of no return. So we want to be more proactive and being out with customers and identifying problems before they occur and then trying to solve them there as well.

On the technology side, I hope to see and not in the not too distant future where we will have the technology available whereby one of our officers can go out to a farm or any type of customer and they will have an iPad or something like that with them and they can record conversations with the customer or they can take down data and immediately input that data into our loan system or call banking system so that the data is virtually live rather than a two-step approach of taking down the information, getting back to the office and then typing the information into the system. That is an example of where technological renewal can increase both our efficiency and our responsiveness to customers.

DEPUTY CHAIRPERSON.- Thank you very much.

HON. RATU N.T. LALABALAVU.- Through you, Honourable Deputy Chairperson, thank you Sir for making it to this Committee meeting. We always ask for this if the top brass or the CEO could also be present just to answer some of the queries of the Committee and we thank you for your attendance together with your colleague.

The question that I would like to raise, I have a few which sits on the core function of the Bank - Section 5 of your legislation. How do you as a CEO foresee the future of the Bank as under the requirement of Section 5; your core function? And what you highlighted here, paragraphs 2.1 and 3.1 (the last bullet point) on the cost of borrowing. That is the very area that the Honourable Member was talking on. It does not become attractive, we know that and we have noted the comments you made in your submission here on the cost of borrowing, it has been increasing all the time, yet how do you see that? The Committee would like to know how do you see both the short and the long term of the institution with regards to its core function?

MR. M. CLOUGH.- With regard to the cost of funds, Honourable Member, there are a number of avenues we can pursue here. Obviously, when it comes to the cost of funds, the fact that our cost of funds may rise might reflect the limited market, that is, the Fiji investment market and Fiji investment market is dominated by FNPF obviously.

So one option is to go offshore for our funding and we are looking at those options but there are additional risks for investors from offshore investing in Fiji where it becomes a risk or otherwise. We are looking at that and that is in the context in a lot of our trading neighbours where possible investors are interest rates are very low, so they could be close to zero. So they may see an opportunity of investing in Fiji or FDB bonds is particularly attractive. Then we can always consider and this is being tabled a few times and there is no real direction on it at the moment as to whether we have a retail banking licence.

We have a licence, we have the capability to take term deposits at the moment but in the same vein, what we are offering on our term deposits, the commercial banks are very good at competing with us on those as well. So there is always the option of a retail licence, again which is a possibility, it would make us obviously more competitive and cost of funds but does it come with full-blown regulation as part of it. We have to weigh that up, that is a fact that

was also mentioned in the recent IMF report into the Fiji financial system and it arose with regards to FDB in particular.

DEPUTY CHAIRPERSON.- Thank you very much for your response. Any other question?

HON. A.M. RADRODRO.- Thank you, Deputy Chair. Just on the functions of FDB with all the explanations and notes that you have given, I think FDB is lacking to fulfil its role as per functions in terms of promoting the agricultural sector in the rural development in Fiji especially the way in which the bank has been operating. It is now concentrating probably in terms of making profit rather than making sure that it performs its role as a social responsibility. It is the only bank that gets Government backing with the Government guarantee and I think it is also the only bank that probably does not get scrutiny of the Reserve Bank of Fiji (RBF) banking division there. In terms of performing its roles, we note recently that other institutions have made Memorandum of Agreement (MOA); signed MOAs with the FNPF regarding the sugarcane farmers and sugarcane lands. What is the FDB doing in terms of promoting this kind of incentives to entire farmers to get involved in terms of economic activities in the country?

MR. M. CLOUGH.- Just to your comment about profitability, it is not about profitability, Honourable Member. It is about sustainability. The Bank is no good to anyone if we are not a sustainable institution.

HON. A.M. RADRODRO.- (Inaudible) Based on sustainability, but this one is under Government guarantee; year in, year out.

MR. M. CLOUGH.- The Government guarantee is on our bonds. When we talk about sustainability, we talked about business mix. For example, if we met entirely a mandate of lending to the agricultural sector and SMEs sector, we would not be sustainable. So we have to balance the risk of lending to those sectors with lower risk lending such as the corporates because what you end up with then is a balance of risk and a balance of return. So, we just have to be careful of that. That is why our account numbers are heavily weighted towards focussed sector which is mainly in agriculture with a fifth of our portfolio focus on the corporate sector which is a driver of lower risk but lower returns and therefore sustainability.

With regard to support to the agricultural sector, I go back to my point about additionality as Asian Development Bank (ADB) terms it; we are a gap filler. We fill the gaps in the market that a lot of the commercial banks do whether it be agriculture where we have 50 percent or 99 percent exposure to cane farming.

Yes, I understand that there are number of institutions that are moving into the cane financing area, which is expected particularly with the commercialisation of agriculture and cane farming, where you have co-operatives which generate lower risk for lending. So if our competitors see that as a sector, where the risk is coming down, whether it be cane, or whether it be other crops, then they will enter that sector.

With a 99 percent ....

HON. A.M. RADRODRO.- Sir, just a clarification on this. The Bank's role in terms of this arrangement, which is signed with FNPF, this Sugar Cane Growers fund. Does the Bank play a role together with interested people who wish to access that lending facility that is now offered by sugarcane growers through their FNPF eligibility?

MR. M. CLOUGH.- They are a competitor.

HON. A.M. RADRODRO.- The Bank's competitor?

MR. M. CLOUGH.- Yes. Sugar Cane Growers Fund are a competitor to us. Currently we have 99 percent of the market share of cane financing. There is only one direction that our market share is going to go and if it means better outcomes and better rates for cane farmers, then it will happen.

HON. A.M. RADRODRO.- Where does this place the Bank?

MR. M. CLOUGH.- We look for other gaps to fill in the market. We may look for other crops.

HON. A.M. RADRODRO.- Are you doing that already?

MR. M. CLOUGH.- Yes we are. In fact we are encouraging a lot of our farmers who are focused on one crop to diversify. So rather than putting all their eggs in the one basket, rather than focusing on cane or what other crop, we are encouraging them to look further afield for other crops. Multi-cropping, inter-cropping whatever you want to call it so that their risk is not concentrated on one particular crop or market.

HON. A.M. RADRODRO.- (Inaudible)

MR. M. CLOUGH.- Yes, we are a significant funder of those types of agriculture.

HON. V. PRAKASH.- Thank you CEO, it is starting to get interesting the response we are getting from you, and we are quite interested to know a bit more. First of all, I may not be right but there are people saying that now your interest rate and then your cost for paperwork and other things are competitively quite high than previously. We want to know whether it is true or not because that is what the customers are normally saying to us. Not only do they say that it takes quite a long time to get it approved in which you have already explained but they say that the cost and the interest rate is also increasing. Can you try and elaborate on that?

MR. M. CLOUGH.- Again the major driver of our interest rates is our cost of funds. The cost of funds for the Bank has been going up gradually over a number of years. There have been times when we have absorbed those interest rate increases so that there is a less of a need to increase the interest rates we offer to customers.

The difference was earlier this year when there was a significant increase in our cost of funds over a short period of time and I am talking about one month, 2 months, 3 months where our cost of funds, I think increased by 1 percent within that period of time. We cannot bare that risk. We cannot bare absorbing a 1 percent increase in our cost of funds. So the flip side is that

we have to pass on those costs to the customer. We do not like to do it but if it comes to the financial sustainability of the bank, we are no different from any other bank.

HON. RATU N.T. LALABALAVU.- Supplementary question through you, Honourable Deputy Chair. Now you have just stated the loaning that you are faced with, and the future, the way I take it, looks pretty bleak, and then you have added responsibilities coming your way as well. That drive by the Honourable Minister for Agriculture to strictly go into commercial farming, but the added responsibility that I am trying to ask here is, on this to becoming an accredited institution for the Green Climatic Fund (GCF) plus your role in trying to address this Small and Micro Loan Scheme that is being floated around heavily by the present Government. You are already talking about the cost, yet you have shouldered this responsibility again. How do you foresee the role of the FDB?

MR. M. CLOUGH.- Firstly, Honourable Member, I do not agree that the future is bleak.

HON. RATU N.T. LALABALAVU.- Great.

MR. M. CLOUGH.- Whether it be for the FDB or whether it be for Fiji. I think the future is very promising. The GCF ....

HON. RATU N.T. LALABALAVU.- I am sorry, I was referring to your cost of borrowing because now you have just said, you are reluctantly shifting all those costs to the clients now.

MR. M. CLOUGH.- Not all the costs.

HON. RATU N.T. LALABALAVU.- That is where I was coming from.

MR. M. CLOUGH.- There will be a time with growing liquidity and the liquidity even in the last two months has grown from something like \$300 million in the system to around \$600 million as recently reported by the Reserve Bank of Fiji. What that means is that there is some momentum there for interest rates to go down. We have not yet seen that but there are the levers there which hopefully will see interest rates reduced.

In terms of the GCF, again we see and you are correct, Honourable Member in that, I neglected to mention the GCF as another possible source of funding for the FDB on a co-funding basis. So the GCF does offer for eligible projects the opportunity of quite low cost funds and long-term funds as well. We are talking about funding that is quite significantly below our current cost of funds and so, if we can introduce them into projects and there are larger projects then the average or the blended cost of funding for that project will be lower.

HON. RATU N.T. LALABALAVU.- Thank you, CEO. Just another issue that I was interested to raise this question on is your Disaster Rehabilitation Package. Has the FDB made some efforts in looking at this Loss and Damage Policy, so to speak, that the Government has committed itself to under COP23 on the global funding that is available here?

What I am trying to ask here, Sir, is that for us as layman, when it comes to hurricane or what damages occur and then how do we take care of this. When you talk climatic funding and all these, this thing comes into the fore. Here we have this proposed issue of having insurance coverage. How does the FDB see that in terms of its role here?

MR. M. CLOUGH.- I am assuming that you are referring to insurance cover?

HON. RATU N.T. LALABALAVU.- Yes.

MR. M. CLOUGH.- Thank you.

HON. RATU N.T. LALABALAVU.- In trying to spread the risk to the private sector.

MR. M. CLOUGH.- Well the FDB is not an insurer, it does market some insurance products for insurers as part of a package that we provide in particular to farmers and SMEs. That might be over equipment. I would like to see the time, sometime soon, perhaps FDB could market some type of bundled insurance product, I think it is the bundled insurance product that the Government is referring to. We might be a conduit of getting that into the market but bearing in mind that we are not an insurer, we would mainly be more a distributor and because of that we would have to be adequately trained on the features of the product.

HON. V. PRAKASH.- Deputy Chairperson, very interesting to note also that you have got a scheme where you call farming for retirement, can you elaborate further on that? It can be very attractive for many people who may become your customer soon?

HON. A.M. RADRODRO.- (Inaudible)

MR. M. CLOUGH.- It would be linked to our customer. Two minds here, Honourable Member, I would like to keep my powder dry on that. We are currently developing that product, the basic concept is that a salaried worker who is seeing the pressures of the cost of land and property in urban areas might be able to buy a rural property just outside of Suva, just outside of a main center. I understand that in those cases, they can draw on part of their FNPF balance to contribute or act as equity in that purchase. And then they can evolve from being a salary earner which is making repayments from their salary to a farmer in retirement making repayments from the development and production on the farm. So it is a two-step type of process and handled by the FNPF ability to draw on funds, and of course we would be in there as the lender.

HON. V. PRAKASH.- Deputy Chairperson, there are two types of, I think customers; one who have the fixed assets and have the ability to secure loan. And there are so many who have the land and the potential, but not the type of security especially in the *mataqali* system where you find that there are so many productive land not being able to be put to productive use but there are people within the group who are very potential and productive farmers. Do you see any way in which you could assist them, like they do not have any fixed assets or big balance but they are very good at it; starting from small scale and taking the risk to develop them?

MR. M. CLOUGH.- That is a great question because we have a product specifically targeted for that type of farmer so rather than a farmer who has freehold ownership or a formal

lease, we have a particular product called “Agricultural Family Loan Scheme” which is directed at experienced farmers and farming families who have no title or tenure but have *mataqali* consent. We have a specific product for that. Now, you can imagine and this is where I go back to my point about being a gap filler or additionality, that is a high risk product, there is no security for us. As a security we rely on there are the credentials of the farmer and the family unit acting as guarantors; their experience in farming, their cropping plan that is available from MPI where they are relative to roads. There are a number of criteria that they need to satisfy in the absence of having physical security which they can pledge to the bank.

There is no way a commercial bank would do something like that. That is a great example of how we fill the gaps in the financing market, particularly for agriculture.

HON. V. PRAKASH.- (Inaudible) and I am encouraged also and I feel that this type of product needs to be sold. We see that members of the community are not able to develop that because of the starting amount which they need to continue till they have their harvest and profit. A lot of those lands will be utilised so I am very happy, but I feel for the marketing of such a type of product and how they qualify for it.

In the vernacular languages it can also be marketed so that we can have attractive potential. Farmers who have a lot of experience could utilise this talent and develop it so that at the end of the day, if they are able to become non-risk farmers, they will be able to have an asset, and that what was my initial question. Previously this was the focus point of FDB, making people become businessmen and own properties, those who were not in a position to even buy a property of their own.

MR. M. CLOUGH.- I completely agree. One of the objectives of that product is to generate a level of prosperity for that farmer for them to become an asset earning farmers in the future, in the same way that we finance SMEs to grow and become larger and more credible inter-corporates. We have a lot of long standing customers who have been with the Bank for a long time, who have grown from SMEs into large corporates. I completely agree, Sir.

HON. V. PRAKASH.- You might like to engage a highly competitive workforce and I think that is something that we are all very eagerly looking forward to, in a very competitive way, not only qualified but a very competitive workforce of FDB that will try to at least be an asset to this nation compared to the other lending agencies. I think there is a big challenge there for FDB to try and build that and I think there is a gap there.

MR. M. CLOUGH.- Yes in having a competitive workforce invariably means that you have to pay them more. So what has happened over the last few years is that, we have done a Job Evaluation within the firm which allocates points to certain grades and the staff get paid for points relative to the market. We are benchmarking the competitiveness or the features of the workforce that we need with what the cost of that workforce is in the market, and that is being the source of a major increase in our operating costs over the last few years.

HON. A.M. RADRODRO.- Thank you Honourable Deputy Chairperson. CEO just a request. You mentioned about those types of farmers that you have assisted as gap fillers, SMEs you assisted, those who have sort of started without any particular assets but have become more ownership in terms of assets, those who have graduated in terms of those cycle. Can you provide us a listing in the respective sectors; those whom you have assisted through that land



tenure system arrangement where just a consent from the *mataqali* and then you have assisted throughout and now they have become asset owners in the respective individual assets?

MR. M. COUGH.- The consent product or the IFLs is fairly a new product, it is only a year old, in fact. So, I am sorry we do not have a lot of case study on it.

HON. A.M. RADRODRO.- There would be some in assessing your past customers who would be there?

MR. M. CLOUGH.- Most certainly. We have to consult with customers as to whether they are prepared us to release the numbers.

HON. A.M. RADRODRO.- Releasing the numbers or something like that?

MR. M. CLOUGH.- Yes, we can do that.

HON. A.M. RADRODRO.- Also, Deputy Chairperson, just looking through the overview of the Bank, you mentioned that there is a 55 percent customer base from the non-focussed area in your tables, that is about 950-plus customers and 390-plus something customers in the focussed area; 55 percent on the non-focussed area and 45 percent in your focussed area which is basically in line with the functions of the Bank.

MR. M. CLOUGH.- The 55 percent and the 45 percent is by value of loans.

HON. A.M. RADRODRO.- I have yet to complete my question. Do you foresee that you will improve on the focussed sector in terms of percentages to come to like 60/40 on your focussed and your non-focussed percentages?

MR. M. CLOUGH.- That is our objective. Certainly above 50/50 but again it is a balance of risk and sustainability as to whether we make that 60/40 or 50/50 mark.

DEPUTY CHAIRPERSON.- Thank you.

HON. A.M. RADRODRO.- On the issues that have been highlighted by the Office of the Auditor-General, the inconsistency of their loan data records, the loan review of accounts not being performed by the banks in conformity with the lending policy requirements. This is something that leads to the banks making recommendations for write-offs in terms of loans. I just wanted to see and hear from the executives on this particular period of reporting. What was the total amount of loan write-offs that the bank undertook in this reporting period and which sectors are they from – non- focussed or focussed?

MR. M. CLOUGH.- In response to the second part of your question as to whether focussed or non-focussed, that information would not be in the report and I do not have it with me, that would be something that we would have to ....

DEPUTY CHAIRPERSON.- You can give a written response later on. Thank you that is noted. Any other questions?

HON. MEMBER.- (Inaudible)

DEPUTY CHAIRPERSON.- Ms. Elina?

AUDIT REP.- We will provide a written explanation after we source it from ....

DEPUTY CHAIRPERSON.- That is noted, thank you very much.

MR. M. CLOUGH.- I do not think the write-off figure is specifically mentioned in the report, but we can provide that subsequently.

HON. A.M. RADRODRO.- That is something that usually is brought up in previous Auditor-General's Reports but surprisingly it is not in this Report so either the Bank has improved its process or usually the write-off is usually part of the Auditor-General's anomalies in terms of Auditor-General's Report. I note that those issues are still there, the loan assessment review, process not being followed, the loan review conduct not being done but the write-off is no longer there; I am just wondering.

MR. M. CLOUGH.- With the loan assessment process, we are not perfect, we do make errors and the Auditor-General picks up on the errors and that is something that we continually have to work on.

HON. A.M. RADRODRO.- It is an ongoing issue.

MR. M. CLOUGH.- There will always be one with 5,000 accounts, there will always be one account or more than one account obviously where every piece of information, every process may not be in place. We are not perfect but it is a subject of continual review and continual training of officers as well.

HON. MEMBER.- (Inaudible)

MR. M. CLOUGH.- I do not see a direct linkage between the level of write-offs and the level of compliance. If it was significant non-compliance, yes, in the future that might translate it into write-offs.

HON. A.M. RADRODRO.- Highlighted is some amounts that were owed to the Bank in the Momi Development Project, whether that amount has been collected or what is the status of that now?

MR. M. CLOUGH.- That amount has been outstanding for quite a period of time as far back as 2006, I believe.

HON. MEMBER.- (Inaudible)

MR. M. CLOUGH.- It has not been resolved.

HON. MEMBER.- (Inaudible)

MR. M. CLOUGH.- It will be, yes. So in our non-performing loans, a large proportion of our non-performing loans is that particular project.

DEPUTY CHAIRPERSON.- Thank you for your response and thank you for the question.

HON. V. PILLAY.- Mr. Chairman, through you, I declare my interest as well. I would like to ask about the dairy industry of this nation. Dairy farming is going through a very difficult time in the last few years. Once it was a very lucrative industry and we were able to produce more than 11 million litres of milk and definitely the credit goes to FDB because they were the major financier for dairy industry then with the 99 percent of your customers in the sugar area. Dairy industry has a very big opportunity in this country because consumption of dairy products is always there. There is a big market, imports are very high and we are nearly producing about 6 million litres of milk now. As you all know the difficulty is that we have gone through the diseases of tuberculosis and brucellosis and some farms have been wiped out. Is there any plan, a bank of your nature, would try and locate these farmers and try to revive the industry that the Government is doing all its best to try and assist in so many ways through the Ministry of Agriculture and Ministry of Economy?

If you do not have any plan, this is a request if you can try and re-look at your programmes and see this industry which is sick now, it does not only need doctors, it needs lot of other ingredients to revive and start those empty sets that is waiting for Government assistance. As I said, Government is doing all its best but lending institution like you with good profit margins, are you prepared to take a risk to try and get involved in reviving this industry so that those farms can be reactivated?

MR. M. CLOUGH.- The answer to your question Honourable Member is a firm yes to the point that in the coming days we are about to renew and upgrade a Memorandum of Understanding with the Fiji Dairy Co-operation . So it is firmly on our lending agenda that co-operation with the dairy co-operation is firmly on our lending agenda.

HON. RATU N.T. LALABALAVU.- My last question, Honourable Deputy Chair. You have touched on a very interesting issue when you mentioned co-operatives when you replied to my first question. Just recently with this question that was raised by Honourable Prakash, the Government needs to set their House in order first before it shifts it over to you by way of co-operative. I have said it in the House several times, there is a need to resurrect it but you have mentioned that a bit. That, it was given the answer which has given on the Rewa Dairy Co-operative, that will reduce the cost factor that you explained before.

MR. M. CLOUGH.- Honourable Member, I am addressing that from the point of view of strong get together.

HON. RATU N.T. LALABALAVU.- Yes.

MR. M. CLOUGH.- So you can have individual farmers and they represent a certain risk to the bank obviously. If you pull their expertise, if you pull their financial resources then obviously you have a stronger entity, sometimes a commercial entity and in that strength they can derive hopefully lower interest rates for their ventures. I think that all goes to the heart of commercialisation.

HON. RATU N.T. LALABALAVU.- Yes, because that blends in well with the ownership of land as well because you are going onto that product of yours in trying to encourage resource owners who do not have assets and leases or whatever has collectable. But this would be a way to go because the system of ownership together with co-operatives seems to be ....

MR. M. CLOUGH.- Yes, if you think again about graduation, we hope that our farmers that we serve as part of our IFLs scheme can graduate to some kind of lease ownership or freehold landownership and then the further graduation is of those farmers into a co-operative. So, you can see that type of change coming with prosperity.

HON. A.M. RADRODRO.- Deputy Chair, just another question to the CEO. Now that you have been certified as a Green Climate Fund institution, what is the Bank's strategy in terms of promoting this and all these ongoing topical issues? Does the Bank have any strategy to promote it to its clients; non-focussed, focussed sectors?

MR. M. CLOUGH.- Honourable Member, we do not have to do too much actually.

HON. A.M. RADRODRO.- Alright.

MR. M. CLOUGH.- The fact that Fiji is affected by climate change, the fact that Fiji was at the Presidency of COP23, the fact that we are an accredited entity to the Green Climate Fund, we are getting plenty of enquiries. The main thing about those is that we have to deliver on those enquiries. And again a lot of it is around having the frameworks which are attractive for offshore investors in particular, offshore sponsors. I am happy to mention that we are looking at two projects at the moment.

- i) Electric Bus Project, the pilot project for Suva; and
- ii) Agri-solar power project on Ovalau, where it is quite innovative rather than having your normal solar farm which is the height of this table. We have got a solar farm which is the height of the roof and we are cropping underneath it as well. The solar power generated by those panels, pump water for irrigation of the crops underneath. So, that is the great example of the co-operation of a number of Fijian agencies including the Ministry of Agriculture, the bank and the offshore agencies that is a value in Fiji.

HON. A.M. RADRODRO.- I was looking forward to those kind of answers because something like the bank would only fund hybrid vehicles borrowing rather than diesel for that level kind of incentive. In terms of investments in the respective sectors, do you work closely with the other Government agencies to promote investments, say in tax free zone areas in Ba and Ra? How does the Bank play a part in that?

MR. M. CLOUGH.- We are more focussed on sectors rather than any particular region. We have continual our conversation with each of our branches on what is happening in your area. What is unique to your area and how can you generate customers and economic activity in your area, particularly in the light of some very sentiment in the market at the moment. We are definitely focussed on particular sectors.

We are working with a number of government agencies, for example, we now have a matching grant scheme to support farmers whereby International Fund for Agricultural Development (IFAD), for example, contributes 25 percent of the project. The customer contributes 25 percent to an agricultural project and the bank contributes the remaining 50 percent.

That arrangement is targeted at SMEs that can support farmers in taking their produce to market, particularly farmers in more remote areas. They are the middlemen between the farmer and the market and this is another step in making farmers more commercial. So rather than farmers taking their produce to individual markets or the road side, they now have a specific conduit through an SME that can engage storage facilities, transport facilities to market as well. That is called “value chain financing” which I mentioned earlier and that has the support of both the Ministry of Agriculture and IFAD as well.

HON. A.M. RADRODRO.- ... that means were introduced the cash hand-outs of \$1,000? The administrative part of this former application forms and registration assessment of the applicants were usually done by the FDB before they are given out to the respective recipients. Does FDB still play the role in terms of administering the forms for SMEs?

MR. M. CLOUGH.- Are you referring to the Micro and Small Business Grant, Honourable Member?

HON. A.M. RADRODRO.- Yes.

MR. M. CLOUGH.- No, we are merely a disbursement, a cheque production and disbursement conduit from MITT.

HON. A.M. RADRODRO.- (Inaudible)

MR. M. CLOUGH.- No.

DEPUTY CHAIRPERSON.- Thank you, Honourable Members.

Any other supplementary questions, Honourable Members?

If there is none, then I would like one of the Honourable Members to make concluding remarks, Honourable Prakash, on behalf of the Committee.

HON. V. PRAKASH.- Chair, through you and through our Members, thank you very much for being here and giving responses. As you know Fiji Development Bank is the heart of the citizens of Fiji. It has done wonders before and it has been there. Government is behind the Bank in trying to give it the guarantee and indeed, no matter whatever is the situation, we would like to see that the Bank prospers. There should always be an increase and that would be an indicator that the country is moving forward.

DEPUTY CHAIRPERSON.- Thank you, Honourable Member.

MR. M. CLOUGH.- Thank you, Honourable Member. They are very kind sentiments.

DEPUTY CHAIRPERSON.- If you want, you can make concluding remarks or sum up your presentation, if you wish to.

MR. M. CLOUGH.- I think I am all talked out actually.

(Vote of thanks – Deputy Chairperson)

MR. M. CLOUGH.- Thank you, Honourable Deputy Chair. It has been a pleasure.

The Committee adjourned at 3.25 p.m.

**STANDING COMMITTEE ON**  
**PUBLIC ACCOUNTS**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (EAST WING)**

**ON**

**WEDNESDAY, 9TH OCTOBER, 2019**

**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE SMALL COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY, 9TH OCTOBER, 2019 AT 1.35 P.M.**

**Interviewee/Submittee:**      **Fiji Public Trustees Corporation Limited (FPTCL)**

In Attendance:

- |                         |                                    |
|-------------------------|------------------------------------|
| 1. Mr. Antonio Takala   | Chief Executive Officer            |
| 2. Mr. John Mow         | Manager Finance and Administration |
| 3. Ms. Priya Lal        | Manager Legal                      |
| 4. Ms. Ana Niumataiwalu | Communications & Marketing Officer |
- 

DEPUTY CHAIRPERSON.- On behalf of the Chairman of the Public Accounts Committee and Honourable Members of this Committee, I wish to welcome Antonio Takala, the Chief Executive Officer of Fiji Public Trustees Corporation and his team.

I would also like to welcome the members of the media fraternity.

(Introduction of Committee Members)

As a matter of interest, while you are deliberating Members will interject from time to time and you are expected to provide a response. At any given point in time should you think that you want to give a response later on in written form, you have the liberty to do so. Without further ado, I request the CEO to introduce his team and then you can start the deliberation.

(Introduction of team from FPTCL)

Sir, we had sent a PowerPoint presentation.

DEPUTY CHAIRPERSON.- The hard copies are here with us, so we can just go through that.

MR. A. TAKALA.- Thank you Deputy Chairperson, the PowerPoint presentation covers both the financial year of 2016/2017 and it comes out from the Annual Report as well for 2016/2017. To begin, Deputy Chairperson, just briefly, the Fiji Public Trustee Corporation Limited, background of that, it was corporatized in 2006. The Public Trustee Office was part of the Ministry of Justice department and was corporatized in 2006. It is governed by the Fiji Public Trustee Corporation Act of 2006 and the services that we provide is estate administration services, trustee services, will making, Power of Attorney and other legal services.

These services, Deputy Chair are provided at a regulated fees, gazetted under the Fiji Public Trustee Corporation Act. These services are provided to the people of Fiji at no cost to Government.



Deputy Chairperson, the Directors as per the Annual Report for 2017 as outlined. Recently in July, the directorship changed and Mr. Ikbal Jannif resigned and Mr. Sunil Sharma replaced Mr. Ikbal Jannif as Chairman and also a few other directors came in. In July 2019, there was also another change where only Ms. Timaima Vakadewabuka whose contract has not been renewed. The management team as outlined, I, as the CEO, Mr. John Mow, Manager Finance.

HON. A.M. RADRODRO.- How many Board of Directors do you have?

MR. A. TAKALA.- Currently we have 3 Board members on the team, so that is Mr. Sunil Sharma, Ms. Bernadette Nickels and Ms. Lorraine Seeto.

HON. A.M. RADRODRO.- (Inaudible)

MR. A. TAKALA.- Our Act says that it is not really in the Act, it is in our Constitution, probably the Articles of Association of the company which says more than two.

HON. A.M. RADRODRO.- (Inaudible)

MR. A. TAKALA.- Yes, three is within that.

HON. A.M. RADRODRO.- This is the same number that the FPTCL had the last time you presented?

MR. A. TAKALA.- Previously, it was only two.

Now it has increased to three.

HON. A.M. RADRODRO.- Alright.

MR. A. TAKALA.- It went right up to four at one time and I think now it is back to three.

DEPUTY CHAIRPERSON.- Thank you. You may move on.

MR. A. TAKALA.- Deputy Chairperson, the organisation chart is as outlined and that has remained to-date. The vision and mission of the Corporation as outlined and our purposes.

Our Mission and Vision are also outlined.

The FPTCL Strategic Plan 2015 and 2017 in which this Report covers is also outlined before the team.

Mr. Deputy Chairperson, we move on to the workforce. The gender composition, currently we have 55 percent female and that still stands to-date as well to 45 percent male.

As part of training and development for the company, we continue to provide:

- Training in leadership, quality management, customer service;

- Provide education assistance for our staff;
- Enter Fiji Business Excellence Award; and
- Also looking at staff rewards through our Performance Management System as part of our training and development.

Mr. Deputy Chair, the other part is the Financial Performance.

The financial performance provided is mainly covering total revenue and total expenses as per the slide from 2008 to 2017.

Mr. Deputy Chair, the Corporation's financial performance in the last 10 years. When we look at the last 10 years over the period, the average annual increase in revenue was about 9 percent. An average increase in expenses was about 12 percent and an average increase in net profit before tax is around about 11 percent.

The Corporation continues the trend of achieving profitability for the 12 consecutive year despite facing numerous business challenges. The challenges in our business arise from competition in the market, certain legislation and policy changes affecting our trust business, increasing the cost of doing business and innovating to meet customer changing demands are some of the challenges.

We have over the years working on identifying new services based on customer demand. This has generated the much needed income to supplement the Corporation's core business. However, despite these business challenges faced and also the reduction in revenue and net profit in the current year, the Corporation directed us then in 2017 declared a dividend of \$500,000 for the 2017 financial year including the last two years that we have not paid any dividend.

For that, Deputy Chairperson, since the incorporation of the company, the total dividend paid to Government by the company over the last 10-plus years is \$5 million which is an average of 34 percent of the total shareholders' funds.

Deputy Chairperson, our income composition is as outlined, fees and charges is round about 49 percent, interest income is about 48 percent and others 3 percent.

Deputy Chairperson, we move onto our financial position, the Corporation, the total assets of the Corporation as at 31st December, 2017 was \$15.3 million comprising of financial assets at 81 percent, properties, plant and equipment was about 12 percent, receivables at 3 percent, cash equivalent at 3 percent and other assets.

Deputy Chair, you can see that there is a vast increase in our assets. Mainly the total increase in assets in 2017 was after the reviewing of provisions in the Trust. In 2017, upon the review of provisions in the Trust, it was agreed that provision for investment impairment and part of the provision for trust claims be withdrawn.

DEPUTY CHAIRPERSON.- Excuse me, can you refer to us the page you are on?

MR. A. TAKALA.- Sorry, Deputy Chair, this is from the Annual Report.

DEPUTY CHAIRPERSON.- Ok, so we are not following this one? Thank you, continue.

MR. A. TAKALA.- So that Deputy Chair is slide 10 and we are now explaining the vast increase in the assets on slide 10. That was due to that. The decision was based on an external audit recommendation to comply with International Financial Reporting Standard and verification conducted by consultants, Ernst & Young followed by a formal Board resolution.

Total Liability - As at 31<sup>st</sup> December, it was sitting at \$618,000. Current liabilities and debts that were there were mainly trade and other payables and dividend that was payable to Government.

Total shareholders' equity as at 31<sup>st</sup> December sat \$14.7 million and this comprised of capital reserves which was 31 percent, retained earnings 24 percent, re-evaluation reserve 4 percent and other reserves 41 percent.

Mr. Deputy Chairman, when you look at the ratio analysis on slide 10 as well, overall, Mr. Deputy Chair, cash flow and liquidity continue to be favourable, improving the solvency status of the Corporation. This is evident in the key liquidity and solvency ratios in the table outlined.

Mr. Deputy Chairman, the services provided by the Fiji Public Trustee also includes as one of the core business is Estate Administration Service. This service involves collating a person's assets, paying their debts and distributing the assets to beneficiaries according to the terms of their will upon their death.

Without a will, the distribution is done in accordance with Succession Probate and Administration Act. In 2017, we opened...

HON. V. PRAKASH.- Deputy Chair?

DEPUTY CHAIRPERSON.- Yes, Honourable Member?

HON. V. PRAKASH.- Can you elaborate further with details about those that do not have a will? What are your procedures? How do you identify?

MR. A. TAKALA.- Thank you Mr. Deputy Chairman. Probably I will get our Legal Manager to just elaborate on these details.

MS. P. LAL.- Good afternoon. In the absence of a will, the property distribution of the deceased is usually governed by the Succession Probate Act which states that once a person passes on, his next of kin or the spouse is supposed to take out an administration which is called the Letters of Administration. Once the Letters of Administration is granted by the High Court, it then appoints an Administrator who is then liable to distribute the assets or the monies that the deceased has. That distribution takes place according to the provisions of Section 6 of the Succession Probate Act which states that the wife is supposed to get a certain percentage and then children of the deceased are supposed to get a certain percentage.

Recently with the change in the Succession Probate Act with the inclusion of the *de facto* partners, the estate is then supposed to be divided with the *de facto* partners as well provided they are able to prove to the court that they have been a *de facto* partner on a genuine domestic relationship and there are certain factors that needs to be followed and these factors are also outlined in the Succession Probate Act and in the Family Law Act.

So if the *de facto* partner is able to prove that she or he was a partner on a genuine domestic relationship, then the proceeds or the estate is also divided to the *de facto* partner as well. But, generally it usually goes onto the spouse and to the children as per the Act, and then the Act does provide a hierarchy of how the distribution is to take place.

HON. V. PRAKASH.- Another supplementary question on that. Sometimes we have people offshore. I think most of the children and the close family members are offshore. What machineries do you have to identify them or whether you are able to do that? How are able to identify next of kin?

MS. P. LAL.- If the beneficiaries are abroad, we usually have a provision in the Trustees Act of Fiji which outlines that the Fiji Public Trustee Corporation can advertise in any of the local media or in a social media to get out to the beneficiaries of the deceased person. We have had instances in the past where did advertise in the local dailies and we were able to get the beneficiaries to come to our office and identify themselves so that we could distribute accordingly.

HON. V. PRAKASH.- Deputy Chairperson, another supplementary question. Our Government is trying to do its best through the Legal Aid Commission and through the publicity it is doing that people should have a done. What ratio do you have of properties under your care but without a will? Are they decreasing? Roughly what is the percentage?

MR. A. TAKALA.- Deputy Chairperson, majority of our estates are mainly those that have will and they have appointed us and we are looking at something like 80 percent/20 percent who do not have a will and they have requested us to take over the administration. Some administrators do give up their role and say because it is cumbersome and they have to go through a lot, so they come to the Public Trustee to take over that role as well. Some just come wanting us to take over the administration of the estate as an independent administrator compared to someone within the family who will be doing the distribution. Also some come through High Court appointment whether it is dispute in the estates and then the court then gives it to the Public Trustee as an independent trustee to carry out or complete the administration work in those cases.

DEPUTY CHAIRPERSON.- Thank you Honourable Member. Any further questions? If there is none, you may proceed further.

MR. A. TAKALA.- Thank you Deputy Chairperson. Estate Administration those are the figures – new estates for the last 5 years and value of the estates and the estates settled and closed. Just answering that question, the FPTCL administers estates where there is a will appointing the Fiji Public Trustee as executor, where there is no will and the beneficiaries or close relatives appoints the Fiji Public Trustee, and an existing executor is unable to fulfil the task and renounces its favour to the Fiji Public Trustee or the Fiji Public Trustee is appointed

by the High Court to administer. So, those are the main areas in which we administer those particular estates.

Deputy Chairperson, moving on, the other service. Our core business is a trustee.

HON. RATU N.T. LALABALAVU.- Deputy Chairperson, I have a question. Thank you CEO and members of your staff for the information provided so far. I noticed from your reports that your core function or functions, you tend to conflicting each other. One is, you are trying to provide free service at the expense of the Government, at the same time you are providing reports on your financial reports. How do you find yourself in that particular role that you are playing?

MR. A. TAKALA.- Apologies, Deputy Chairperson, I cannot see the conflict in there. We are providing service that is not funded by Government. We do not receive any funding from the Government. For us we operate as a company and we provide the service and we charge services based on the gazetted fees that is legislated for the Corporation. So, we do not receive any funding from the Government, as a Government owned company, we charged fees on the services that we provide and the fees are as outlined in the gazetted fee.

HON. RATU N.T. LALABALAVU.- Honourable Deputy Chair, perhaps if I make myself clear there. In the services provided to the people of Fiji, at no cost to Government, you have stated here. On the other hand, you are trying to get revenue in. With the services that you provide, you are charging fees and all that. How do you find yourself in that situation?

MR. A. TAKALA.- And we get that revenue from the service that we charge to people, the income, yes. So that is where we get our income from. From there then we simply operate like a business where we pay taxes and we pay dividends back to Government through that business.

HON. RATU N.T. LALABALAVU.- A further supplementary question, Deputy Chair.

DEPUTY CHAIRPERSON.- Yes.

HON. RATU N.T. LALABALAVU.- Madam, on your turnaround time. Do you have a standard time with the turnaround time for the issuance of letters of administration or probate for that matter from the time that they have lodged their application?

MS. P. LAL.- Yes, Chair. We generally have a turnaround time of three months, two weeks to be exact. The reason why we are saying three months, two weeks is because usually when the documents are lodged with the High Court, it takes about six weeks for the grants to be released but before that we have about, the first step would we require a 21-day period where the notices are advertised in the local dailies and after the 21 days has expired, then the other period is used for drafting of documents, obtaining valuation reports and obtaining other financial statements. In total, it takes about three months, two weeks for the client to be delivered their grant, their letters of administration or probate grant.

HON. RATU N.T. LALABALAVU.- Another question, Honourable Deputy Chair.

DEPUTY CHAIRPERSON.- Yes.

HON. RATU N.T. LALABALAVU.- Historical progress on the amount of work that you have regarding that. Has it been on the increase? Why I am raising this question is, if you look at Government policies, now they are going strongly towards commercial agriculture and then you need collateral. That is where this kicks in, your statement.

Most of our people through ignorance or what, I mean you have the experience in that, they hardly draw up wills and things of that nature. That is why I am raising that question. Has it been on the increase? Another thing that I would like to raise, Honourable Deputy Chair is, whose duty it is to inform the people? The Government on one hand is pushing, this is the way to go but on the other hand, it is the estate matter that comes out of that particular journey. Whose duty it is? Is it yours or other Government departments?

MR. A. TAKALA.- Mr. Deputy Chair, what has happened over the years, the Fiji Public Trustee has taken that role as a non-commercial obligation of itself to carry out awareness to the public. We have from business expenses itself, we have gone out to carry out that awareness through various media and also presentations at village level, with companies and hotels. The last few weeks, we had it at the group of hotels out in Malolo just to carry out this awareness within that.

So, over the years, the FPTCL has taken within itself that role, not as Government directed but as part of the business that we do to educate people on the importance of having a will and also because this has come out over the years, what we have seen, the issues that come out in administering estate without a will; it is so cumbersome. There are so many conflicts that goes on. Family conflicts do arise to us in delaying most of the estates and mainly because family members cannot come to agree, we could not distribute, they end up with one each lawyer, it goes back to court and this whole process just keeps on going around. So there are those challenges within the service that we provide that covers that but to answer that question, yes, the Fiji Public Trustee has also taken that role to do the awareness and advocacy for the importance of drawing will.

DEPUTY CHAIRPERSON.- Yes, Honourable Member.

HON. V. PRAKASH.- Deputy Chair, through you. We are quite pleased with the work that you do on behalf of those families that have trust in you but at the same time I think it is also important for people to have ownership of the properties, assets, cash or whatever it is which is within the care of Fiji Public Trustees. So normally if there is no dispute within the family members, how long will it take to get the property transferred to the real beneficiaries?

MR. A. TAKALA.- Deputy Chairperson, if it is straight forward estate without any complications, it will take up to one and half years to about three years to carry out all that full process and have the title under the beneficiaries name; that is the amount of processes that we have to go through.

DEPUTY CHAIRPERSON.- Thank you. Any further questions?

HON. A.M. RADRODRO.- Deputy Chairperson, just a question to the CEO on the effectiveness on how FPTCL is conducting its awareness in terms of estate administrative services.

We note that you have highlighted, you had open 56 estates, but, the role that you played in terms of getting everyone to be registered under these programmes that you have. Can you just highlight to the Committee the effectiveness of the roles that you play in terms of the number that you highlighted here? You said 56 new estates, but, do you have a number that you peg yourself against to ensure that first you have covered all those that were having estates? Secondly that you overcome those situations where those people who do not engage in wills. These 56 looks fine, but, how many who have not yet registered? That is the effectiveness in terms of administering your services throughout the course of your operation.

MR. A. TAKALA.- Thank you for that question. Recently we have just appointed a personnel to look after our marketing and awareness. Previously we used to just do it within the operations of the company, now because of the importance of that, just starting this year we have appointed someone to really just look after marketing and awareness for us.

Deputy Chairperson, when we talk about effectiveness of marketing, one of the things we have seen over the years, despite the number of times you go out and present to people and people are nodding their heads every time you present, to get out someone to do a will be, what we have seen, they have to hear this about seven times or if this thing happens to the family then that triggers them to come around and say, “okay, I heard that from Public Trustee now I have to go.”

Our product of service is a unique one that people decide to leave as something not that important in their life and also what we have seen is that the issue now that the Legal Aid Commission has come in and has taken good a chunk of also of the work that we do. They would take those that could not afford our fees, so we are working hand in hand in that, and that has been one thing we have seen over the years which has been taken up in doing that. But, I think overall, now they are also doing marketing on wills and also we are doing it from our part to try and also boost the marketing on wills.

DEPUTY CHAIRPERSON.- Thank you.

HON. A.M. RADRODRO.- Deputy Chairperson, I think more specifically the question is trying to direct into the communal ownership, the effectiveness of your public relations in terms of communal ownership, say in household where, in a village, how effectiveness is your public relations to ensure that this is effectively carried out and registered and the will is registered in an *iTaukei* community where land ownership and your ownership is sort of communal-based.

MR. A. TAKALA.- Deputy Chairperson, on that one, that is on communal ownership, there is a challenge in there. You cannot include anything you own communally in the will because you do not own it personally yourself. So, any property you have on communal land belongs to the *mataqali*, it does not belong to an individual person. The only thing you can include in the will are your own personal assets where you have the titles under your name, et cetera.

One of the things that we are currently doing is, that is correct like what Honourable Radrodro is highlighting is, one thing that we would like to help Government in, especially when Government is looking at providing housing to those who cannot afford. One of the ways

in which to do that is through a transfer of wealth and transfer of wealth is from a person who owns a property to his children and so forth. One of the things we are trying to advocate to those who own properties is to get a will drawn up. It will ensure that that process is done expediently with a lower cost in getting the property transferred to each individual.

DEPUTY CHAIRPERSON.- Yes, Honourable Lalabalavu?

HON. RATU N.T. LALABALAVU.- Thank you Honourable Deputy Chairperson, through you. CEO, just a point of interest and perhaps I seek your guidance here. Does the company have a snapshot of the trend from the number of cases that you have on people who have drawn up their wills that have come across your company and those who have died interstate? What is the trend like, is it becoming an accepted norm, something that we have to ensure that we draw up a Will because your data should help send the message to us. It is a neglected area because our culture and traditions play a heavy role here and we only react when someone has gone.

MR. A. TAKALA.- Thank you for that question. We do not have record of a report on that but probably we can prepare a report to show that. But over the years briefly, what we have seen is, yes, there has been an increase in the number of people who are coming to draw wills so it is impacting people, especially retirees who are coming up almost every day to come and draw Wills. We have seen the increase in number of people who have come to draw wills. And also, sadly on the other hand, increase in the number of estates because younger and younger people are dying, therefore, their estates keep on coming up, so the number of estates have also increased slightly as we have seen over the years.

Sadly in this, it is the younger people who are not wanting to think that they do not need to draw up a will and yet this is the 30s, 45, 50 are the age where people are dying younger with properties. So one of the advocacies we are currently doing is that, anyone who is over 18 years is required to do a will. It is important to do a will even when you are over 18. That provides that security not only for you but for the loved ones who are left behind.

HON. RATU N.T. LALABALAVU.- (Inaudible)

MR. A. TAKALA.- All right. The will is going to be the last will that you did, the last recent will that you did. If you did one yesterday and then one today, so the one today supersedes the one yesterday.

HON. V. PRAKASH.- Through you, Deputy Chair. Indeed your work is, I think, getting challenging everyday as you have said that young people dying out and young people never thought that they were to make a will. With your marketing team, I think it will improve a lot. I am worried about the people who are in village settlements. Some of them own a very good house and also there are some beneficiaries who also own houses and these beneficiaries have been assisted through various funding and there are other agencies who are also trying to build houses for those people in the urban centres. Deputy Chairperson, I just forgot the name of that body that used to give ownership of the house.

My question is, are you able to reach those people in villages, especially those who are getting assistance from various agencies including Government assistance for housing so that they are able to have proper titles? In villages, normally we have seen, after the owner of the



house dies either the house is closed or it is taken over by an immediate family. But that is quite important at village level where there is a property, is there any possibility of having those properties having proper titles? It is interesting as I said, there is a very big room for ownership of properties and some of the houses are so well built. It may not have the proper housing plan and other things but the property is there, investment is there. So, what is your opinion on that?

MR. A. TAKALA.- Thank you, Deputy Chairperson. As I outlined, if it is in the rural area whereby the person is leasing that particular piece of land and he has built that nice beautiful home.

HON. V. PRAKASH.- They may not be leased but they may have certain type of ....

HON. A.M. RADRODRO.- (Inaudible)

HON.V. PRAKASH.- They may have a certain agreement that they are owners of the house and they have invested.

MR. A. TAKALA.- Deputy Chairperson, for that, unless they have a title, then only then they can include that in the will and it be transferred. So the main thing is getting the title and those who provide titles is a Government agency like Lands Department through the Titles Office. But for us, only those that have real ownership and has included that in the will, then we will be able to administer that.

HON. A.M. RADRODRO.- ... that you write here provided to the people of Fiji should be qualified a little bit, that you have to own a property because that excludes people who own properties in the village.

MR. A. TAKALA.- Yes, these services is for those who ....

HON. V. PRAKASH.- Again, this is Fiji Public Trustee. The name itself is something, it is a trust and it should be for all Fijians. I believe the ownership of property in the village whether it should be titled or your legal team and through your good expertise as a CEO you should try and see that. No matter where they are, people must have some ownership through the *iTaukei* administration. I think it is important that whichever property people have invested in, one could have a title, one could have a lease, one could not have all those facilities but the hard earned income of their life which they have invested. It is important that those areas be looked at because your organisation is called the Fiji Public Trustee where all Fijians should be included, no one should be excluded; that is my opinion. In a village there should be certain types of administration arrangement done because they own that piece of land where the hard earned life income was spent. Otherwise there can be a lot of conflicts and owners who are not the right owners are coming in. This is my concern, as I said, it is a challenge that you should try since you represent all the people not only title holders.

DEPUTY CHAIRPERSON.- Thank you Honourable Member, you may move on.

MR. A. TAKALA.- Thank you. We take note of that.

HON. RATU N.T. LALABALAVU.- There is this famous gentleman in Sabeto, Apisai Tora, former Minister, he got some loan from Housing Authority and he built his house in the

village. He was getting old, age was catching up and loan was supposed to be paid and all that, but the Housing Authority cannot step in because the house was sitting right in the village and all villagers, you rightly said CEO is under native reserve. So, it was a big head ache case for the Housing Authority but again, they should have done their homework properly especially on the land, if it is *mataqali*, it has to be de-reserved, at least....

HON. V. PRAKASH.- And at the same time, I believe, that asset is sitting there, lifetime investment is sitting there and someone must have given approval, a consent that the house should be built there. A consent itself is something which I believe, the Fiji Public Trustees should, whether it is a village head or whether it is within the community, but without someone's consent, that property cannot be built there.

The investment of people and their assets should be recognised. It should not be that people, even if they have spent more money than those legal owners, but their assets remain unrecognised. There should be a system that recognises the assets of the people, because the beloved one will go one day. We will not own asset, whether it is a titled asset, a freehold asset or whatever it is, one day we will go, but the asset of an individual must be recognised wherever it is built. It must have some certain consent, which is why I said that it is a challenge. There are so many unidentified assets sitting in Fiji and this must be identified so that the beneficiary can be proud of it. That is what my concern is.

DEPUTY CHAIRPERSON.- Thank you very much Honourable Prakash, we allow you Mr. Takala to move on.

HON. A.M. RADRODRO.- This is a totally different set of enquiries, in terms of the role that you play at FPTCL, now that Legal Aid is also carrying out a similar role and also some private legal practitioners, do you communicate with each other? Let us take for example, Honourable Prakash goes to Legal Aid Commission today and registers a will and tomorrow he comes to you to register a will. It gets registered, your one first before the Legal Aid, so which one becomes valid in this scenario? That is the question I am basically asking whether you are communicating with each other in terms of the other entities on registering of wills or what is it that you are currently doing now; different role from each other?

MR. A. TAKALA.- Thank you. In relation to wills register, there is only one wills register, it is held here at the High Court Registry. So all wills prepared should be registered here at the High Court, so whatever will, the latest one that was registered here, that would also be the most recent one.

HON. MEMBER.- (Inaudible)

MR. A. TAKALA.- Yes, but if you have another will outside of that then it is a matter of challenging that in Court, that this was the latest one but it was not registered, but register wise, there is only one registry because that is where the grant will be issued. So when everyone is applying for a grant, you will need to annex a will, if there is a will. So in that, they will come and check their register and then they will compare that with the register that they have. If they have the latest will, they will advise the applicant that there is the latest will here and they have appointed so and so to be the administrator. Currently in Fiji we have that taken care of by the High Court.

HON. A.M. RADRODRO.- In terms of those registered, does FPTCL check, say for example, with iTLTB the total number of registered leases that are issued from there? Do you do your verification whether they all have a registered will or registered estate with your organisation or any other organisation? Who is responsible like you have all different entities, Legal Aid Commission, FPTCL but who is responsible to ensure that this registering process is the responsibility or is ensuring that everything is registered under will. Who is responsible out of the three?

MR. A. TAKALA.- I think it is the responsibility of each individual to ensure that they have a will and whoever prepares the will should then register that will.

In dealing with TLTB and other landowners, that is also an area that we are trying to communicate as stakeholders to try and assist each other especially when tenants pass on. They have a big list of tenants who have passed on and did not have a will. So, what we are currently doing is working with iTLTB to try and work out through that process of getting the estate administered so that we can transfer the tenant to a living tenant and they can get a lease paid out and so forth.

We are also working on those with other stakeholders similarly with the Lands Department to try and identify list of tenants who have passed on and how we can assist to provide that. For that we leave that to the beneficiaries for them to choose whether they want to go to Legal Aid Commission or to come to the Fiji Public Trustee. Again, if you go to the Legal Aid Commission there are criteria that you need to follow. If you earn a certain income at a certain level, they will not provide that assistance and that is where we come in as a public trustee to provide a much cheaper rate than what the lawyer will charge and we fit in into that market.

DEPUTY CHAIRPERSON.- Thank you, you may move on.

MR. A. TAKALA.- Thank you, Deputy Chairperson. Other services provided by the FPTCL are trustee services. A trust is a relationship based on confidence between the person creating a trust, a trustee and a beneficiary.

In 2016, the Corporation was trustee for over 9,108 clients with a value of \$15.8 million.

Also fees charged on this are mostly other fees and charges that are gazetted.

HON. RATU N.T. LALABALAVU.- Honourable Deputy Chairperson, would you be able to enlighten the Committee, can we create a trust on top of an existing trust?

MS. P. LAL.- Thank you, Deputy Chairperson. That entirely depends on the contents of the trust as in what property or what asset do you wish to put in the trust. If it concerns the same property then it has to be limited to one trust but if it is regarding a totally different property then you can create a different trust for that different property. However, it is generally advisable to put it in one trust which has the terms and conditions to govern that particular estate or that particular property.

HON. RATU N.T. LALABALAVU.- For example, Native Land Trust Act which was once run by and administered by the Ministry of Lands over native land, Land Use Bank and

all that. They create another trust there and the Prime Minister is empowered to appoint trustees. It may sound political but .....

HON. A.M. RADRODRO.- It is reality.

HON. RATU N.T. LALABALAVU.- Yes, reality. OAG?

MR. A. TAKALA.- Thank you, Deputy Chairperson.

HON. RATU N.T. LALABALAVU.- If you cannot answer it, do not worry.

MR. A. TAKALA.- I was going to say that.

HON. RATU N.T. LALABALAVU.- Alright, I am sorry.

DEPUTY CHAIRPERSON.- Thank you, Honourable Member. You may move on.

MR. A. TAKALA.- Thank you, Deputy Chairperson. FPTCL's duties as trustee are to hold and protect funds or even assets, invest funds during the term of the trust, make appropriate disbursements from the trust and pay-out especially for funds for beneficiaries, these are minor beneficiaries at majority age or as per the conditions of the Trust.

HON. V. PRAKASH.- Can you highlight some of your recent investment for making more money for your client because assets in the form of property or trust has a market value. What are some of the ways in which you are investing so that clients, whoever has entrusted those trust in the Public Trustees? Once it will be transferred to beneficiaries, it will be something more than what it was.

MR. A. TAKALA.- Mr. Deputy Chair as trustees we invest trust funds in Government bonds, in Government term deposits, in managed funds with the Unit Trust and FHL Unit Trust. Those are the current parameters that only allows us to invest within which are more conservative type of investments on that.

For individual trusts, unless it is specified in certain trust investments that they want to enter into, only then, then we carry out those investments especially in properties or in something else. So, only if it is outlined in the Trust Deed these areas of investments.

Otherwise for the common pool funds, it is just invested in those funds at the moment.

HON. A.M. RADRODRO.- And this is in the Act?

MR. A. TAKALA.- Yes, and this is as per the Act.

HON. A.M. RADRODRO.- (Inaudible)

MR. A. TAKALA.- That is correct.

HON. V. PRAKASH.- I am thinking of making some lucrative profit, because you are doing quite well, a real estate is one area there which is in demand.

MR. A. TAKALA.- Yes it is true.

HON. V. PRAKASH.- Laws are made and changed by people, depending on the demand, I am sure you will be able to look at ways in which investments can be done on behalf of the beneficiaries because some of the trust that you have, it goes for decades. Long-time investment cannot be at a minimum, it should be as per market rate. I am just thinking whether you would be able to invest more on behalf of the clients.

MR. A. TAKALA.- Thank you, Honourable Member.

DEPUTY CHAIRPERSON.- You may move on.

HON. A.M. RADRODRO.- Deputy Chair just a clarification on Page 13, "... the Corporation was Trustees for 9,108 clients. Would you be able to furnish the Committee the type of clients under this?

MR. A. TAKALA.- Deputy Chair majority of these clients are minors who were nominated from the previous FNPF funds and they nominated these minors to be the beneficiaries. So those funds are entered into trust funds and when they are 18, and these are paid out. However this has change due to the change due in the FNPF Act. Now an individual can go and claim as trustee of a minor and carry out that role as well. So we are mostly dealing with trust funds for a compensation funds, also insurance proceeds funds.

Moving forward on the new service that we looking at entering into family trusts, whereby families can put certain assets that they have into a trust and that be co-managed with the Public Trustee over a certain period of time.

This is a big business in New Zealand whereby the Public Trust of New Zealand carries out that role as well. We would like to roll that out. Mainly the reason behind this new initiative is, these assets when you are putting it into a trust it is more protected; protected from various claims, such as creditors' claims, matrimonial claims and so forth. It can remain within the family for generations to come at a long term. So these are some of the new services that we would like to build on onto the current trust service that we are providing and we are hoping to roll this out next year to add on to the trust services that we actually provide.

HON. V. PRAKASH.- Deputy Chairperson, this is a reality for this country. There will be a lot of families who would be investing because with the current development that has taken place with the Fiji Development Bank where families can invest and with your interest, I am sure it will be an asset to our nation and we are looking forward for such development.

MR. A. TAKALA.- Thank you, Sir.

HON. A.M. RADRODRO.- I just wanted to get an assurance from the CEO regarding this family trust, now with the changes to the Family Act like the legal personnel had advised, we now have the de facto strengthening powers. So, is that also catered in this Family Trust Act?

MR. A. TAKALA.- Yes. We are currently carrying a thorough research on the laws that will govern that, the taxes that will be effected in that, the accounting service that needs to be provided if it is earning income, et cetera. So, currently we are caring out all the ground work to try and ensure that we cover all the areas in relation to that example as well.

HON. A.M. RADRODRO.- So, it would not be immune from *de facto* laws?

MR. A. TAKALA.- That is a matter for the law to interpret.

(Inaudible)

DEPUTY CHAIRPERSON.- Thank you Honourable Member. You may move on.

MR. A. TAKALA.- Slide No. 16 on Legal Services. Apart from the trust estate services that we provide, we also provide legal services and these are mainly litigation for contested estates and trust matters and for wills prepared by Fiji Public Trustee. These are the services provided by the legal service; guidance to staff on legal matters and in training and development, carrying out conveyance work for related client estates. The legal team also offers other legal services. This was introduced in 2014 and they have become very popular with private executors and administrators of estates. Above there is the number of cases that they have so far in the last two years (2016 and 2017).

These legal services are something like more cheaper than the lawyers. If you cannot qualify for legal aid and you cannot afford a lawyer, then you come to the Public Trustee. We will provide you that service within that. We are targeting that market.

(Inaudible)

MR. A. TAKALA.- For us no, if you come in at whatever level of income, we will take you on as well.

Deputy Chairperson, just finally looking forward for the Corporation, we would like to ensure that we continue to be financially viable and offer services to the people of Fiji, no cost to Government. In 2020, the Corporation will be rolling out new estate planning services, one of those I have just explained to the people of Fiji as we expand our business. We are currently carrying out enhancement and development of IT systems to improve services. Just last month we signed up a contract with Telecom to provide digitisation of all our records and we are looking at about \$1.5 million pieces of paper that needs to be digitised mainly to ensure that we have those records should the unfortunate happen.

So, it is for risk management and also part of business continuity plan that we are trying to develop to ensure that we digitise all the records and we are able to access that from anywhere in Fiji and also ensure that we improve the service that we provide to our clients. We are spending quite a lot on capital works on improving our IT services.

Also what we have seen Deputy Chairperson, over the years, people are not coming to the office. People are coming through social media, emailing us and a lot of new businesses are created now through social media, internet, et cetera. That is why we are increasing our investments in these areas to try and ensure that a person, now you can even start a will by

going to our website and there is a form that you simply fill and once you put in your information, you submit it, it will come to us within 24 hours, one of our staff will call you and we will arrange a meeting with you with a draft will based on the information you provide. You will be required to provide some documents to ensure that it is really you that is coming to do the will and so forth and some due diligence work. That has now been running for over two years and we have seen the demand because people are too busy to come to the office with all the requirements. So now they are even doing it from the comfort of their homes to just initiate the process. It may not end up in drafting of a will today, but it starts the process in them being reminded that their will process has started, they need to come and sign and get those registered. That is why we are going to invest quite a lot on Information Technology (IT) for those clients.

Expand public awareness and marketing activities in various communities, civil society, among workers and the ordinary Fijians to also assist economically disadvantaged Fijians as Non-Commercial Obligations. Some people have appointed us as administrators and then after administering the estate, we found out that they are unable to afford our fees. So for this, we have requested the Government to allow us to provide non-commercial obligation work. This becomes a cost that will be shown but as part of a non-commercial obligation to the people just to ensure that we continue to provide that service to the people of Fiji.

There is a long-term plan to explore other business opportunities with the expansion of our FPTCL headquarters property and also looking at other source of income from that. Deputy Chair, that is briefly the presentation and thank you for listening.

DEPUTY CHAIRPERSON.- Thank you very much for your presentation. Any further questions, Honourable Members?

HON. A.M. RADRODRO.- Thank you CEO. Just a question on your way forward. You may correct me on this in terms of your accessibility throughout Fiji. Are your offices also located throughout the divisions in Fiji?

MR. A. TAKALA.- Yes. We have an office in the Western Division, based in Lautoka and they cover mostly for West and one in Labasa to cover for the North. When carrying out marketing roles, it is usually the head office that is helping the divisions to try and ensure that we reach out with that. So, yes, we have those offices to assist. Thank you.

HON. A.M. RADRODRO.- And the business continuity plan as highlighted by the OAG, has that been completed, similarly for the risk governance framework.

MR. A. TAKALA.- Deputy Chair, that is what I was just explaining on the investment that we are currently doing. One of the things we really need to do first is to ensure we digitise all the documents as part of the business continuity plan.

Within that we have also arranged with Telecom Fiji Limited (TFL) that they carry out our disaster recovery so whenever we want the data, we can always access that through that. It is almost in completion stage and we hope to complete that by this year. Thank you.

HON. A.M. RADRODRO.- Just a question on the financials. I know the presentation continually says, “at no cost to Government”, the workings of the FPTCL. But, I would like to

question the basis that you had paid \$1.5 million as dividend to Government? So if you are not having any costs from Government, why are you paying dividends to the Government?

MR. A. TAKALA.- Deputy Chair, I think that is the whole objective of having a Government Commercial Company, not to get further funding from Government but to operate within itself and also return dividends to the Government. I think that is the whole purpose of creating a state-owned entity or a Government Commercial Company and we are operating mainly on within those terms to ensure that the Government gets an extra revenue from the work that we carry out as part of that.

DEPUTY CHAIRPERSON.- Thank you, Honourable Members. Any more questions. If there is none, any concluding remarks?

HON.V. PRAKASH.- Deputy Chair, I am indeed impressed. First, you are the first organisation to say that you have gender balance and you have given the percentage of that and we are very proud of that. I think you are the first one to put our head up with gender balance and other things and we are really happy for that. At the same time when I see your team here, it looks so attractive and energetic. You are so energetic with full of energy and I am sure it is yet to be explored to the level your country needs. When I was looking at your foreword, the second last item, those who are disadvantaged and they have put in so much to their properties, you know all their stories better than us. After that there are a lot of people who want to claim things and it should be the wishes of the people who should claim.

You have got a very big area and I think your assets will not double up, it will just grow into billions because of those things that I have personally said about investments done at a consent which should be taken as a property. The only thing is, it can be properly planned and registered and then you can take care of it.

I am also thankful to your legal team, I think she faces a lot of challenges in trying to see that the ownership of properties is something that everyone should desire wherever they live. This is one thing that people wish for and that is ownership which I think is a challenge.

DEPUTY CHAIRPERSON.- Thank you Honourable Prakash. Just a last one for the purpose of information, how are you aligned to the National Development Plan?

MR. A. TAKALA.- Thank you Deputy Chairman. When we device our strategic plan, one of the things we always take into account is the National Development Plan and how we are playing a role in whatever pillar or area that we can in that and so we do take that into account as well.

DEPUTY CHAIRPERSON.- Thank you very much. Honourable Members we have come to the end of our deliberation. Do you may wish to make any concluding remarks or you want to sum up your permutation, you may do so.

MR. A. TAKALA.- That is all, Deputy Chairman and thank you very much for listening to our presentation.

(Vote of thanks – Deputy Chairperson)



The Committee adjourned at 2.44 p.m.

# **STANDING COMMITTEE ON** **PUBLIC ACCOUNTS**

## **2016/2017 AUDIT REPORT ON GOVERNMENT COMMERCIAL COMPANIES AND COMMERCIAL STATUTORY AUTHORITIES**

### **Verbatim Report**

- a) Pacific Fishing Company Limited**
- b) Housing Authority of Fiji**

**THURSDAY, 17H OCTOBER, 2019**

**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE BIG COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON THURSDAY, 17TH OCTOBER, 2019 AT 12.55 P.M.**

**Interviewee/Submittee: Pacific Fishing Company Limited**

In Attendance:

Mr. Bhan Singh                      -    CEO

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DEPUTY CHAIRPERSON.- On behalf of the Chair of the Public Accounts Committee (PAC), Honourable Maharaj, Honourable Members of the Public Accounts Committee and the Secretariat team, I welcome the team from Pacific Fishing Company Limited (PAFCO) to the deliberation today. Before I move on CEO, may I introduce the Members of the Committee?

*(Introduction of Committee Members by the Deputy Chairman)*

In attendance from the Office of the Auditor-General (OAG) to assist us is Mr. Dineshwar Prasad who is the Director of Audit. We also welcome the members of the media fraternity. Before we begin our deliberation, I just wanted to inform you as a matter of interest to our deliberation, the Members may interject from time to time and ask questions where you are expected to respond to. Should at any given point in time you feel that you want to give a response later on in a written form, you have the liberty to do so. Without further ado, I request Mr. Singh to deliberate. Thank you.

MR. B. SINGH.- Thank you, Mr. Chairman. First of all, I would like to convey an apology from our Chairman, Mr. Iqbal Jannif. He is unable to make it today due to a serious sickness. One of his family members is sick so he has sent his apology. I will start off with the set of questions that was sent by the Standing Committee on the Annual Report for PAFCO 2016/2017.

Question 1: Has the company developed an anti-fraud programme and in the absence of the anti-fraud programme, how did the company manage risks of fraud?

Sir, we do not have a documented anti-fraud programme but the risks of fraud are managed by internal control measures and practices. All cash received is reconciled and balanced on a daily basis. Employee's attendance data is captured in an automated timekeeper system. We utilise a palm reader and we also do a daily head count of all employees. We also have two audits conducted annually, one is the external audit which is conducted by the OAG and second is the full internal audit which is conducted by our internal auditors. We take note of all recommendations and findings in the audit reports. We then implement the suggested recommendations that are formed as part of the audit conduct. We will develop an anti-fraud programme. The target date for completion is June 2020.

The next item is significant findings. The first one says inadequate documentation to support monthly consultancy payments. This monthly consultancy payment relates to a deduction of a sum of \$2,248 from the loan payment fee on a monthly basis. This deduction is a consultancy fee charged by Bumble Bee for the employment of a maintenance personnel at the factory. This maintenance personnel is employed on a work permit under PAFCO and he

was initially recruited by Bumble Bee to help upgrade the factory in the required areas. While there is no written agreement on the engagement on the consultant, this has been discussed with Bumble Bee and we are advised that this has been an ongoing matter from the year 2000 when Bumble Bee's arrangement with PAFCO was first entered into.

Bumble Bee has always had a consultant at the factory and a part of the fee is paid by PAFCO. The consultant not only looks into the affairs of Bumble Bee but he also looks at PAFCO affairs. He helps in the general maintenance of the factory and therefore part of the cost is shared by PAFCO. This fee is actually taken off directly from the loin fee that Bumble Bee pays PAFCO for the processing that we do on behalf of Bumble Bee. I think the auditors have recommended that we should have a consultancy agreement. We are in negotiations with Bumble Bee on that to have a consultancy agreement for the deduction of that fee.

The next one is also related to Bumble Bee. This is the provision of a motor vehicle to an employee of the customer. A motor vehicle at the cost of PAFCO has always been provided to Bumble Bee. It was part of the first processing agreement and the vehicle is used by the General Manager Operations based at the factory in Levuka. We have now started to charge all costs relating to operations and maintenance of the vehicle to Bumble Bee. So it is no longer PAFCO's cost. We are looking at withdrawing the vehicle from January 2020. That has been in our discussion between PAFCO and Bumble Bee and we have sort of agreed that that provision, since it is not in the new loin processing agreement, that provision will be withdrawn.

The next item is the review of the Finance Manual. This is under review. We will be completing this by the end of December 2019. This review was suggested by the auditors that we should have a bonus policy as part of the Finance Manual. We have drafted a policy and it has been presented to the Board. It has been deliberated upon by once and the Board will make a decision in the next Board meeting which will be before the end of December 2019.

The last item on the list was Absence of a Disaster Recovery Plan. Honourable Deputy Chairman, we have a fully written down Crisis Management Programme and this is reviewed annually. I have submitted a copy to the Secretary. That is all I have.

I will answer any questions that the Committee might have.

DEPUTY CHAIRPERSON.- Thank you very much for your presentation, Mr. Singh.

I request the Honourable Members if there is any comment or question, you may do so.

What has been the exact reason regarding the vehicle?

MR. B. SINGH.- Sir, when we renegotiated the contract, the processing agreement is not part of the agreement. In the previous agreement there was a provision for a vehicle but in the new agreement, there is no provision for a vehicle. That was highlighted to us, so since it is not part of the agreement, we have advised Bumble Bee that we will no longer have that provision available.

As part of the internal arrangements, we have started charging all the costs to Bumble Bee, it is no longer PAFCO's cost.

DEPUTY CHAIRPERSON.- Thank you very much.

Yes, Honourable Prakash?

HON. V. PRAKASH.- Through you Chair. Your sales have been increasing and we know that your product is quite important to the general public and also globally. Apart from what you have mentioned in answer to the question here, what are the other challenges that you face?

MR. B. SINGH.- The biggest challenge is, the supply of tuna to the factory. Sir, 2019 has been a pretty bad year for PAFCO. We have been faced with various challenges of supply issues mostly. The albacore supply has been quite low this year and we have been running quite low on the factory throughput throughout the year.

HON. V. PRAKASH.- Is there any specific reason as to why your supply of tuna has been very low?

MR. B. SINGH.- Tuna is seasonal. It is available in other regions, but it is not available in the region that we buy our tuna from at the moment.

HON. V. PRAKASH.- Are you saying that they are moving out of our region?

MR. B. SINGH.- Maybe, tuna is a migratory fish, but there are price issues as well. There is a lot of competition for tuna. We note that there are other companies buying tuna in Fiji as well. Tuna is landed in Suva but it is not processed here, it is exported and processed in other factories around the region. So price is also a factor in the availability of tuna to the factory.

HON. V. PRAKASH.- If those were regional suppliers of tuna, I believe they were mostly local and other foreign vessels to your company. Are they moving away from you and supplying to other attractive markets now?

MR. B. SINGH.- The arrangement we have, as part of the processing agreement that we do on behalf of Bumble Bee is, Bumble Bee actually buys the tuna and supplies to us. PAFCO does an intermediate process, where we convert the tuna into loins. So Bumble Bee has a buying agent in Fiji which is FCF. They have contracted suppliers who supply tuna to them.

Like when we have issues of low supply, we go back to the agents and the reasons we get is that the catch is low. So the catch is low therefore the supply is low. At times, Bumble Bee does buy tuna from other regions and supply to us, but it has not been the case this year (2019).

HON. V. PRAKASH.-...notice your forecast if it continues like this.

MR. B. SINGH.- We have received a forecast for 2020 as well, it is quite low as well. Bumble Bee is forecasting a low tuna supply for 2020 as well. We are now looking at strategies of investing in the canning operations and improving our canning operations to supplement our revenue.

DEPUTY CHAIRPERSON.- Honourable Lalabalavu?

HON. RATU N.T. LALABALAVU.- Through you, Honourable Deputy Chairperson. Thank you for your earlier briefing on the situation as is. I would like to raise a question, given the level of performance so far and your supply, the idea of relocating, what is the view of management now in terms of in the long run?

MR. B. SINGH.- Relocation was discussed sometimes in year 2011 and 2012. I think Bumble Bee had put a proposal to the Government to relocate the loining operations to a location in Suva. But we believe PAFCO is the best location for processing tuna. It has the workforce, facilities and it can continue as a good loining plant, provided the supply of tuna is there. We have recently written to FRCS and FRCS has now declared PAFCO's wharf as a port of entry, so we can now receive tuna directly at the wharf in Levuka instead of previously receiving the tuna at the Government Wharf and then the vessels were transferred to the PAFCO Wharf. We can now receive tuna directly at the PAFCO Wharf. That is the very recent progress we have made in terms of adding some benefits to the supplier so that they can land their tuna in Levuka or directly to PAFCO.

HON. RATU N.T. LALABALAVU.- Honourable Deputy Chairperson, supplementary question. The management does the outlook on the shipping industry as a whole because that should complement the industry, the servicing of your fishing fleets et cetera. I understand PAFCO is competing with Samoa now?

MR. B. SINGH.- I am not really sure Deputy Chairperson on that issue because we do not deal directly with suppliers. The suppliers are contracted through FCF to Bumble Bee, most of the tuna that we process is albacore tuna, which is about 80 percent of the production. Those vessels that supply are mostly owned by Chinese and Taiwanese vessels that supply tuna to PAFCO. Very less local companies supply tuna to PAFCO. That arrangement in terms of shipping, Deputy Chairperson, is mostly with third parties. PAFCO does not deal directly with the shipping companies in terms of supply of tuna to the factory. We have one shipping company that provides services to us, which is carting of PAFCO's goods to and fro. So we have a separate arrangement with that company only.

HON. V. PRAKASH.- Deputy Chairperson, this is interesting that you receive you tuna supply through a middleman arrangement. Why can you not buy directly, what is the reason that you go through a middleman?

MR. B. SINGH.- It is the provision in the processing agreement that we have. As I had said PAFCO does not buy the tuna itself, we do the middle process, which is converting the tuna into loins. So it is Bumble Bee and their agents who buy the tuna, they supply the tuna to the factory, PAFCO converts the tuna into loins and the loins is then owned by Bumble Bee. So we get paid a processing fee. That is the bulk of the operations, it is 80 percent operations.

HON. V. PRAKASH.- Deputy Chairperson, to get that consistent supply is very important. Now you are forecasting that there will be another year, your middleman said that it will be difficult. Do you see any other alternatives or other arrangements as a processing company because you need materials to process and there is demand for that? If it continues to say that for the third year again the supply will be bad then what is the future of the factory?

MR. B. SINGH.- Another option we have is to increase the canning operations which are looking at now. Canning is mostly sold locally and in the region. The design of the plant is such that it has been designed to be a loin plant. So as I said, 80 percent of the operation is loin plant design. We are now slowly investing in the canning operations to make it a viable canning operation as well. In the last few years we have invested, we have brought in a few new machines, we have a capital plan to invest in some more new machines this year as well. We have increased the canning operations at least by about 10 percent to 15 percent. In year 2020, our plan is to increase by at least 50 percent. That will bring us the added revenue or the revenue that is lost if the loining process is hindered by way of supply of tuna.

We think that the supply may continue to be low. There are other processes in the region where tuna is slowly moving to.

DEPUTY CHAIRPERSON.- Yes, Honourable Aseri Radrodro, you may ask your question.

HON. A.M. RADRODRO.- Thank you, Deputy Chairperson, just a question to the CEO; thank you very much for your presentation. Looking through your financials in the two-year programme, you have a very huge asset base in terms of property and market equipment. That reflects the operations that you have which is highly a machine intensive organisation. Can you just elaborate to us what is the plan in terms of, whether you plan to replace some of the machines that you have in terms of maintaining the standards of your operations and also where those machines and under probably what we had raised the last time we met is, you highlighted that you are facing difficulties with insurance covers. Can you just advise the Committee whether that has now been resolved, whether PAFCO has now been able to address the insurance coverage of the whole company asset after our last visit?

MR. B. SINGH.- The first question was on investing in plant and equipment. We have continuously been upgrading our equipment. In 2019 and 2020, we are investing in two new pre-cooker machines. We have six pre-cookers, the pre-cookers have been there for more than 20 years now. We are replacing two with fully stainless steel type modern pre-cookers that will cost us about \$2 million. So that is for 2019 and part of 2020 and then we have plans to replace two more at the end of 2020 and then the balance too. So six new pre-cookers is in our capital new improvement plan.

We have improvements in the building as well. Because of its location just beside the sea, we have a lot of effects of salt water on the buildings so we have been investing in the buildings as well. We have recently built a new cold storage which cost us \$60 million, it was opened this year by the Prime Minister. That has replaced the old cold storage which had been in use for more than 20 years; that is now redundant. In terms of insurance, the difficulty we have is insuring buildings for cyclones and the reason is, the buildings are not cyclone certified. We do not have an Engineer Certificate for the buildings so the new ones are the new cold storage but the old buildings are not cyclone certified. We do not have cyclones insurance for the old buildings. No insurance company will give us a cyclone insurance for buildings which do not have an Engineer Certificate. So that is the difficulty with insurance and it remains.

HON. A.M. RADRODRO.- You still operating from those ....

MR. B. SINGH.- Yes.

HON. A.M. RADRODRO.- That is the risk that the company is due to undertake.

MR. B. SINGH.- It is not a risk to the employees or to the premises but if there is a cyclone and the building is damaged then insurance cover is not there for the damaged buildings.

HON. A.M. RADRODRO.- Can you just enlighten us a little bit more since we are 2016/2017 financial statements? Can you enlighten us on the effects of *TC Winston* on the company?

MR. B. SINGH.- *TC Winston* in 2016 we were closed for about 8 weeks. There was no operations for about 8 weeks, major damages to the factory was mostly to electrical and electronic controls and equipment. This was due to sea water surge. The sea water affected a lot of the electrical equipment.

HON. A.M. RADRODRO.- Was that covered?

MR. B. SINGH.- That was covered. In 2016, those equipment were all covered. We recovered an insurance value of close to \$6 million.

DEPUTY CHAIRPERSON.- Thank you very much. Honourable Lalabalavu, you may ask your question.

HON. RATU N.T. LALABALAVU.- A supplementary question, Deputy Chair. CEO, has the company been made aware especially on the insurance issue on this issue of loss and damage covered under the Conference of the Parties (COP 23) on Climate Change especially when trying to engage the private sector. Has the company sent fillers in that particular area? Have you made enquiries to the Ministry of Economy on that?

MR. B. SINGH.- No, Deputy Chair. Sorry, we have not.

HON. RATU N.T. LALABALAVU.- Is that news to the management? Have you heard or have you been made aware of it?

MR. B. SINGH.- No.

HON. RATU N.T. LALABALAVU.- Thank you.

DEPUTY CHAIRPERSON.- Honourable Radrodro, you may ask your question?

HON. A.M. RADRODRO.- Deputy Chair, just a question regarding, you are saying about PAFCO intending to extend its operations, that is, throughout Levuka. Levuka is also known for its heritage sites. Can you enlighten the Committee whether you also have difficulties in expansion regarding the heritage sites and whether PAFCO is also part of that heritage site listing?

MR. B. SINGH.- Deputy Chair, there is only one building that was part of the heritage arrangement.

DEPUTY CHAIRPERSON.- You may continue.



MR. B. SINGH.- There is only one building belonging to PAFCO which is part of the heritage site and that is the old copra shed building. That building is at the corner of our property. It was damaged during *TC Winston* and it is still damaged. It has not been repaired due to heritage issues. We were not utilising that building for any production-related activity. It was only used as a kindergarten and we had some offices which were owned by the employees union. So, that was the only building that is part of the heritage listing. The rest of the buildings are not included in the heritage listing.

HON. A.M. RADRODRO.- And in your intended expansion of the operations, is that heritage building going to remain or are you going to remove it? What is the future plan of PAFCO?

MR. B. SINGH.- For the heritage building, we have asked the Heritage Council if it can be removed and that is under consideration.

HON. A.M. RADRODRO.- Consideration by who?

MR. B. SINGH.- By the Heritage Council. As part of your question regarding expansion, we have ample capacity within the factory itself to expand some of the areas.

DEPUTY CHAIRPERSON.- Yes, Honourable Lalabalavu. You may ask your question.

HON. RATU N.T. LALABALAVU.- Yes, Honourable Deputy Chair, through you. CEO, I really want to take us back to the question that I raised earlier on regarding insurance cover. I find it interesting given the importance of the industry and now it is affected by climate and the changes that comes about through climate change. There is a global fund about US\$150 million that has been reported by COP23. But specific gender details of how we go about, this is to do with loss and damage, the insurance coverage. Hearing the situations that has come before you regarding *TC Winston*, and you have been closed for 8 weeks, and no one is interested for the insurance cover and all that. Would you be able to take this initiative and register your interest with the Ministry of Economy on that? Because the funds are available, it is just a matter of preparing both the private sector, not so much the Government, the private sector to come in and take care of this service. That is all my trying to raise here, Sir.

MR. B. SINGH.- We will explore that Deputy Chairman.

DEPUTY CHAIRPERSON.- Thank you very much.

Is there any other question, Honourable Members?

Honourable Prakash?

HON. V. PRAKASH.- The idea to have PAFCO to its original size is commendable because of its heritage and also because of rural based industry in that area. My only concern was as you have said, since you are diversifying to canning so that the operation can be sustainable.

Do you have any other areas in future that you would like to implement so that the company is being profitable apart from canning? Are you thinking of any future investments because fish is an animal that moves around and we all know that that is a very big challenge?

MR. B. SINGH.- We do not have anything Chairman on our agenda at the moment. It is a tuna processing factory, it is tuna processing plant, and it is designed to process tuna. We look at investing more in the core business which is probably trying to value add a little bit more and get more revenue out of what the operations are designed for. At the moment there is no other plan to invest in any other areas apart from tuna processing.

DEPUTY CHAIRPERSON.- Thank you.

Any other questions?

Honourable Radrodro, you may ask your question.

HON. A.M. RADRODRO.- Just a clarification regarding the engagement of this consultancy. Would you have an ending period where this consultation will end and staffing will be recruited to accommodate this consultancy?

How has PAFCO given the kind of business that it is involved in, it is highly technical and highly sophisticated in terms of its processing plants and products. In terms of the quality of the staffing that it has, can you just enlighten the Committee whether staff are properly accommodated and properly remunerated to make the workplace remain attractive to them rather than leaving the PAFCO industry which might compromise the product that it is producing?

MR. B. SINGH.- Thank you. In terms of investing in the manpower, we have a Graduate Trainee Programme where we recruit graduates out of university and we train them in various areas of the plant. We have been doing this for the past three to four years now; three to four graduates annually and we train them in all aspects of the factory. We have about six or eight graduates at the moment in the factory who are being trained in various areas of operations. Some of them have stepped up and taken up supervisory roles.

We also have an Apprenticeship Programme. We just had four apprentices graduate this year in trade areas. So, we are trying to recruit as much personnel from Levuka as possible so that they do not have housing and other issues and they have interest to be attached to the factory and remain on the island. But we do have an issue with retaining staff, mostly at very senior level; Accounts level. We had recently a Financial Controller who resigned and left and we had two HR officers who resigned and left as well. I do not think salary is a problem, I think it is the marketability of the personnel which is a problem. Probably these Financial Controllers and HR personnel are highly marketable, they can find a similar or a better job elsewhere, and that is why they decide to leave. That is the issue we have with senior management.

We have recently looked at our organisational structure where we have now assigned some new job titles like, Team Leaders where we are trying to upgrade and upskill people for technical competence. Our long term plan is to do away with expatriates, to have no consultancy, no consultants in the factory.

HON. A.M. RADRODRO.- How about in the areas of the quality management of the product?

MR. B. SINGH.- Most of the quality management personnel are in-house, other than one from Bumble Bee who looks at Bumble Bee's quality areas. That particular consultant is a maintenance personnel. He is qualified and expert in tuna processing so he is the one who does investments in those pre-cookers and upgrades of electrical equipment, et cetera.

HON. A.M. RADRODRO.- The expatriate or ..?

MR. B. SINGH.- That consultant is an expatriate.

HON. A.M. RADRODRO.- Any future plans regarding that applies in the position?

MR. B. SINGH.- Yes, we have sort of under studies to the position, we have recently appointed three personnel as team leaders in various areas whom we expect to upskill and replace the consultant.

DEPUTY CHAIRPERSON.- Honourable Prakash, you may ask your question?

HON. V. PRAKASH.- SDG 5 requires gender balance at your workplace. Would you highlight the composition of the staff at PAFCO and what is the ratio as far as gender balance is concerned?

MR. B. SINGH.- The entire workforce is about 70 percent female and 30 percent male.

HON. V. PRAKASH.- At management level, do you have females?

MR. B. SINGH.- Yes, we have. At management level, I would say it is probably 60 percent male and 40 percent women.

HON. V. PRAKASH.- Then you have got a good combination, , that is good.

DEPUTY CHAIRPERSON.- Thank you Honourable Prakash. Are there further plans for expansion or are you satisfied with the current operations?

MR. B. SINGH.- Expansion as I said is in the areas of canning operations, value adding, we are trying to concentrate on increasing the canning operations.

DEPUTY CHAIRPERSON.- Thank you. Any other questions? Honourable Lalabalavu, any questions?

HON. RATU N.T. LALABALAVU.- No.

DEPUTY CHAIRPERSON.- We request Honourable Prakash to give the concluding remarks on behalf of the PAC members.

HON. V. PRAKASH.- I thank you CEO for your presentation. Our product from Levuka has taken us globally and indeed it is a very important for the livelihood of those in the maritime areas. You said that the challenges are there but you are able to sustain that through

diversification. We wish you all the best and we hope that the tuna will return and your agents will be able to supply more so that the factory which is quite an important industry throughout the nation continues. So far we are very happy and I think your price is quite reasonable as well on our local shelves plus the sizes of the cans that you are trying to produce is very attractive to the children and other consumers. Those are a few observations we have seen. The public is truly enjoying your product and I think it is well consumed, so continuity of that will be really important not only for our country but also for our markets outside of Fiji. We wish you all the best and we hope that when you come next year we will be able to hear more good news. Thank you very much for coming.

DEPUTY CHAIRPERSON.- Thank you Honourable Prakash. Mr. Bhan, if you wish, you can make final concluding remarks or sum of your presentation before we conclude this session. Thank you.

MR. B. SINGH.- Thank you Deputy Chairperson. I have taken note of the comments made by Committee Members and we will try and see how best we can explore those ideas that have been mentioned and we will try and see how we can explore and implement those. Thank you.

DEPUTY CHAIRPERSON.- Thank you very much Mr. Bhan. We wish you the best in your future endeavours and for the organisation. Thank you very much.

The Committee adjourned at 1.30 p.m.

The Committee resumed at 1.59 p.m.

**Submittee/Interviewee:      Housing Authority of Fiji**

In Attendance:

- |    |                       |   |                                      |
|----|-----------------------|---|--------------------------------------|
| 1. | Mr. Robert Sen        | - | Chief Executive Officer              |
| 2. | Mr. Poasa Verevakabau | - | General Manager Finance              |
| 3. | Mr. Josua Lal         | - | Senior Communication Liaison Officer |
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DEPUTY CHAIRPERSON.- Good afternoon everyone. On behalf of the Chairman of the Standing Committee on Public Accounts, Honourable Alvick Maharaj and Honourable Members I welcome the team from Housing Authority of Fiji.

*(Introduction of Committee Members by the Deputy Chairman)*

In attendance we have Mr. Dineshwar Prasad, Director Audit from the Office of the Auditor-General and I also welcome the members of the media fraternity.

Before we begin, I request you to introduce the members of your group and then you can carry out your presentation. During the course of your presentation the Honourable Members can interject from time to time and you are expected to respond to their questions. Should at any given point in time you feel that you want to give a response in written form later on, you have the liberty to do so. So without further ado, I request Mr. CEO to introduce the members of your group and then you can start with the deliberation. Thank you.

MR. R. SEN.- Thank you. I have got my General Manager Finance and our Senior Communications Liaison Officer from Housing Authority. First of all I would like to say thank you to the Committee for inviting us to present the Housing Authority's 2016 and 2017 Accounts.

DEPUTY CHAIRPERSON.- Thank you. You may begin your presentation.

MR. R. SEN.- Firstly, I would just like to say that I have been in the CEO's role for about two and half weeks only so I will try to do my best to present the information required. Basically what we are here today to present gives an overview of Housing Authority, some of the roles and objectives that were listed in our Annual Reports, what we have done and going forward, what we will be doing and where we would take Housing Authority to another level.

One of the visions for the Government was to provide affordable housing to lower level income earners. So that is the role that we are looking at. If we look at our Act, the principal objective is to provide housing provisions to workers within the ages. What we basically do in Housing Authority we acquire the land, subdivide and develop so that the public get a piece of land which is officially titled, all the utilities are provided in terms of water, road and sewers; all those things are provided within that subdivision. It is like putting a formal settlement into place rather than an informal.

The other role we provide to the public is a way of loan or guarantee or assist them to purchase the house or piece of land. You will see that we assist the lower level income earners.

Also we look at the thresholds of salary level or gross income that we assist. In 1960, it was the level of \$7,000, in 1995 was \$6,500 and from 2003 all the income that they earn per annum is \$50,000 or below. In terms of the Authority, we are not there to make profit but enough to pay the operational cost of the Housing Authority and also to do some capital expenditure within the Authority. So the actual cost in preparing the submission or the lots, that being part of the cost so that is the reason we are able to keep the cost of the land or the building quite low than the open market system.

DEPUTY CHAIRPERSON.- Honourable Ratu Naiqama Lalabalavu, you may ask your question, Sir.

HON. RATU N.T. LALABALAVU.- Thank you, Deputy Chairperson. Mr. CEO sorry to interrupt you, just a question seeking clarify here in terms of the issue of the role especially on Section 16 of the Housing Authority Act and the role that comes under the Public Enterprise Act. The Committee would be interested to hear the views of the Office of the Auditor-General as well on that in your auditing. This particular role of one institution that Section 16 of the Housing Authority Act is very clear. Yet the role that comes under Public Enterprises is more towards profit. Can the Committee be given some explanation on that? What is the view of the Office of the Auditor-General on that one?

DEPUTY CHAIRPERSON.- May I request the representative from the Office of the Auditor-General to highlight us on that before we go to the CEO.

AUDIT REP.- Thank you, Deputy Chair. Thank you, Honourable Member. I think the roles and objectives that are stipulated in the Housing Authority Act and the requirements of the Public Enterprises Act are two different things. Basically the Public Enterprises Act looks at mostly the financial viability side, like I mentioned the profit side of it and the Housing Authority Act itself mostly looks at the operational end.

I would not like to comment on this as it is a policy matter between the Ministry of Public Enterprises and the Ministry of Housing. We cannot question the policy, so I am afraid I will not be able to comment on that issue. But as far as our stand is concerned when we do our audit, we look at both the Housing Authority Act and the requirements of the Public Enterprises Act. We ensure that the reporting requirements of the Housing Authority of Fiji is in line with those two Acts. Thank you.

DEPUTY CHAIRMAN.- Thank you very much Mr. Dineshwar for your response. Any response from the CEO?

MR. R. SEN.- I think I concur with the OAG in terms of the Housing Authority Act. What it enables us to do is in terms of the operations of Housing Authority. It gives us, just like in terms of keeping the cost of whatever the development we are doing and also not to make a loss. It gives us how Housing Authority within itself does the operational work. In terms of the Public Enterprises Act, I cannot comment on that coming from Housing Authority, we always look at the Housing Authority Act ....

DEPUTY CHAIRPERSON.- Yes, Honourable Lalabalavu, you may.

HON. RATU N.T. LALABALAVU.- Honourable Deputy Chair, I would like to suggest if we can agree to take this up in our report because of the roles. As highlighted by the Office of the Auditor-General, it is a policy issue and the two policies tend to conflict. That Section 16 plus the power under the Public Enterprises Act is more towards profit.

DEPUTY CHAIRPERSON.- Would you be able to give a written response based on this?

MR. R. SEN.- Yes.

MR. P. VEREVAKABAU.- Can I comment, Deputy Chair? The Public Enterprises Act assisted us in drafting like setting up a framework in terms of accountability but at the same time oblige to deliver its social responsibility to the people. So, somehow, it has been playing a monitoring role. Although we were not able to achieve that high-level expected profit but we were able to be more accountable in terms of delivering services and at the same time reporting to the Ministry of Public Enterprises. Effective from 2019, we will no longer be reporting to the Ministry of Public Enterprises and that is under the Act, Sir.

(Inaudible interjection)

MR. P. VEREVAKABAU.- Ministry of Housing.

DEPUTY CHAIRPERSON.- Yes, Honourable Prakash.

HON. V. PRAKASH.- Deputy Chair, through you. CEO, congratulations on your recent appointment. Now, the threshold, it is good that we have got up to \$50,000 but indeed compared to a few areas left between the Suva and Nausori corridor which is currently under development by Housing Authority, I think we have also seen that there are members who may have caused that threshold, but they have invested. This is a good sign because in any new settlement, I think it is important that we also try and accommodate.

We have a lower level of housing for people who can afford and the land price is as we all know is quite high. The reason why I am saying this, compared to the past, how are your tenants now as far as payment is concerned? Are they able to comply because before we used to see in the papers, a lot of Housing Authority lots used to be under mortgagee sale and the tenants or the owners were not able to pay off? We want to know what the trend is now with the current development, indeed the price of lots has also gone up. I am sure there may be some people who earn more, they would like to invest into those areas as well because we cannot deprive them, I believe. What is your current rate?

MR. R. SEN.- Thank you Honourable Member. After two or three slides I will be able to show you in terms of a non-performing long sector. What it was a few years ago and what is currently now. You will see from the graph that it is coming down, which shows that a lot of people are able to pay out their loans or performing up to expectations. Also we are following up and assisting them where there is a need for people when they are faced with some financial difficulties.

In terms of, as you said “mix of the tenants in the sub-division”, yes, when a subdivision is done, there is a certain sector like we call “Section A, B and C” so there is a different class of tenants that goes in. Also in terms of like, some of the lots are higher end. What we try to

do is do a mix and match in terms of sell that higher lot at a premium price, I would say, or as a market valuation price, so that we can get a little bit more profit so where we are selling the lots with the low income earners, that is the, their cost are introduced.

In terms of a few lots I would say, the majority of them would be 10 to 15 percent depending on the location. If the lots are at a premium location and all those things, we normally try to put one or two commercial lots so they are going at a normal valuation price through an EOI or a tender process. The profitability of those lots are always taken into account so they subsidise the lots for the low income earners. For that reason the average cost is being introduced.

DEPUTY CHAIRPERSON.- Thank you very much.

Honourable Radrodro, you may ask your question.

HON. A.M. RADRODRO.- Deputy Chair just a question regarding the slide that is there to the CEO. As we know the constitutional right is to have a decent home. In terms of the current situation, owning a home is becoming a very difficult scenario for any person who even earns that pay grade that you have there, \$50,000. Are you catering for people \$50,000 and below? What about those \$50,001 to say \$60,000? Do you accommodate them? If not, why has the Housing Authority not considered those people who are in that bracket?

MR. R. SEN.- With those \$50,000 and below that normally is with the Housing Authority. Anything above like \$50,000 or between \$60,000, if there is a genuine person who has applied for loan, et cetera, we have a process where we normally take it to the Board and to the Ministerial level for approval.

HON. A.M. RADRODRO.- So you do accommodate?

MR. R. SEN.- Yes.

HON. A.M. RADRODRO.- May be you can also put it as your note because what is written there says only up to \$50,000. Secondly,.....

HON. V. PRAKASH.- Through you Deputy Chairperson, the actual thing is that there are people with higher salary which is good and not bad because you are providing an opportunity But those things should be also highlighted with the approval that there are other customers who can also apply.

MR. R. SEN.- In terms of the threshold for the income, the other process in terms of where the lots are at a higher level which has gone on to the market through EOI, we see people from the \$50,000 and above normally applying through the EOI or the tender process.

DEPUTY CHAIRPERSON.- Honourable Radrodro, you may ask your question?

HON. A.M. RADRODRO.- Secondly, probably a follow-on from the earlier questions regarding those home owners who are under the Housing Authority Scheme, but then they progress onto other financial institutions because their financial situations probably has changed and the value of the lot has increased so they are open to further economic activity on their property. How does the Housing Authority view those kind of situations in terms of



tenants within the Housing Authority land? Even the Suva-Nausori corridor, the housing prices have sky rocketed and most of the houses are under the Housing Authority land. So they come through this process but as you know the value appreciates day by day. In terms of your capturing your real objective and unfortunately missing out the ones in the initial stage above that pay grade and is in consistent with the constitutional requirements. How are you going to address those scenarios?

MR. R. SEN.- Thank you, Honourable Member. I think what currently we are working on is, the threshold market currently is based on the objective which is to get the part of the lower end income earners to apply for this. But then again, there are certain sections of the development for the upper market which is above \$50,000 to \$100,000 which they can apply for. When you look at this, I think below \$50,000 they get some assistance from Housing Authority or Government whereas above \$50,000 they do not get any assistance, they have to pay the full rate or maybe they get a little bit higher interest rate. All other sectors or members of the public are catered for there but for those earning below \$50,000 per annum we support them in terms of financially too.

DEPUTY CHAIRPERSON.- Thank you very much. Is there any other question? Yes, Honourable Radrodro?

HON. A.M. RADRODRO.- Maybe we can request CEO and his team to provide the Committee probably a list of all those who have come through during this period of reporting in 2016/2017, a listing of all those new applicants who have been processed, maybe in numbers; just in numbers not in names.

MR. R. SEN.- Thank you Honourable Member. I think I have got those details, we will be presenting it in further slides.

DEPUTY CHAIRPERSON.- Thank you. You may move on with your presentation.

MR. R. SEN.- Business expectation, at Housing Authority we design and build houses as individual lots. We deliver and offer about 1,000 lots per annum and this is one of our objectives. Basically to get 70 percent to 80 percent lots subsidised by the low and middle income earners. We design and build houses or strata units affordable to the low and middle income earners. We also provide innovative housing solutions like plans and if people want to do some modification to their houses, we have got a department that will assist them in planning and also providing them assistance with loans too.

HON. A.M. RADRODRO.- Just a question on these expectations per annum in terms of the 1,000 fully serviced lots, that is just a piece of land?

MR. R. SEN.- Yes.

HON. A.M. RADRODRO.- It will be interesting to note the determination of this 1,000 per annum because the supply and the demand for housing is an imbalance.

MR. R. SEN.- I think this expectation was given to us in terms of 1,000 fully serviced lots per annum. Currently what we find is that there are a couple of other barriers that is stopping us to get into a thousand. But when you look at some numbers, I think a few years back the expectation was a bit low. However, this is just a number that we are targeting to get

a fully serviced loan in terms of per year. Most probably once we are able to provide a lot more frequently or are able to get access to land which is one of the first hurdles that we have to cross, I think that number could increase a lot. I will show you in a later slide that we have got plans where we are talking to landowners in terms of getting the lease under Housing Authority. Once we get the master lease done then the number of serviced lots that could be produced in a year or 2 years is a thousand plus which is cheaper.

DEPUTY CHAIRPERSON.- Mr. Sen, you might move on.

MR. R. SEN.- Basically, this what we have done in terms of our National Development Plan. We have prepared the 5 and 20-year development plan in terms of preparing affordable housing, in terms of getting the other stakeholders into how this could be affordable. It all depends on other utilities like Water Authority, Fiji Roads and Energy Fiji Limited in terms of their demand or new technology or in terms of changes, we need to adapt with those changes and get it into our system and put into our development plan how we can do that. Also in terms of building houses, we have to be mindful of the Building Act and the way houses are being developed or designed through Housing Authority.

This is the organisation structure in terms of Housing Authority. We have got Board of Directors, Board Secretary, Internal Audit and I have got four General Managers reporting to me who look after all the areas of operation for Housing Authority.

Honourable Members, we have 154 staff; of that about 31 percent are female and the rest are male.

The Vision, Mission and Corporate Values for Housing Authority, the main objective is helping all the Fijians to own an affordable home. I think this is basically in terms of incorporating all the requirements by our stakeholders.

Strategic Direction, we are looking at getting financial and non-financial targets based on our balance score card. One of them is providing affordable fully serviced lots.

MR. R. SEN.- ... We are achieving our target, however, we have to look at the everyday challenges that we face in terms of getting these major targets.

Also, in terms of getting the cost down, one of our targets to help lower earning families which is between \$20,000 to \$30,000 and \$30,000 to \$50,000 to own their first home. Some of these commercial and social objectives, basically in terms of social objectives, there are a few of them on these slides which is Government's assistance, free standard housing plans as we prepare the standard housing plans for any new home buyer, they want to use Housing Authority plans, documentation fees is much lower than the other sectors. Commercially, I think to operate in surplus, accountability and to be more efficient.

Deputy Chair, this is the slide which shows us our borrowing portfolio, what we have borrowed from 2011 and forecasting to 2023. What is the weighted capital cost? So, you will see that from 6.25 percent, we are looking at coming down to about 4 percent. Borrowing portfolio – these are the areas we have gone and borrowed from; Exim Bank, bonds and Reserve Bank of Fiji..

This is the mortgage portfolio, this is where we have lent out our funds to Housing Authority customers. You will see the blue line, that is where all our performing customers are and the red line indicates non-performing customers. You will see that in terms of dollar value, they are coming down from 2011. In 2016 and 2017 there were about 12 and 17 amounting to about \$8 million.

The interest spread shows the interest being charged to customers and our borrowing interest. This is just how efficient the Housing Authority has been performing through the years. In 2016, it is a surplus of 1.4 percent compared to 2007 which is 1.7 percent.

Business Activity – this is just the number of lots that has been acquired in 2016. Also, these are a bit small but it gives you the number of applications approved in 2016 and 2017. You will see below \$30,000 there were 392 applications, between \$30,000 to \$50,000 were 297 and above \$50,000 were 40. Same as in 2017, a high number of applicants that required assistance from Housing Authority were about close to 323 and \$30,000 to \$50,000 were 224 and 29 of them were above \$50,000. This is just a graph which just shows the same table that I showed. It is just a long summary by the income and what are the business activities for them.

HON. A.M. RADRODRO.- Can you just explain that graph, what are those bar graphs for and those lines?

MR. R. SEN.- This table is basically showing the application processed approved in 2016 and 2017. So, 392 applicants were earning below \$30,000 and the amount approved was close to \$13.3 million. Similarly, you will see the annual salary range and the number of applications that were approved in each salary range.

HON. A.M. RADRODRO.- They are still with Housing Authority as of today?

MR. R. SEN.- Yes, if you see in 2018, we see the number is about 260 and close to \$8 million in terms of our portfolio. Some of the customers have paid their loans up so the loan portfolio will decrease whereas some whose financial level has increased or increased their living standards so they have moved away from Housing Authority to commercial banks.

These are some of the....

HON. A.M. RADRODRO.- So Housing Authority is responsible for the provision supply of lots and houses.

MR. R. SEN.- Yes.

HON. A.M. RADRODRO.- Does it have any role in terms of determining or is it just the market determining the prices of houses that are built there post-Housing Authority processing?

MR. R. SEN.- It is the market that determines what type of land or building they would like to build and also what is their...

HON. A.M. RADRODRO.- So if someone comes in at 50, he can be able to sell off his property at whatever market rate?

MR. R. SEN.- If they are below 50 or between 30 or something, there is a provision that we have assisted them in terms of housing assistance, they will not be able to sell it because there is a caveat in there.

But however, if someone has not used the housing assistance, and in terms of the lease, at this stage we would like to have all the head lease under Housing Authority so we control the lease. This is one of the challenges that we are facing. We would like customers to keep those properties rather than going to the open market and selling it at the market rate.

If the lease is within Housing Authority then it will be much easier in terms of legal that we are able to control that. If the head lease is not with us then it is not quite easy to control that.

HON. A.M. RADRODRO.- So when a person buys from Housing Authority, say a piece of land, the lease is transferred to the person or?

MR. R. SEN.- Yes, transferred to that person.

HON. A.M. RADRODRO.- And what is the head lease that you are talking about?

MR. R. SEN.- If we go to iTLTB or to a landowner to get say 100 acres of land, that will be the master lease or head lease. If that is under our name then we can control all those here.

HON. A.M. RADRODRO.- So the transactions within that master lease is determined by the market?

MR. R. SEN.- Yes.

HON. A.M. RADRODRO.- Housing Authority has not say?

MR. R. SEN.- If it is under Housing Authority, then we could have something like a sub-lease. Some of these issues or challenges that we are facing is going to an open market very soon that could be controlled.

That is something that we at Housing Authority and the Board are looking at it in terms of how we can assist those things and ensuring that it is within our lease and also it is within the rights of everyone.

HON. A.M. RADRODRO.-I am just concerned because when transactions are done on top of the lease, the returns to the resource owners is consistent from the time of the lease. It does not take into account whatever transactions are made outside or on top of the master lease that you are referring to? Housing Authority does not play any part in that in terms of regulating or monitoring those transactions?

MR. R. SEN.- No.

DEPUTY CHAIRPERSON.- You may move on with your presentation.

MR. R. SEN Just to show you some of the Business Activity – Loan Product that we do have at Housing Authority.

In terms of RBF Housing Facility funding, this is the total number of each of these categories, the number of applicants who have applied and what we have assisted them through the years from 2013 to 2017.

This is the Housing Authority Grant Yearly Summary. I think on top of this is the grant assistance that we have been receiving through Government. You will see that in 2014 87 people have applied and in 2016 and 2017 you will see 198, in 2017 and 2018 there were 162. This is just the number that people have applied from Housing Authority.

DEPUTY CHAIRPERSON.- Honourable Prakash, you may ask your question.

HON. V. PRAKASH.- The demand I think is quite high for people who have been coming to the urban areas. You may have a backlog of applicants lasting for maybe how many years and they are still waiting. One thing I want to know also, currently what is the processing time that you have? If an applicant has applied for a lot in one of the areas, how long will he or she be able to get an answer on whether his application is successful or not? Can I have those two?

MR. R. SEN.- I will answer the last one first. In terms of the processing time, I think it is very challenging and also in terms of, at this stage we at Housing Authority and the Board are looking at our allocation policy and the process on how we need to do it. Previously we had an allocation policy and also an EOI. Also the challenge that we face at Housing Authority is the data or the information that is being supplied by customers. I will give you an example, last year the EOI was called for allocation of lots in Tacirua. We received close to 6,000 applicants, of that we had to do a lot of due diligence process; 50 percent were not meeting the requirement.

To do all these due diligence will take time. It was not like within a month or so, it is quite a challenging task in Housing Authority. To give you the number of days that an application will be processed is quite difficult but we do acknowledge the customers by informing them, “Yes, your application is in our system and we will get to it.” Also getting information like TIN numbers or pay slips, et cetera and the normal information as we normally check with authorities to validate whatever they have supplied whether it is correct or not. That takes long, however we are looking into some processing systems and allocation systems. Currently we do not have a major development to allocate, two of them in Nepani and Davuilevu should be by next year, however, we are also in talks with the IMF in terms of how to develop those lots with the model of the house to be sold together; house and land packaged together.

HON. V. PRAKASH.- With the modern technology available, that information is not going to take much longer for a client and I believe you would also be moving in line with improving your technology so that you are able to be fast enough to tell the customer whether he complies or not. As I am saying the demand is very high and you are very lucky that you are running an organisation where you do not have to look for your customers. Customers are knocking on your door everyday and to give them an answer, I think they also deserve to see that they are able to know, some of them are hoping to get an answer. We heard from the client that it takes quite a long time. Gone are the days when we had the manual system and then we

can justify, Deputy Chairperson that there is a drastic time. But as far as the current situation and with the modern technology, it should not take quite long because once there is a customer demand definitely you will also be upgrading your system and with just a flick of a second, you get the information and then it is in line with Human Resource development, with the people that you have plus the equipment and modern technology that you have. I think this is one place where there is never a shortage of clients; as you are developing Davuilevu and Nepani, there are other prime areas and then you could also negotiate to get those areas developed because indeed you are in a position to do that for the people.

The concern here is, you are unable to indicate how long it will take. It should be at the shortest time a client should be able to get an answer. Another thing is, once the demand is high then your 5-year plan should reflect on an annual basis how many housing facilities you would be able to provide because there are customers. When customers are there seeking for a developed place to build a shelter of their own, I think you should move in the same line because sometimes we have people who come and say “they have applied but, they are not able to get the answer” and it takes a quite a lot of time. That was the purpose exactly why I ask this question – there should be a timeframe. It should not be years and years, there should be a timeframe where the client should be able to get an answer.

MR. R. SEN.- Deputy Chairperson, I have noted the comments but in terms of how the whole system at Housing Authority plays in terms where a customer puts his application or when we request for EOI that goes into a database. We always advise the customers to update their database in terms of their salary level or your address or phone number, et cetera.

As soon as one of the subdivisions is ready and when we are able to sustain the actual cost for it, approved for selling and going to the market. The decision from the applicant is in a short time. But if someone at the current stage if I say puts in an application, he or she may have to wait after six to seven months because there is no saleable lot at this stage. So the timeframe may differ with people according to when they lodged their application or when lots are available in the market.

DEPUTY CHAIRPERSON.- Thank you very much you may move on.

MR.R. SEN.- This is just a bit of summary of the Number of Lots and Sale in progress and the subdivisions is listed there. Currently we have got in Matavolivoli, Nadi which says 400 lots and we have already made a deal or the sales and purchase agreement and all those things have been signed for 181. When you see a balance of 221, it is in the process. The other offer letter has gone through or we have required further information or sales and purchase has or in the process of preparing. So when looking at Matavolivoli, it is close to (from memory) 30 to 40 lots which we can sell to some other customers.

The reason with the delay, sometimes when we offer to the first customer, they do take time or few months later then they come back and tell us that they do not want it because of some personal reason or they cannot afford or they have got something else or they are moving from that particular allocation to another. So the whole three or four months is lost before we can assign that lot to the next customer.

HON. A.M. RADRODRO.- That means Matavolivoli is in that salary criteria, \$181,000?

MR. R. SEN.- Deputy Chairman, \$181,000 or could be mixed. I do not have the details as to how it has been sold but I can provide that.

DEPUTY CHAIRPERSON.- Honourable Prakash.

HON. V. PRAKASH.- You do not have a system where you have a selected few customers for a lot, like you said that if one is there, his unable to do it then you go back again. You do not have a few other clients?

MR. R. SEN.- No, we do that. So, each of the lots we may have one or two customers ranked as one, two and three. If number one does take it, what I am saying is we may lose two or three months because by the time they come back or they come and tell us that we do not want it, three months is gone then we go back to a second selected customer then we start the process again.

DEPUTY CHAIRPERSON.- Thank you very much, you may move on.

MR. R. SEN.- On the Social Housing Policy in terms of getting their loan assistance. If they are retired or over 55 years old medically proven unfit to work physically or mentally, customers who are unemployed lower income or single combined household annual income of less than \$10,000, they need to comply with half of the criteria's considered on the scheme.

This is the assistance that Housing Authority provides in terms of a number and dollar figure. So, you will see in 2016, there were 20 applicants, 2017 there were 19, a total of close to \$400,000 in 2016 and \$565,000 in 2017.

Just some information with strata locations, number of units and blocks. Currently Housing Authority have got four. This is basically in terms of how we look at it progressively when people like maybe below \$10,000 or between \$10,000 to \$30,000 and a facing a financial difficulty, this is a starting point to get one of these units and from there after they have financially improved a little bit, they could move into a one bedroom or a smaller unit that we sell. Also, we are looking at some of our current sites, how the strata units would be better for the public and we are also talking with IMF in terms of how can the private sector assist us in this.

These are the activities or development projects currently in progress. Nepani is about 90 percent complete, we have just got a few more issues and a few more things to be sorted out before we can start selling that. So, we are looking about February to March 2020. Davuilevu, its completion is about July 2020. Tavakubu in Lautoka is about January or February when we will be able to complete that work and Tavua will be January.

This is the Land Development Project that we have secured the additional lease but we are looking at the scheme plans, et cetera and this is something that IFCR is also assisting us with these projects. Just the location .....

(Inaudible)

MR. R. SEN.- For this location, we are in talks with the other utilities in terms of providing the road and there is a bridge requirement in one of these areas. Currently we are in talks on what plans does Roads Authority have. You will see the purple line there, this is a

regional road. In terms if you will see the purple line goes through is a called a regional road, are they going ahead with the regional road or not as it may affect the pricing and also the allocation of lots.

HON. V.PRAKASH.- Deputy Chairperson, Veikoba is heavily an agricultural lot. It is one of the areas where natural disasters et cetera usually affects. Veikoba is the area where you can get your food as fast as possible. If you decided to have housing lots there, definitely you should also look at an area to allocate those farmers because households also need food to eat and this place never gets flooded and it is a place where every inch of the land is cultivated. It is very nice area.

I think those farmers who are actively farming in that area, once you are able to take that land definitely you should also look at relocating them somewhere. This is an area which produces a lot of food automatically after any natural disaster for the heavy population. These are the people who try and bring the food into the corridors.

MR. R. SEN.- Noted, Honourable Member. I think in terms of whenever we look at these areas for development, we will do the environmental study, social and impact study and all those things to make sure that this particular location is environmentally friendly or what effect it has on does when we put this statement there.

These are some of the locations that we have looked at, vertical village types or it is just like a strata unit where it could be as low as \$10,000 or \$15,000 for first home buyers. We are finding a little bit difficult in terms of finding a household. This is just to cater for those people. So, you will see that there is a different level of income earners we can cater for. So this is one of the areas that we have allocated close to 1,000 units in four locations. Also while we are in progress, these are couple of areas that are in the process or we have had talks finalising the lease version of these four locations.

I think at the end, there are a couple of challenges in terms of us successfully delivering our objectives. Technology that will allow the Authority to construct affordable housing. Also, in terms of acquiring raw land, the location of land, getting the other utilities up to that particular raw land and developing it is quite challenging in terms of other utilities having their other requirements that we have to meet. In terms of that, we would like to meet all the requirements, on the other hand we have to look at the cost of each individual lot. So, it is just a balancing act and making sure these subdivisions are done properly and the costs in terms of maintaining it. For example, the roads after being built dedicated to Fiji Roads Authority, their maintenance cost is up to their standard, the same as in terms of getting water supply or sewerage has to be Water Authority of Fiji (WAF) standard.

DEPUTY CHAIRPERSON.- Yes, Honourable Prakash.

HON. V. PRAKASH.- Your future development where you have forecasted is around the urban centres. But there are land available slightly away from these urban centres, sub-urban areas where the road and other infrastructure is very nice. At same time, the provision of electricity is there as well. Are you not thinking of investing in those areas which are slightly away from the urban centres – the corridor from Nausori to Tailevu, Nausori to Serea or Vunidawa or Veisari up to Navua. We are not seeing any of those in your forecast and we know that people are travelling from those areas to work in the urban centres. If they own a



house, they do come on a daily basis. What I have seen is your focus is only around the urban centres.

MR. R. SEN.- We have got this plan in Korovou, Tailevu with 80 acres which will give us 267 lots; that is the plan that we are working on. While we are developing this, a couple of projects will be going ahead, these are the areas we are looking to secure the land because in terms of the process, it takes a little bit longer. So, maybe, the discussion of acquiring the land sometimes is quite easy, it could be done within two to three months but sometimes when we do have to talk to all the landowners, the process is a bit longer.

The plan is for those four areas which is within, I would say peri-urban and close to moving to Tailevu. Also, we are focusing on areas where the development may happen in terms of hotel industries or tax free zones where a couple of other industries would be coming across. Those are the areas we are looking at. Again, I think basically it is just getting the land at a right place and acquiring a head lease for 99 years which is one of the challenges. I think if we get those lands much more easily for 99 years, then basically development would be happening. In terms of like we had set the process, we have set all our targets in terms of like, we have set the process, we have set all our targets in terms of like, while we are developing a couple of projects, we also start looking at acquiring land and processing the plans. That is what we have done for our plan of work in terms of what we need to do in each year.

That is basically from my side and thank you very much for having us. If there is any question, we can answer.

DEPUTY CHAIRPERSON.- Thank you very much for your presentation.

Is there any comment or question?

Honourable Radrodro?

HON. A.M. RADRODRO.- Deputy Chair, just a question to the CEO regarding housing availability. We have just completed our interview with PRB, can you just enlighten us in terms of what arrangements do you have for those that are currently in PRB who intend to migrate Housing, whether Housing Authority has any formal agreement for those tenants that are in there that they intend to move or graduate into Housing Authority housing complex?

MR. R. SEN.- I think this is from PRB moving into Housing is basically, I am not really sure, I do not think there is a provision yet. If there is a provision there, but however, when people are going to PRB it is just like their first step; accessibility to a house or roof over their head.

Once their financial stability has improved a little bit, there is a provision that we could accommodate them or to a land and house.

HON. A.M. RADRODRO.- Thank you, Deputy Chair.

DEPUTY CHAIRPERSON.- Any other questions, Honourable Members?

HON. A.M. RADRODRO.- In terms of the financing facility that is provided by Housing Authority. The current interest rate that is offered by Housing Authority to its current

customers. First of all, how comparative is the current rate and how can you assure the customers that Housing Authority does not levy hidden costs to its customers well into the loan term?

MR. R. SEN.- Thank you, Deputy Chair. In terms of the interest rate, we have done the assessment in terms of all the other lenders; commercial banks, et cetera. Our rates are very attractive in terms of, I would say, lowest. With the other hidden charges, there is not much. We always tell the customers upfront all charges and comparing the charges charged by other lenders, our charges are very low.

The reason being, we looked at it like the type of customers we are getting is, we are looking at the lower level of income earners. We do understand that the disposal income for them is very little. So those things we have taken into account so that the fees are very minimum, just to cover the cost.

HON. A.M. RADRODRO.- Can you confirm that the Social Housing Policy table that you have there, is that the loan rehabilitation programme that was undertaken by Housing Authority?

MR. R. SEN.- The Housing Assistance?

HON. A.M. RADRODRO.- The Social Housing Policy. Is this similar to the Loan Rehabilitation Programme?

MR. R. SEN.- Yes.

HON. A.M. RADRODRO.- Is this the one?

MR. R. SEN.- This is the one, yes.

HON. A.M. RADRODRO.- I see that the highest number was in 2012, but still in 2018 some customers are still on this policy.

MR. R. SEN.- Yes.

HON. A.M. RADRODRO.- How do you see this policy going forward in terms of whether there will be more customers coming in under this programme going forward?

MR. R. SEN.- Looking at the trend, I would say it would be decreasing because I think we are taking another step in terms of where we are trying to educate the customers on financial literacy in terms of their repayments and also in terms of making sure that they are up to date with their accounts and they understand the financials. I think overall the customers are able to pay out whatever the loan facility they have taken, which means they are fully educated from the beginning on what they are able to pay. However, that is not to say if there is another external force that may determine some of our customers will not be able to pay, in terms of another cyclone or another issue, those kinds of external forces that are outside our control. That could affect the number to go up.

HON. A.M. RADRODRO.- Deputy Chairperson, just another supplementary question to this. One of the conditions that you have put in there is customers who are eligible for this

are those who have paid more than what they initially loaned; double. So that is a question in terms of the system that you have and the cost of the loan that customers are being levied when they get the loan from Housing Authority? And also Deputy Chairperson, this is a big number in terms of 405 people who have been assisted through this scheme, how do you ensure that those whose loans have been written off do not generate additional income out of those houses, or they do not sell it off?

MR. R. SEN.- Thank you. I do not have an answer for that. I can come back and advice you on what is the policy in terms of that.

HON. A.M. RADRODRO.- Do you have any monitoring system?

MR. P. VEREVAKABAU.- Deputy Chairperson, thank you, we have a policy in place in order to have safeguards against those who want to take advantage of this situation. So, there is a time bar, 10 years where they are not able to sell that property. That is in place and that is monitored closely.

HON. A.M. RADRODRO.- All these 405?

MR. P. VEREVAKABAU.- For all these 405, if that happens they have to repay the funds that there were assisted with.

HON. A.M. RADRODRO.- After 10 years, why not 20 or 30?

MR. P. VEREVAKABAU.- The policy, it was decided with the Board and Ministry, that is a more reasonable option.

HON. A.M. RADRODRO.- And if they sell it, they can sell it at market rate?

MR. P. VEREVAKABAU.- Yes.

HON. V. PRAKASH.- Deputy Chairperson, through you, is that 405 people who are facing difficulties through the Authority's assistance and through the assistance of the Government were able to have ownership of the home. Otherwise, these 405 people's names would have appeared in *dailies* where you will see mortgagee sale. You have a criteria for the 405 and you have a policy for that and I think in terms of assistance provided to those genuine people and with an attached condition, the ownership of house for 405 people is applauded.

It is a good thing and people would not say that Housing Authority is one organisation which is always making money. Here is an indicating factor that you have invested a lot to see that they own a house, that is how I see it, and 405 is not a simple number for us. As the Honourable Member has suggested that in fairness to that, they should be monitored at least for a certain period of time as you have indicated with your policy, that they are not able to become smarter, but you do have a policy, if they do that they have to repay. That is a very good source of housing policy, otherwise these people would have.....

The other question, Deputy Chairperson is related to Public Rental Board (PRB), as highlighted by the Honourable Member. That is a very important relationship between the Public Rental Board and Housing Authority. Somehow or the other we have seen that there

are tenants who stay more than the required period of time in Public Rental Board flats. They should have owned a house through your Housing Authority Scheme.

Now if you do not have figures, Deputy Chairperson, through you we need figures for as many years as possible to tell us how many of those PRB tenants on an annual basis have come through you and have owned a house because it will be very important to have those figures. Those with Public Rental Board, normally a time is given to them like three years and after three years they should come through you or through other agencies to own a house. It is important to own a house for anyone as that is one the basic needs. We want to know how many of those people have come through you and how many of them have been assisted by you because I think as you have indicated, you have a policy already in place so we would be interested to know the number, Deputy Chairperson.

DEPUTY CHAIRPERSON.- Yes, can you take note of this and we anticipate a written response on this. Thank you. Honourable Aseri Radrodro?

HON. A.M. RADRODRO.- Deputy Chairperson, just on this table here. I think it is more to do with Housing Authority systems because one of the criteria there is for those who have paid more than the principal amount. So they have paid up the loan but still their principal loan amount is more than what they have borrowed but they still have balances in their loan account. What sort of system does the Housing Authority have in place? Is it similar to the banking system? When you are confronted with this kind of situation where loans are being taken out and customers have paid more than what they originally borrowed, but they still have balances. Does this mean that the Housing Authority is admitting to the shortfalls in their system?

MR. R. SEN.- Thank you. What that means in simple term is if someone takes out a loan for example \$10,000, we charge the minimum interest rate. So if that particular customer has paid \$10,000 but the overall repayment would be a little bit more maybe say \$14,000 or \$15,000 because of the interest rate. So what we are saying is, if you have paid your loan principal amount which is \$10,000, the balance could be sitting on \$2,000, \$3,000 or \$4,000 which is the interest portion of it. As interest and principals are paid on a monthly basis, that is the criteria we are looking at. We calculate the interest on a monthly basis. So one of the criteria we say is, "if you have taken a loan for \$10,000 and you have only repaid us a principal amount of \$9,000 then you do not fall into that criteria for assistance."

HON. A.M. RADRODRO.- What we have here is they have paid more than the principal amount.

MR. R. SEN.- Yes.

HON. A.M. RADRODRO.- So to me that is more than enough, that is how I interpret it, either double or triple but you still have balances.

MR. R. SEN.- No, if they paid more than the principal amount then they fall into the criteria of assistance from us which means they have not paid their principal plus the interest.

HON. A.M. RADRODRO.- Because if someone borrows say at a young age, one of your criteria also is retired and over 55 so they have 20 years to repay; that is more than enough.

Is the financial system at the Housing Authority in conformance to what the other financial institutions uses?

MR. R. SEN.- Yes, definitely.

HON. V. PRAKASH.- Deputy Chairperson, the Housing Authority policies are based on the Government's policy of the day. For 2011, this must be people who had housing or properties beyond 2000 or beyond 1999 and all that. It was during that time that Housing Authority and the Government of the day had those kind of arrangements and policies which has been addressed from 2011 to 2018.

MR. R. SEN.- Deputy Chair, thank you. The year represents when the loans were written-off.

HON. V. PRAKASH.- When the loans were taken?

MR. R. SEN.- No, when the loans were written-off which means we have provided the assistance in year 2011.

HON. V. PRAKASH.- Which means that that actual year would have been quite ....

MR. R. SEN.- Yes, it probably could be 10 years ago, 20 years ago or even 30 years ago depending on the term of the loan.

HON. V. PRAKASH.- Are you having the same policy for those types of loans that were there say about 30 years or currently you have got different rates set up.

MR. R. SEN.- No, the policy for assistance is for every customer which is in our books in Housing Authority regardless of when the loan was taken.

HON. A.M. RADRODRO.- What is the financial software and the loan software that you currently have currently at Housing Authority?

MR. R. SEN.- The financial software we use is Navision and for the loan we used **Lensfield**.

HON. A.M. RADRODRO.- That is the one that you currently used from day one?

MR .R. SEN.- In 2009, the **Lensfield** new system had come in.

HON. A.M. RADRODRO.- And it is all operating effectively?

MR .R. SEN.- Yes, effectively. No issues with that.

HON. A.M. RADRODRO.- So, that is the one that is throwing out these numbers?

MR .R. SEN.- No, these number because this is what we have provided assistance to the customers so we have a record of that from our financials. So, in the **Lensfield** system is basically the customers' record in terms of when they have taken the loan, monthly repayments, what are the interest and if there is a review which needs to be done on that property in terms

of ground rent or whether the customer requires an insurance policy, those things are on that system.

HON. A.M. RADRODRO.- Deputy Chair, a last question on my side regarding the challenges that you have. Looking through your finances for 2016, you only have about \$2 million in your account and you have these many projects that you have highlighted to us. Can you just enlighten the Committee how will you finance those projects? Will you need Government assistance and Government grants in terms of financing these projects or will Housing Authority bear majority of those development costs?

MR. R. SEN.- I think in 2016 the \$2 million is Cash at Bank but there is about \$40 million in term deposit.

HON. A.M. RADRODRO.- Is it here? OAG? Is it reflected in the Housing Authority statements?

AUDIT REP.- Thank you, Honourable Member. It is reported as held-to-maturity investments which is about \$42 million.

HON. A.M. RADRODRO.- So cash is not your challenge going forward; it is not listed so that is why I just wanted to clarify and confirm.

MR. R. SEN.- I say it is a challenge, Deputy Chair but it is manageable so that is within the Housing Authority's control that we can manage cash in terms of like timing of outflow and inflow. So, we have a loan portfolio where the managers are given a target ensuring that all the repayments come on time; that is why you see that the non-performing loan has decreased and also in terms of the capital development or capital payment for the new particular project we look at and ensuring that we get the best deal and the best payment terms from there too.

HON. A.M. RADRODRO.- Deputy Chair, just one last one in terms of processing of customers you know the reforms in the public sector, majority of those customers would fall under the public sector area; teachers, nurses and the likes. So in terms of your new clients that you have highlighted there, your new processing, how many of those does your decision in terms of your processing of applications have a heavy weighting in terms of their continuity of employment, contract of the customers in terms of salaries. How do you view that in terms of your processing of applications?

MR. R.SEN.- I think it is normal, we look at each customer in terms of what is there financially, their eligibility to repay and it all depends on what amount of loan and what type of, you know like if they are just buying lots or buying a house plus a lot. So there eligibility in terms of how their repayment regardless of where they are employed or not, in terms of which sector they are employed from...

HON. A.M. RADRODRO.- Short term contracts; 3 years, 5 years does that assist or is it depriving their availability in terms of your assessment?

MR. R. SEN.- I think in our assessment, we look at it in terms of someone is closing to retirement age. So, what will happen after their retirement age? How financially sound he or she is, whether they have enough in their FNPF which could be transferred to Housing. But

if someone is quite young and has got three years contract, most organisations do give three years contract, at that point in time, their financial eligibility is there and we do not have issues on providing loans to them.

HON. V. PRAKASH.- Thank you Deputy Chairperson. I was going through your slides and as you know this SDG 5 goal; gender balance in any organisation. We do know that the female members of our community now sort of surpasses the male population and at the same time we have also seen our female members being pilots, engineers, et cetera. They fit in any type of job. I think that is a big challenge. I have seen on your slide the recruitment. You only have 31 percent female in your organisation. Do you have a plan to try and see that you will be able to fulfil this goal where there is no discrimination in gender as far as recruitment of the people who will be future leaders or future workforce in Housing Authority? I think gender balance is very important and as we see here we can see only three nice gentlemen sitting in front of us. On top of that, I have seen on the management level, executive level there are zero females. So how would you like to respond and assure this Committee that you as CEO will see that you are moving with the SDG 5 goal?

MR. R. SEN.- Yes, thank you Honourable Member, I think as we look at it in terms of recruitment where possible we need to consider SDG 5. However, Housing Authority is an equal opportunity company and we give an equal opportunity if there is a vacancy for anyone to apply. However, we have seen in the past, I have not got much of that data but from my experience with other organisations and I have seen that previously in a management role, females have lesser number of applications. We will be able to get someone into Housing Authority if he or she is the best for that particular job at that point of time regardless of their gender, race, et cetera. So, the best person will sit, however I have...

HON. V. PRAKASH.- (Inaudible)

MR. R.SEN.- Well, I would definitely see that there are more females into the organisation. However, I can just look at it but it all depends. If there are a lot of females applying for that particular post, if no one applies for it, we cannot look at it that way, to give that particular post to females. There is equal opportunity for males and females, both with the same scorecard, maybe, you know, by looking at either he or she is the best candidate for that particular role. As much as we would love to see more females in our organisation, however, on the other side of it, we have to run this organisation as fairly, effectively and efficiently too.

DEPUTY CHAIRPERSON.- Any other questions, Honourable Members. If there is none, any concluding remarks, Honourable Prakash.

HON. V. PRAKASH.- Chair, I think PAC is responsible to see that the Housing Authority is accommodating the demand that is there. You do not have to look for customers. Customers are right at your doorsteps and I was told that there are thousands of applications still needing answers. Therefore, it is important you have a very good support from the Government and you also have the support from the Ministry of Housing to try and make citizens of this country own a house. I think it is a dream for every family to own a house. You have played a very important role and you have almost covered Suva and Nausori areas. We are very happy with the way you have developed and the way you have tried to keep up a standard of development. We are very happy with the policies that you have developed but there is room for improvement as in any organisation and I think you also have a bigger challenge to try and make as many people own a property.

By owning a property does not mean that it is only for their family. They could also have provisions to have, you know, sub-let or other things and rent it out legally to those that need it. So, from our side, I think it is important that you take the challenge ahead and you should be indicating on a yearly basis as to how many. When you come next year, how many new household people have achieved his target?

The rural area also, which we have not touched but you have assisted housing in the rural sector and I think that should be a priority to try and assist the rural areas. People can have ownership of houses and indeed we are looking forward to a very big change and the challenge is there and that is the improvement. Maybe if you get some more dynamic female leaders there, they would be able to add more energy so that you are able to fulfil the expectation of this nation. We thank you for your hard work CEO, you are new here, definitely after a year or so we will be watching closely to see that people are able to say good things about Housing Authority. Whatever difficulties the customers are facing, it is not new to you, you know about it, your other leaders know about it, if that can be reduced and customer service improved. Thank you very much for your contribution, *vinaka vakalevu*.

DEPUTY CHAIRPERSON.- Thank you very much, Honourable Prakash.

Mr. Sen, should you wish to sum up your presentation or make a concluding remark?

MR. R. SEN.- Thank you, Chair. Thank you to the Committee, it has been a privilege for Housing Authority to present and share some of the information regarding the progress that we have made. Some of the challenges, I am sure, we all know that Housing Authority performs a critical role in someone's life in terms of providing housing and a roof over their heads. It is a basic necessity. We take our work very seriously in terms of what we are doing. I think we are all placed in a situation where we want to take Housing Authority to another level in terms of our production, delivering the number of lots in a year to exceed a thousand to achieve our target, not only to just deliver but quality lots. The citizens of Fiji must have all the necessary utilities provided to them. Also, at the back of the heads, thinking of making sure that the cost of this is kept fairly at a minimum and finding the ways of where possible, getting new technology in, getting this development phase and also in the construction of their homes and how that could assist. These are some of the things that we and the Board are looking at. Once again, thank you.

DEPUTY CHAIRPERSON.- Mr. Sen, the Committee wishes you well in your new role. Thank you very much. Thank you everyone for your attendance and participation.

The Committee adjourned at 3.32 p.m.



**STANDING COMMITTEE ON**  
**PUBLIC ACCOUNTS**

**2016/2017 AUDIT REPORT ON GOVERNMENT  
COMMERCIAL COMPANIES AND  
COMMERICAL STATUTORY AUTHORITIES**

**Verbatim Report**

**Post Fiji Limited**

**FRIDAY, 18TH OCTOBER, 2019**

**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON 18TH OCTOBER, 2019 AT 2.42 P.M.**

**Interviewee/Submittee:            Post Fiji Limited (PFL)**

In Attendance:

- |                        |   |                               |
|------------------------|---|-------------------------------|
| 1) Dr. Anirudha Bansod | - | Chief Executive Officer (CEO) |
| 2) Mr. Raiyaz Ahmed    | - | Head of Finance               |
| 3) Mr. Isaac Mow       | - | Head of Retail                |
- 

DEPUTY CHAIRPERSON.- Good afternoon everyone. On behalf of the Chairman of the Public Accounts Committee (The Committee), Honourable Alvick Maharaj, I, the Deputy Chairperson together with the Honourable Members and the Parliament Secretariat team, would like to welcome the CEO of Post Fiji Limited (PFL) and his team for the deliberation today.

Without further ado, may I introduce the Honourable Members of the Committee.

*(Introduction of Committee Members and Secretariat by the Deputy Chairperson)*

Before we begin, I request the CEO to introduce yourself and members of your team.

DR. A. BANSOD.- Deputy Chair, thank you for inviting us to present our details here. My name is Doctor Anirudha Bansod. I recently joined PFL, two months back.

*(Introduction of PFL team by the CEO)*

DEPUTY CHAIRPERSON.- Thank you very much. You may begin your deliberation.

DR. A. BANSOD.- I am sorry, I missed that.

DEPUTY CHAIRPERSON.- You may start your presentation.

DR. A. BANSOD.- Well, this is in reference to the OAG Report for 2016. In 2017, there were certain comments there. In terms of the detailed analysis, what the Committee has given us on various questions, the Head of Finance will present those things in detail as required by the Committee Members.

Any areas, wherever my role is required, I will be jumping in there as well. I joined two months back so a lot of things I am still learning with the PFL operations. I am covering the operations and other areas of the business at the moment. I will jump wherever I am required. Thank you.

DEPUTY CHAIRPERSON.- Just a matter of interest. While you are deliberating, the Honourable Members will interject from time to time to ask certain questions. You are expected to give a response. You have the liberty to submit a written response later if you wish. You may start your presentation.

MR. R. AHMED.- Thank you, Chair, Members of the PAC, Members of the Opposition, Members of the Parliament, the OAG and colleagues. We are here to present our responses in relation to the issues that were

raised by the OAG regarding our 2016/2017 annual audit. Basically these are clarification issues. We will just give brief comments and updates as to what we have done so far and where we are in terms of improving the system, improving the processes and procedures highlighted.

To begin with, the first issue that was raised was on the 2016 significant matters. There are no numbers so I will go issue by issue. Absence of risk management policy. Firstly, I will read out what the issue was. The issue was that a risk management policy statement expresses an organisation's commitment to risk management. It also clarifies its general directions and intentions. Basically what was picked up is that PFL did not have a risk management policy but the management had agreed to incorporate a risk management policy in the finance manual.

Subsequent to our response to the OAG, PFL has gone ahead and drafted the risk management policy. A comprehensive training was conducted in 2018 followed by a risk committee being set-up. The committee has established a risk register and identified various risk categories for PFL. The risks are categorised according to its impact on the business and relevant mitigation plans developed and implemented. Issue number two ...

DEPUTY CHAIRPERSON.- Hold on, there is a question by the Honourable Member. Honourable Radrodro, you may ask your question.

HON. A.M. RADRODRO.- Just a question regarding the clarification made by the PFL. Thank you very much for the comprehensive submission that you have made.

In terms of risks that you have highlighted here, the note that the entity did not have any risk policy previously. It is amazing how the entity has been operating without a risk policy. Given the change in the business environment, more into technology, the existence of emails and the existence of other forms of information transfer, I hope the risk policy that you will develop will also inculcate the direction in which PFL will move, given the emergence of all these electronic mails and other issues that are developing.

For the common issue of bottom line, there is a need to, now that the new CEO has been appointed, the bottom line of PFL does not look very attractive in the financial year of reporting. How does the CEO in terms of addressing risk mitigations ensure that PFL going forward will survive these emerging trends and also at the same time improve the bottom line of the entity?

DR. A. BANSOD.- Well, that is definitely a very good question. In any business, the risks have to be forecasted or a risk has to be determined because that will help us with continuity of the business and sustainability in the long-term as well.

Definitely PFL is currently working proactively on a more solid risk policy. We do have the internal auditors as well who constantly keep checking the system and processes but I do agree that there is more work need to be done.

HON. A.M. RADRODRO.- Will this continue to be revised?

DR. A. BANSOD.- That is correct.

DEPUTY CHAIRPERSON.- Yes, Honourable Prakash?

HON. V. PRAKASH.- Deputy Chairperson, through you. First of all, congratulations to the CEO, Dr. Bansod. You may be new to PFL but you are not new to Fiji. PFL was without a CEO for the last 10 years and the challenge that you have taken would be something very important for this nation.

As mentioned by the Honourable Member, a risk policy is very important and this policy must be of a standard that is not only suitable to PFL but comparatively, it should match the standards of other agencies outside Fiji which are successful, having excellent risk policies to try and combat the problems that could exist in an organisation.

We are glad that you have got something from 2018, which was our concern when we met the last time and we hope that these policies are of a very high standard, adhered to by the members of your organisation. The thing is this, for any organisation to grow, there should be a clear-cut outline of policies that each and every member understands and follows. Your organisation is one which is touching the hearts of Fiji, right from urban to the rural centres and indeed, you need to have not only risk policies but other policies as well, within the organisation. The Occupational Health & Safety (OHS) policies and other important work policies implemented so that an organisation grows with the growth of individuals and as a result, the country grows.

We wish you all the best CEO for the challenge that is ahead of you and as the Honourable Member expressed that these policies need to be the best one. It should be one of the best to try and propel PFL into the right direction in the near future. Thank you.

DR. A. BANSOD.- Thank you very much.

DEPUTY CHAIRPERSON.- Yes, Honourable Lalabalavu. You can ask your question please.

HON. RATU N.T. LALABALAVU.- Honourable Deputy Chairperson, through you. Thank you, Sir, for those opening comments that you have made as well as your colleague on the left. Just a question on this risk management plan that you have written up here. The concern that the Committee has is to do with the number of Government departments and other agencies that will become an agent now. I think there is more than 40.

DR. A. BANSOD.- It is 42.

HON. RATU N. T. LALABALAVU.- That is where this issue of risk management comes in because first and foremost, as alluded to by the Honourable Radrodro, it is the core function of PFL. Then you have these other services coming in, some have been good, giving you guys a good name and some, it is the other way round. When there is a system breakdown in birth certificate printing and all, people from the rural areas are quick to point a finger at PFL. When it goes to money services, PFL delivers rather than the usual money services outlets we have here, the agents that we have here so having a risk management plan as highlighted by the OAG, I think it is crucial here. We hope you will take this on board so as to not lose sight of the core functions of PFL rather than the agency part which just builds up in numbers and pretty soon it will be taking over the core functions of PFL if we are not careful. Thank you.

DR. A. BANSOD.- Thank you. That is a very good comment. I appreciate what you have said. In terms of our agency business, what we are currently doing is, we have contractual agreements with most of these agencies but we definitely need more prudent risk management policy over that area.

DEPUTY CHAIRPERSON.- Thank you. You may move on.

MR. R. AHMED.- Thank you, CEO. The next clarification was on the internal audit and the functions of internal audit. It was identified that no internal audit was carried out to review the effectiveness of the internal control systems and processes for the company in 2016.

Our response is that the internal audit functions and its audit plans are developed at the beginning of each year. The team works according to the plans, however, there are always ad hoc audits required based on the issues relating to unforeseen circumstances.

Due to the limitation in terms of resources, there is always an overlap in terms of planned audits. However, the team is always trying to catch up on the pending audits as per the annual audit plans. The internal audit team has been briefed on the core responsibilities and reminded of the audit of internal controls and governance of the organisation.

HON. V. PRAKASH.- Deputy Chairperson, through you. Whom does the internal audit team report to as per the organisational structure of PFL?

DR. A. BANSOD.- Currently, it is reported in a dual role. One is with the CEO and also with the PFL Board. To help with proper governance, it has been put up in such a way that they report in dual with the CEO in operational and administrative functionality but if there is a serious nature of query, in that case they go to the PFL Board.

HON. A.M. RADRODRO.- Deputy Chairperson, a supplementary question to that. The audit finding noted that there was no internal audit undertaken in the entity during the period of audit that is 2016. Is that the situation?

OAG REP.- Deputy Chairperson, through you. The issue is that there was no internal audit on the effectiveness of internal control because we thought that would be the most appropriate function of the internal audit section. Although there were internal audits done, we were looking at their work on the effectiveness of the internal control policies, personnel and procedures. The issues that we have picked up regarding governance, if the internal audit section was effective, they should have picked that up. Thank you, Deputy Chairperson.

DEPUTY CHAIRPERSON.- Thank you. You may move on. Yes, Honourable Prakash.

HON. V. PRAKASH.- Can we get assurance from the CEO regarding what policies are in line to what the OAG highlighted? How effective should be your internal audit team, not leaving any area that would again be picked up by the OAG because that particular internal audit team is quite important to your whole organisation.

DR. A. BANSOD.- Sure, PFL has a wide network. All over Fiji, it has 58 outlets. We have agencies all over Fiji as well. Based on my observations through the internal audit reports, most of the systems and processes are manually operated at the moment. When you have the manually operated system, there is a possibility of loopholes and that is where the loopholes are happening. Probably it is a culture and mindset of some of the rural PFL outlets where they try to squeeze the system and try to get an easy way out from the system so our future plans include automating most of the systems and processes. If we do not automate the systems and processes, the result will always keep on going with the loose ends and the tail ends are with the manual processes. Definitely once we start the automation processes, there will be a lot of system errors which are currently there, will be evacuated from the system. Thank you.

DEPUTY CHAIRPERSON.- Thank you. Honourable Aseri Radrodro.

HON. A.M. RADRODRO.- Deputy Chairperson, a supplementary question to my earlier question. The response from PFL is that there are times when we have limitation of resources. How do you intend to improve on this issue given the networking of your branches and the limitations in connectivity? How do you intend to improve on these issues raised by the OAG?

DR. A. BANSOD.- Well, currently most of the post shops are getting online, out of 58 post offices, almost close to 52 post offices are online at the moment.

HON. A.M. RADRODRO.- I think my question is basically asking about your answer here, it says there is limitation in your resources. Are you going to improve on your staffing resources, are you going to pay the right people, the right rate? What is the way forward in addressing this issue? Are you going to train them or get the right people, qualified people?

DR. A. BANSOD.- Definitely, there is the area we found to be lacking. What we are not doing currently is developing the future team for the postal things? What is currently happening is anybody who joins PFL, they learn on the job and on the job learning has certain limitations so I have some plans which definitely need to be discussed with the PFL Board. The plan aims to create some sort of intern programmes where people can join and have academic learning as well as industry experience which is on the job. Probably three months' to six months' time, they learn at the post shops and eventually they can be taking care of the necessary positions. That is a pathway for us for the future.

DEPUTY CHAIRPERSON.- Thank you very much for that response. You may move on.

MR. R. AHMED.- The next clarification was on the assessment of impairment on property, plant and equipment which was not carried out according to the report. It is stated that some assets were damaged during *TC Winston* and the fire but were not subject to impairment assessment.

The audit findings were noted and impairment assessments were performed in subsequent years. These assets were later written-off in 2018. The impairment testing for property, plant and equipment has been documented in the new finance policy and assessments will be performed on a yearly basis, so basically what we have done is we have carried out the impairment test for all the assets in 2017 and 2018. The unproductive assets were subsequently written-off in 2018. The return on these assets was basically nil. Also, we have incorporated the asset impairment testing policy in our new finance policy. We will adhere to it and carry out impairment testing on yearly basis.

HON. V. PRAKASH.- It is encouraging to see that now you will be having that on an annual basis. The upgrading of your assets, valuations carried out and at the same time if there is anything that is to be written-off, there is a special policy that is inculcated in your finance policy that is going to do that because at the end of the day, if it is done on an annual basis, you know what you are going to do next. It is good that you have that policy. We are happy but how effectively it is done, that is what is to be seen.

DEPUTY CHAIRPERSON.- I think there was a question by Honourable Radrodro earlier.

HON. A.M. RADRODRO.- Mr. Chairman, just a clarification. This sort of impairment assessment, what type of property was it carried out on. I am just trying to get some clarity on this audit issue.

MR. R. AHMED.- Let me give some clarifications on this. These assets are the plant, equipment, machineries, furniture and fittings which is with the organisation for a number of years and we have realised that the effectiveness of these assets is no longer in existence. Unfortunately it was not done in the past so what we have done, we have done a massive clean-out and we have done an assessment of how effective they are and we have carried out the impairment test on each of those assets. Ultimately, it was submitted to the PFL Board for a write-off and subsequently approved.

HON. A.M. RADRODRO.- What sort of machines were they?

MR. R. AHMED.- The smart mail machine, the machine that we use for printing of statements and packing.

DEPUTY CHAIRPERSON.- Thank you. Honourable Prakash, any other question?

HON. V. PRAKASH.- No.

DEPUTY CHAIRPERSON.- You may move on.

MR. R. AHMED.- The next clarification is on anomalies noted in the procurement process so I will just go through the response. We understand that there were no agreements or contracts in place when purchasing was done with the new suppliers. However, the rationale to buy from these suppliers was to reduce cost and to be more competitive in terms of lowering cost of doing business.

The personnel from PFL had visited the respective suppliers before any advance payments were done. However, all payments were done with the suppliers on the letter of credit with ANZ Bank which mitigated our risk. All goods ordered were received in full before the final payments were done.

However, following this audit there was a change in the process and all overseas buying was secured through agreements and contracts. We are still using letter of credit as the means of payment and with certain suppliers, we have a credit facility as well. This process has been incorporated in the new finance policy as well.

DEPUTY CHAIRPERSON. –Yes, Honourable Radrodro.

HON. A.M. RADRODRO.- Honourable Chair, the issues highlighted by the respondent is regarding overseas purchases. What about in terms of the specific audit issue highlighted here, the \$901,367 advance payment?

MR. R. AHMED.- This \$901,367 which has been highlighted over here is in relation to the payment that was made to overseas suppliers and the response that we just provided is in relation to the same.

HON. A.M. RADRODRO.- What happens to this advance payment?

MR. R. AHMED.- These advance payments are in the form of letters of credit.

HON. A.M. RADRODRO.- As has been highlighted by the OAG, advance payment was made. That is probably without a letter of credit. Is that correct, OAG? This \$901, 367, it is quite a big amount.

DEPUTY CHAIRPERSON.- Can you please give a response to that Ms. Finau?

OAG REP.- Honourable Chair, can we come back to the Committee on the details of this?

DEPUTY CHAIRPERSON.- Thank you. That is noted.

HON. A.M. RADRODRO.- Who were the suppliers that were paid by PFL, Honourable Chair? Did PFL receive all the goods it paid for?

MR. R. AHMED.- Yes, as stated earlier, all goods that were ordered, be it in the form of advance payment, letter of credit or credit that we have got, all goods were received. We confirm and we assure the Committee over here that all goods were received.

We have got a very good relationship with a number of overseas suppliers that we deal with and we have been buying from these suppliers every year. So, given the fact that we have got a very good relationship, we have that much of assurance with the suppliers that if we pay in advance, we are sure that the goods will arrive.

HON. V. PRAKASH.- Through you, Chair, I think we accept the explanation but we are also accept the second part of the explanation that there needs to be contracts. There needs to be some arrangements of proper risk mitigation concerning suppliers before any payments is done. This is what we are saying not only to PFL but other entities too. Any good financial practice will avoid such risks. We must have a contract first signed before any payment is done.

I think the new CEO will be looking into that seriously. There is just about \$1 million in question here. It is good that nothing has gone wrong there but taking such a risk without any contract is something of concern. The second part of the sentence is satisfactory that as of now the contracts and other things will be signed before any payments are made, to try and see that any risk involved in such orders can be avoided.

MR. R. AHMED.- Just to clarify to the Committee, I think we have implemented this from 2018 so the purchasing that we did for 2018 were all secured through contracts and agreements.

HON. A.M. RADRODRO.- There is a contract.

MR. R. AHMED.- Yes, from 2018 we started to secure purchases through contracts.

DEPUTY CHAIRPERSON.- Thank you. You may move on.

MR. R. AHMED.- The next clarification is on anomalies in staff advances. The issue was that there was no movement in staff advance of \$40,000, a carried forward balance from prior years. Staff advance account reconciliation was not provided. Listing of staff advance salary account was not provided and there was no documented policy on staff advance.

The staff advance or the salary account under review was a carried forward balance from prior years. It was a practice in the past whereby staff were entitled to advances from the organisation and recovered from salaries, however, this arrangement has been ceased and there is no longer any facility as such. Due to the fact that the balances were very old and recordkeeping was weak, there was no record or names of staff for such staff advances. The balance has been written-off in the subsequent year which was in 2018. The only advance account that the organisation currently has is tour advance which is an accountable advance provided for business purposes. New policies and processes have been developed and contained in the finance policy in regards to any advance from the organisation and its recovery process. The reconciliation for such an account is now prepared on a timely basis.

DEPUTY CHAIRPERSON.- Yes, Honourable Prakash.

HON. V. PRAKASH.- The point here is, through you, Chair, to the CEO, this practice is not good. This has only happened because there was a lack of guidelines and policies. That is what I said in my opening remarks that each and every area of your very respected organisation must have very independent policies. Policies that can grow. You know, writing off that amount of money and then with lack of policies, you cannot do anything. It is a picture that should not come before the audit team and the PAC. The challenge is there. These things all happen because there are no proper guidelines and policies. I think you have a challenge, CEO. It must be spelt out. The organisation will be there, people will come and go but how effective, dynamic and honest that organisation can be, is what the whole world is watching for. These are the things which should be totally controlled.



DR. A. BANSOD.- Just to answer on that query, I totally agree that organisations should not lose money on account of any staff advances. I also believe that there are instances where you need to look after your staff, in case of emergency, some accidents or family losses, whatever it is but with my past experiences at places where I worked, what we used to do is, we have certain assessment where what is his current provident fund, what is his current salary whether it is two weeks' or three weeks' money that is with us, in that case we will allocate probably a one week or few days of money so that we are covered in terms of the risk. Each case will be individually evaluated. I am not aware of what happened in the past but your comment is very well taken. We will be very tight in those areas. Thank you.

HON. A.M. RADRODRO.- Chair, this is a very concerning situation in terms of the accounting of PFL. It is a very big entity and it cannot maintain detailed listing and register of staff loans. It shows the way the entity has been operating. It is a very serious concern but the question is to the OAG. When did you first start to pick up this issue?

OAG REP.- Thank you, Chair, through you. We have raised governance issues in previous years and because we have been raising it for a couple of years, I think from 2016/ 2017, the OAG decided to include those particular issues in the audit reports as in other matters or emphasis of matters. But the issue on the lack of policy on finance manual which has also not been updated, we have been raising that in the previous years.

HON. A.M. RADRODRO.- The previous staff advances. Did you raise it in previous audit issues, this \$40,000?

OAG REP.- If I can come back and confirm but I believe we raised this from 2015.

HON. A.M. RADRODRO.- By that time there were no listings and no records.

OAG REP.- With regards to this \$40,000 because this has been carried forward from previous years.

HON. A.M. RADRODRO.- Irrespective whether it is carried forward from previous years but the entity, PFL being a very big entity and the only entity that does postal services, does not have a listing of what it gives out to staff and that questions the whole operations.

How valid are the operations of PFL in being accountable, Honourable Chair? That is why I asked the question. When did they start raising this issue because this issue should have been clearly sorted out when the amount was below \$40,000, when it started and now it is \$40,000? It is a big amount and it is for staff advances.

DEPUTY CHAIRPERSON.- Perhaps the Head of Retail can provide some clarification.

HON. A.M. RADRODRO.- It can also question the way, the accounting of PFL books, how the books have been treated, as a result of creative accounting. I am not saying ...

MR. I. MOW.- Thank you, Honourable Chair. On that issue, these staff advances were given to staff as loans. This was back in the early 1990s, going into early to mid-2000. Back then we had changed the financial systems as well during those periods. During those changeovers, some of these accounts, we have seen it could have been dropped and was not brought forward. Only the wholesome amount was brought forward every year. It had accumulated to that \$40,000 but that \$40,000, some amounts are recoverable because some of the staff are still employed with PFL.

As the Head of Finance alluded to earlier, with the finance policy that is now in place, the recovery will be made from those staff who are still employed by PFL so it should reduce that \$40,000 in question.

HON. V. PRAKASH.- I think it has been written-off. How can you go back and do recovery if it is written-off? The only recommendation, Honourable Chair, I would give to the CEO is to seriously look into this matter, try and see that it does not appear before the OAG and it should not come out before PAC, no matter how big or small it is.

If you have written-off something and now you want to go and recover that, will it be a bad debt recovery or what is it? The question here is to see that such practice which is not good, is not repeated. This \$40,000 is an amount but like that we have lost a bank, the National Bank of Fiji (NBF). We have lost it for good and I believe that should be a lesson to all organisations. My only plea is that the head of the institution will have to see that. There may be many other ways but this type of issue should not be entertained.

HON. A.M. RADRODRO.- Chair, supplementary to that, there are two deferring recommendations here. One recommendation is that the management agreed with the audit recommendation to perform monthly reconciliation and maintain an updated staff advance listing but what we hear today from the submissions, it is that the balances were written-off in the subsequent year, so which one is the right one, in terms of the recommendations that are here.

MR. R. AHMED.- Let me clarify on this issue. I think there is a bit of misunderstanding over here. There are two or three different staff advance accounts that we have got.

The \$40,000 that we are referring to, was the staff advance that was given to the previous staff, carried forward in our books for the last 12 to 15 years. Those staff have left the organisation, some are deceased and some have migrated. The \$40,000 which is the subject of matter, none of the staff are with the organisation any longer.

Contrary to that the other staff advances which we have spoken about are the accountable advance and the tour advance. Those staff are still with the organisation and we are doing the recovery. Also, policies are already in place and reconciliations are carried out on a monthly basis.

The issue over here where the management has recommended or the initial recommendation was that monthly reconciliations would be performed is in relation to the other accounts. But the \$40,000 that we are talking about and the OAG will vouch for it, there was no movement in the balance. The balance was stagnant for a certain number of years. There was no movement in the balance so basically those staff do not exist within the organisation. Some are deceased, some have migrated and the likelihood of recovery with respect to that account is nil. That is why we have proposed to the PFL Board to write it off but the other portion of the accounts which is ...

HON. A.M. RADRODRO.- Clarification, Honourable Chair. When you said those staff, so that means you are aware of the risks relating to staff when you said some had migrated and others were deceased. Do you have a listing somewhere?

MR. R. AHMED.- Not the full list. We have got a few names there but not the full list which totals to \$40,000. The \$40,000 is a general ledger rolling balance but we have got a few names that adds to it. There is no other option that we can pursue. We need to write it off to move forward or else we will carry forward that balance and the recovery for that \$40,000 will be very difficult.

DEPUTY CHAIRPERSON.- Thank you for the response. You may move forward.

MR. R. AHMED.- The next query was on the financial information of 2017. The first issue is absence of policies and guidelines. I think we have spoken a lot on the policies and guidelines.

These policies and guidelines have been drafted. It is subject to PFL Board approval. It is going to the PFL Board on the 6th of November for approval. We have already had preliminary discussions with the PFL Board. The PFL Board is in agreement to approve those policies and implementations will take place immediately. However, with the draft policies in place, we are already practicing what is in the draft.

HON. V. PRAKASH.- That is exactly what I wanted to know.

MR. R. AHMED.- We are already practicing what is in the draft. The next query was on the outdated corporate instructions manual. This again refers to the review that we have conducted before updating all the instruction manuals. The corporate instructions manual is basically a guideline for employment in terms of contracts, disciplinary actions and all other employment related issues. Again, as we have said, PFL has incorporated the new gazetted legislations as well as the changes in the organisation policies and implementations are taking place.

The next issue was on the absence of evidence to confirm the approval of the 2017 budget by the PFL Board. The management has rectified the issue and corrective measures have been put in place. The budgets are living documents of any organisation. Also, it is a guide to achieve the set goals and targets. All management reports for 2017 to the PFL Board were guided by the budgeted numbers and variances explained accordingly. However, budgets in the subsequent years were duly presented, deliberated to the PFL Board and necessary approvals sought.

HON. A.M. RADRODRO.- That includes 2017?

MR. R. AHMED.- No, because for 2017, I do not know for one reason or the other, it was not presented to the PFL Board. However, when the reports were presented for 2017, they were always matched or variances were always explained against the budgeted numbers.

HON. A.M. RADRODRO.- Any particular reason, Honourable Chair, through you. Why the 2017 budget was not authorised or approved by the PFL Board?

MR. R. AHMED.- The existence of the PFL Board was there. Unfortunately the members present over here will not be able to answer that because the members present here were not a part of the management back then.

HON. V. PRAKASH.- Chair, I will be very careful because what I am saying, the question is that 2018 budget was presented to the PFL Board.

MR. R. AHMED.- Yes and approved too.

HON. V. PRAKASH.- Yes but the 2017 budget was not. The Honourable Member is asking if the 2017 budget was not presented to the PFL Board. I think we only need that answer if it was presented or not presented. We do not want to go back and say whether the management was there or not because maybe the management was there. That is why I am saying we need to be very careful.

MR. I. MOW.- Sorry, Honourable Member. Can I just answer that question? In fact, it was presented to the PFL Board but there was no feedback from the PFL Board to the management.

HON. V. PRAKASH.- Honourable Chair, this report before it came to us, was it discussed at management level or it just came in. This report should have been discussed at management level and such misconception could have been corrected.

MR. R. AHMED.- Let me clarify this.

HON. V. PRAKASH.- Honourable Chair, if it has come in the form of explanation then we would say that this has come through the CEO because the CEO has been there within that time. We received this about today, tomorrow or yesterday. Definitely, it should have been discussed before it came here.

MR. R. AHMED.- Let me clarify on that. I think the reason why this was picked in the 2017 audit was because there was no minutes available to confirm whether it was presented to the PFL Board or not. Due to the lack of minutes available as documentary evidence, that is where the OAG picked it, stating it was not presented.

DEPUTY CHAIRPERSON.- Excuse me! Can anyone from the OAG clarify that?

OAG REP.- Yes. When we audit, we need supporting documents, evidence to actually state that the explanation was provided, that it was presented to the PFL Board but we wanted PFL to provide us the minutes that relate to that presentation and approval.

Unfortunately, they were not able to provide those minutes so if there are no minutes then basically there is no documentary evidence. But we were provided written responses from the management of PFL stating that it was presented to the PFL Board, however, it did not appear in any of the minutes.

HON. A.M. RADRODRO.- Was the PFL Board there?

OAG REP.- If there was a PFL Board in 2017.

HON. A.M. RADRODRO.- The PFL Board then or the PFL Board members?

OAG REP.- PFL Board members.

HON. A.M. RADRODRO.- Who were the PFL Board members at that time?

MR. I. MOW.- Mr. Lawrence Tikaram as the Chairman and Mr. Niko Bulai as a Board member. It was a board of two members.

HON. V. PRAKASH.- It should have been written here that it was presented to the PFL Board. As submitted by the learned Mr. Mow, I think that is the truth. It was presented but it was not recorded in the minutes.

I mean that would have eased all these things that we wanted to know but please the reports that come here should reflect that because this is a written response and this is going to be in the Hansard records.

DEPUTY CHAIRPERSON.- I hope you have taken notes of the comments made by the Honourable Members. We may move forward.

MR. R. AHMED.- The next issue was on the significant long outstanding local debtors. The management of PFL was of the view that all avenues had to be exhausted to recover debts, however, due to lack of records and missing documents, the recovery process was futile. A thorough impairment assessment was performed on all local debtors outstanding and subsequently, the debtors were written-off in 2018. There has been a vast change in debt recovery and the management is now ensuring that local debtors do not go past 60 days outstanding. The debt recovery policy has been documented in the finance policy.

DEPUTY CHAIRPERSON.- Yes, you may move on. Alright, Honourable Prakash.

HON. V. PRAKASH.- We note that you have set a new vision and that there is a policy now for those kind of things. You know, the picture is not good but I hope the future is very good. Thank you.

MR. R. AHMED.- The next issue was ineffective controls over management of inventory. The issue raised was about reconciliations not being performed to monitor the requests made by offline stations against the sales to ensure that increase in request for each item correlates with the sales. The other issue was that the company did not have documented policies and procedures in place to govern the management of inventories, for instance, the process to be followed when accounting for offline stations' stocks and cash. Also, accounts of monthly reconciliations of all stations.

Our response is that the OAG performed an inventory management audit and provided recommendations to be implemented for a more effective and efficient inventory management particularly in offline stations. Together with the recommendations from the OAG, PFL is committed to converting offline stations to online. This will provide us with more real time data and a very close monitoring of the post office operations. There are 58 post offices Fiji-wide, just eight are offline and need to become online. The new finance policy incorporates all the inventory-related policies for better governing of inventory management and controls.

DEPUTY CHAIRPERSON.- Honourable Prakash, you may ask your question.

HON. V. PRAKASH.- I would like to congratulate PFL for that. The entire management and the CEO, even the management that was there before, for a wonderful investment. You have really put Fiji very high in terms of your Information Technology (IT) investment and the opening of your system by the Honourable Attorney-General and Minister for Economy. He has given a congratulatory message to the CEO and staff.

There is a room there, as he has suggested for the whole country to benefit and that area needs to be worked on as a team to see that the reality or buying through internet facilities from anywhere in the world or trying to send messages and other things, reaching the recipient from anywhere is a thing to be seen.

We congratulate you for the implementation of policies, from 58 to 52 and I am sure very soon you will be doing that. I think the past management needs to be complimented as well as the current CEO. I think it is a landmark achievement and you have really put PFL very high. We can see that everybody will benefit and I think that needs to be acknowledged, your entire team for the way you have globally interlinked our visitors and our people, who are abroad. They can do business with you at any time and it will grow your organisation. Honourable Chair, I would just like to compliment PFL for the things that they have done. It needs to be recognised.

DR. A. BANSOD.- Thank you so much. We appreciate that.

DEPUTY CHAIRPERSON.- You may move on.

MR. R. AHMED.- Next clarification is on the absence of valid and proper rental agreements. The issue was raised in regards to the crown land lease rental and the rental space for the Government Buildings Post Office which is just down the Parliament House. Accordingly, rent totalling \$79,000 for the crown lease owed to the Government has not been settled since 2009.

Our response is that PFL is in the process of reviewing and renewing its rental agreements with landlords and tenants. Accordingly a number of agreements have been renewed. In regards to the crown land lease at the Government Buildings, the management is looking into the matter. There is no file record at the Department of Lands for that and the premises has been occupied by PFL since yesteryears. The premises was allocated by the

Government for postal operations from the Government Buildings. The rent has been booked on an accrual basis as a provision for any future liability as rent payable.

DEPUTY CHAIRPERSON.- You may move on.

MR. R. AHMED.- The next issue was on the absence of valid and proper written agreements for bill pay vendors. The response is that agreements with bill pay vendors are in place with terms and conditions, however, some agreements have expired or had expired during the audit phase and was regarded as invalid. The management is working on validating all agreements with respective vendors and moving forward, will ensure that agreements are validated.

The next issue was on the back to school credit not being properly managed. There has been a significant change in terms of back to school credit subsequent to 2017 audit. The process of credit application vetting and credit approval has been very thoroughly scrutinised and relevant controls have been put in place. With the new process implemented, there has been a huge decline in outstanding back to school credit. The new finance policy has incorporated relevant policies and procedures for all credits, however, the old outstanding amount in back to school credit was written-off in 2018.

HON. A.M. RADRODRO.- What is the amount involved, Chair? The write-off for this back to school.

MR. R. AHMED.- Can we come back to the Committee in terms of back to school credit write-off only, Chair?

DEPUTY CHAIRPERSON.- Definitely. That is taken note of and we will anticipate that in due course. Thank you. You may move on.

MR. R. AHMED.- The next query was in regards to incorrect disclosure of losses and shortage as receivables. We take note of the comments and subsequent to the audit recommendations, the stated accounts except for Quality of Service Fund (QSF) grants have been reclassified and correctly disclosed in the financial statements.

QSF grants receivable is still classified as other receivables as PFL has some projects which has been approved by the Universal Postal Union. Just to let the Honourable Members know, the funds arrived this week. The rationale for PFL to reclassify shortage and losses as receivables was due to the fact that these funds were due to be received either through insurance settlement or recovery from the staff, however, the organisation has reclassified these accounts to be in compliance with the International Financial Reporting Standards (IFRS).

HON. A.M. RADRODRO.- What is the QSF grant?

MR. R. AHMED.- Quality of Service Fund (QSF). The next clarification was regarding no policy and guidelines in relation to holding excess cash for postmasters cash account. In normal circumstances and this is our response, all excess cash is remitted to the controlling post office, however, there are instances when the levels of cash exceed the approval limits. This is normally communicated to the head office and reasons are outlined for holding extra cash. Given the fact that our locations are spread all over Fiji including rural and maritime, accessibility to such locations is a challenge for PFL.

Secondly, all maritime and rural islands rely on PFL for their remittances. There are circumstances when post offices maintain extra cash due to unavailability of transportation to send and receive money on a timely basis. There is a higher risk in sending and receiving money than keeping it in the post office. All post offices are

equipped with ground safe and cash is always kept under lock and key. To strengthen the controls, PFL is in the process of installing cameras to have real time audio visual conversation with post masters. We have already done some implementations, I think almost seven post offices and it has worked out to be quite effective. Regarding policy matters, relevant policy notes have been incorporated in the finance policy to govern cash accounting at the post offices.

HON. A.M. RADRODRO.- Honourable Chair, just a supplementary question regarding the management of excess cash held by post masters. We note the answers that have been written and provided by the management of PFL especially on the ways to strengthen the oversight of excess cash held by the post masters through installation of cameras and other necessary equipment.

What about risks? For example, a situation where a post master tries to burn down and destroy a post office. The incident at the Seaqaqa Post Office where the lady decided to burn the post office. How do you mitigate those kind of risks?

MR. R. AHMED.- Definitely we are trying to do that and what we have already started to implement is firstly, when we are trying to put a post office online, we are able to see the real time data. Therefore, at any point in time, we will be able to know which individual post office is holding how much cash. We will be able to request that post office to remit the extra cash to the controlling post office. With online connections and the installation of cameras, if a post master is holding excess cash then we will be able to count the excess cash which he or she is holding.

The situation at the Seaqaqa Post Office was that she did not have the extra cash because she had already used the cash. Just to conceal the fraud, she tried to manipulate the system with arson, to show the management of PFL that the cash was all destroyed in the fire which was not the case. We have already put in place the mitigation plans where firstly, we are putting the post offices online. Secondly, we are installing cameras to do a real time audio and visual conversation.

HON. A.M. RADRODRO.- What is the update on that scenario in Seaqaqa?

MR. R. AHMED.- She has been sentenced, four years and six months imprisonment. Also, we have recovered the cash through our fidelity insurance.

HON. A.M. RADRODRO.- Is the post office back in operation?

MR. R. AHMED.- Currently we are renting a space and we are looking at the option of rebuilding the post office.

HON. V. PRAKASH.- Is there a response from the CEO?

DR. A. BANSOD.- On that note, the nature of our business is such that we need to keep cash in all post offices because of money orders and other businesses. Definitely we have a huge risk associated with all the post offices and one of the ways by which we cover the risk is through insurance. On this one, we have the fidelity insurance policy as well so in case of when something goes wrong, there is an insurance backup cover risk.

Secondly, the corrective action being undertaken. What we are doing is, we are organising a workshop for the postmen. It will be held in November. The focus of this workshop will be purely on change of culture, change of ethics and change of values because when they are holding such a large amount of cash, they normally get tempted to do something wrong and the consequences are very high so we are implementing a system where the Fiji Independent Commission Against Corruption (FICAC) and those sort of people will be there. They will ensure that the postmen are trained in such a way that they do not get engaged into these sort of activities, so we are taking corrective action on this.

HON. A.M. RADRODRO.- Are those real time cameras linked to the head office 24 hours?

HON. V. PRAKASH.- It is a huge achievement, Honourable Member.

HON. A.M. RADRODRO.- Is it 24 hours?

MR. I. MOW.- Honourable Chair, just to add onto that. Yes, the cameras are on real time information. We have already conducted a few cash counts with the post masters in the rural areas. They turned on their audios, the cameras on their laptops and we do a sort of physical cash count of the cash that they have. Together, the system, we can look at it from our end, what was supposed to be the amount on the system is balanced with the cash on hand that they have.

HON. A.M. RADRODRO.- In terms of the networking services that is provided throughout Fiji and Fiji is prone to cyclones. What is the back-up plan when a natural disaster strikes Fiji and those networks or those controls that you put in place does not work? Are there any back-up plans?

MR. I. MOW.- In terms of our contingency plans, one of the areas that we have dwelled on is moving back to manual operations. The contingency plan when the IT system and network goes down is for the post masters to work offline and that is to conduct transactions manually. As part of the training programme, we have a postal operations training with the post masters on how to handle operations manually.

HON. V. PRAKASH.- Currently, the whole world is moving with a very important human resources team and a human resources team that can be recognised. The team that can bring difference and training officers who are well-qualified to train because when I was a teacher, I used to go through local and international trainings because everything changed. If an organisation does not have a structured training programme, there will be loopholes around policies and guidelines. Currently, the heart of an organisation now is its human resources team and the trainers that you invest in, to try and upgrade the lives that you have got in the organisation that can be an asset.

In so many organisations, these lives are liabilities. If you want to carry liabilities with you, you will get this kind of report. You want to carry out an asset, it will be changed. That is an area that needs to be looked at very carefully. The other area is, it is very important that, you have been implementing with IT, well-structured insurance policies there. As you have said, manual training is also needed because of places where the post offices are. You are giving service to the public which is fantastic, very appreciating so in times of crisis or in times of anything that happens in the country, man-made crisis or natural crisis, you need to have your post masters to be masters of all those crisis to serve people.

I thank you for the management plan to try and train your post masters and if you continuously do that, there is a standard that you are going to be at. I know your post masters are also exhausted in the post offices. Let me be very clear, we move around where we see your post office, they are doing their normal job and they are also trying to look after your bookshops which is an entity that is giving very affordable prices of items that you sell. It is another area of very noble service that PFL has been doing, Chair.

DEPUTY CHAIRPERSON.- Thank you, Honourable Prakash. You may move on to the final response.

MR. R. AHMED.- The last query was on the anomalies in business engagement with an international mail logistics company. It was noted that engagement with the international organisation that offers cross-border solutions and international mail shipment had ceased its engagement in March, 2016. As of December, 2017,



total outstanding from this international company to PFL was around \$9.7 million. Audit revealed the following anomalies:

- That there was no written agreement between Post Fiji Limited and the international mail logistics company; and
- Approval of PFL Board was not obtained for the use of PFL's logo by the company.

Our response is that the business venture between PFL and Freipost, which is the international mail logistics company, was initiated in 2011 with a draft agreement in place subject to review and sign offs. However, this did not eventuate but the business continued. Due to the shortcomings and disagreements from the business partner Freipost, the venture had to cease in March, 2016.

Various follow-ups for the balance of payments were done but the debt remained outstanding. Finally the management and the board decided to seek legal assistance to recover the debt. A legal counsel has been appointed to assist PFL with the debt recovery. The process is progressing with a letter of demand issued and waiting response from the client. Thank you.

DEPUTY CHAIRPERSON.- Thank you very much for your responses. I think Honourable Prakash has already done a sum up in terms of our concluding remarks. We thank you very much for your presentation. Congratulations to Dr. Bansod and our very best of wishes for your future engagement with PFL and we look forward to future collaborations. We anticipate written responses in two weeks' time. Also, to the OAG, thank you very much. Have a safe weekend and may God bless you all.

DR. A. BANSOD.- Thank you very much.

The Committee adjourned at 3.52 p.m.

**STANDING COMMITTEE ON**  
**PUBLIC ACCOUNTS**

**2016/2017 AUDIT REPORT ON GOVERNMENT  
COMMERCIAL COMPANIES AND  
COMMERCIAL STATUTORY AUTHORITIES**

**Verbatim Report**

**Airports Fiji Limited**

**TUESDAY, 21ST JANUARY, 2020**

**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON  
PUBLIC ACCOUNTS COMMITTEE HELD IN THE BOARD ROOM FOR AIRPORTS  
FIJI LIMITED , NADI AIRPORT, ON TUESDAY, 21ST JANUARY, 2020 AT 2.30 P.M.**

**Submittee: Airports Fiji Limited**

**In Attendance**

1) Mr. Faiyaz Khan	Chief Executive Officer (CEO)
2) Mr. Isei Tudravu	General Manager ATM and Aviation Training
3) Ms. Sanjana Mishra	Financial Controller
4) Mr. Vineet Naidu	Financial Analyst
5) Mr. Doneel Raj	Accountant
6) Mr. Chris Chand	Public Relations Manager
7) Mr. Rohit Prasad	Senior Managing Accountant

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MR. CHAIRMAN.- Good morning, everyone. Welcome to the Public Accounts Committee (PAC) Hearing on the Auditor-General Republic of Fiji Audit Report on Municipal Councils for 2013, Parliamentary Paper No.135 of 2018. I once again welcome you all. On behalf of the PAC, let me introduce the Honourable Members of our Committee.

*(Introduction of the Committee Member by the Hon. Chairman)*

*(Introduction of the team from Airports Fiji Limited)*

... airports core responsibilities of looking after the two international airports and 13 domestic aerodromes. We maintain and manage the infrastructure, assets with safety and reliability paramount under the principles of best practices.

We look after an airspace of six million square kilometres. For your information we have a team seated in the centre that looks after flights to the North of Kiribati, to the West of Noumea down to the South towards Norfolk, one hour 20 minutes from Auckland and to the East just short of Samoa and Tonga. That encompasses an airspace of six million square kilometres.

We boast of providing world class customer experiences to our passengers. We cannot afford to lower the standard of facilitation for passengers that visit our country.

We provide a reasonable return to our single shareholder is the government of the day. We are in the continual process of investing and developing the facilities to look after the six million square kilometres of airspace and not only that, for the two international airports and for the 13 domestic aerodromes, we ensure that we are on par because we are certified under the ICAO Convention and pushed by Civil Aviation Authority to have our airfield and payment and airport infrastructure focussed towards safe, efficient, reliable and world class standards.

MR. D. RAJ.- Thank you, Mr. Isei. Good afternoon Honourable Chair and Honourable Members of the Public Accounts Committee. I will be addressing the matters highlighted in the Report to the Auditor- General relating to the audit years 2016 and 2017.

Three of the four matters that were mentioned related to fix assets matters and one related to bad sales record. As you can see in the screen we have Asset Revaluation Information. For the fixed assets, the three of the four matters that were highlighted, we would like to highlight to the Honourable Chair and the Committee that the Asset Revaluation exercise was successfully carried out and implemented in 2018 and this has addressed matters that were highlighted in the 2016 and 2017 audits. This evaluation was of buildings, infrastructure, plant and equipment assets was one of the most critical and important accounting related project that FA has undertaken.

In late 2017, Erasito Beca Consultants Limited were engaged for this exercise and the report that was received and the accounting impacts that were further assessed by Ernst and Young (accounting firm) before being adopted by Fiji Airports into our book of accounts as at 1<sup>st</sup> January, 2018.

Subsequently, this was also assessed and examined by the external auditors in 2018. So, it is noteworthy that we see an upward valuation of \$207 million on the fourth column there; \$207 million upwards revaluation and this reflects that the various developments and upgrades that we have has truly been value for money additions and has been delivered at world class levels. So, this upward evaluation of \$207 million is after most of the developments were carried out.

Overall with this revaluation by the expert valuers, all assets and relevant details relating to the estimated useful life, depreciation rates, zero written down value assets now is stated at true and fair market value in our financial statements and this has addressed the matters that we had in the past relating to fixed assets.

The fourth item that we had in the report were related to VAT Sales Report. So, what happened was our revenue receipting system captured all receipts and this included the sales that we received plus all loan drawdowns and term deposits. So the report that was generated had a total and this was taken as total taxable supplies. But again it was exempted as VAT exempted so there was no VAT implication for this. However that was not accurate and subsequently as the team found out and was highlighted, now the reports are segregated at receipt level and this loan drawdowns and term deposits are no longer captured in the system.

Just to highlight the Financial Performance briefly. Over the period of five years from 2013 to 2017, the net profit after tax as you can see from \$13 million in 2013 is a fourfold growth, to 2017 you can see \$64 million. Our commitment to give healthy returns to the shareholder from \$5 million in 2013 to \$45 million in 2017 and when we see our growth in the balance sheet with total assets from \$198 million in 2013 to \$332 million in 2017 and further it has grown to \$548 million in 2018. Now this is very important as well because it shows our ability to source funding, if needed, is very healthy given the nature of the business where we have continuous major development projects and upgrades.

MR. V. NAIDU.- Good afternoon, Honourable Chair and Honourable Members of the Committee. I will provide some additional Financial Performance highlights from where my colleague Doneel has left off.

Fiji Airports has paid \$175 million dividends over the last six years. By comparison Fiji Airports had paid only \$14.91 million in its entire history prior to that.

Fiji Airports is the highest dividend paying state owned enterprise in Fiji. We have a very strong balance sheet with a total assets of \$548 million in 2018. This is an increase of \$350.6 million, the increase is worth due to our successful cost efficient infrastructure upgrades that has been good value for money and the lapse of time increasing value of the assets. Whilst total shareholders in 2018 was \$406 million, an increase of 142 percent from 2013 despite having paid out \$145 million in dividends until 2018. So, if we had not paid the \$145 million in dividends, our total shareholders' equity would have been \$406 million plus \$145 million.

Fiji Airports in 2018 with the objective of assessing our financial performance against other airports in the Asia Pacific Region engaged Airports Councils International (ACI) which is an independent international organisation to conduct a study.

One of the conclusions of this report was that Fiji Airports had overall good cost competitiveness and management in the region both in terms of operating and capital expenditure. We will elaborate more on this on the following slides.

This report shows the compound annual growth rate of total cost per passenger from 2011 to 2016. It shows, on the left you can see the total cost per passenger of Fiji Airports compared with the Pacific Islands, Australia and New Zealand, Asia Pacific and the world. You can see from 2011 to 2016, our compound annual growth rate was minus 4.4 percent which means our total cost per passenger was reducing by 4.4 percent whereas you can see the Pacific Islands (our neighbours) the cost was increasing by 2 percent while Australia and New Zealand and the Pacific had also a reduction but a minimal deduction of 0.6 percent.

This chart from Airport Council International (ACI) shows a benchmark of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margins. EBITDA margin is a useful measure to understand a company's profitability at the operating surplus level without the accounting for capital cost, taxes and other deductible items. This shows on the left that Fiji Airports EBITDA margin is 71.5 percent while our neighbours EBITDA margin is 51 percent, Australia, New Zealand and Asia-Pacific average 58 percent.

This slide shows the return on investment capital. Return on Invested Capital is a measure that combines three components of an Airport's Income Statement and Balance Sheet. It is a robust measure of profitability because it not only considers the effective management of total revenues and total cost for a fiscal year but also includes the invested capital within a single measure.

Fiji Airports return on invested capital on the left as you can see is 21 percent. This is an outstanding return which is more than four times higher than our Pacific Island neighbours and three times higher than Australia and New Zealand.

One of ACI's concluding remarks from this benchmark exercise and a testament of Fiji Airports Outstanding Performance was over the recent years is that with the level of economic activity and financial maturity that Fiji Airports have achieved over the past years, the point of reference to assess performance lies in comparable airports in Australia and New Zealand and mature Asian countries rather than the Pacific Islands.

This ACI benchmarks Fiji Airports charges against Australia, New Zealand as well as Pacific Island airports. It shows that Fiji Airports is one of the cheapest airports in the world. As you can see, you have Sydney Airport which is three times higher than Nadi Airport, you have

Auckland Airport which is almost double Fiji Airports' charges. There is common misconception about departure taxes. It is important to note that from the \$200 departure tax, Fiji Airports only receives \$9.17 which is reflected in our audited financials.

We would also like to highlight some of our key balance sheet ratios.

The current ratio which is a measure of a company's ability to pay short-term obligations or those due within one-year. It tells how a company can maximise the current assets on its balance sheet to satisfy its current debt and other payables.

If the ratio is below one, it raises a warning sign that the company is not able to pay its short term obligations when due.

Our current ratio is 3.44 in both 2018 and 2019. It shows that Fiji Airports has three times the ability to pay its current short term obligations.

The next ratio is the Debt to Equity Ratio. It is a measure of the degree to which a company is financing its operations through debt versus wholly-owned funds.

A ratio of greater than 100 percent shows that the company is effectively owned more by creditors and financiers instead of shareholders.

Our ratio is 35 percent. Fiji Airports has only 35 percent external debt funding compared to shareholder's equity.

The next ratio is, Interest Cover Ratio which measures how many times a company can cover its current interest with its available earnings.

The lower the ratio the more the company is burdened by debt expenses.

The general rule of thumb here is that the ratio should be above 1.5. Our ratio is 40.26 which is quite exceptional.

The next is the debt to EBITDA ratio which is one of the key financial indicators in the balance sheet as it links a company's liabilities in the balance sheet against cash base profitability measure.

The general rule of thumb here is that 5 is considered too high while 3 is normal and anything lower is exceptional. Fiji Airports ratio is currently 1.4.

Fiji Airports has an exceptional debt to EBITDA ratio. This is particularly noteworthy considering ongoing investments in Nausori and loss making assets.

MS. S. MISHRA.- Thank you, Vineet. Good afternoon, Honourable Chair and Honourable Members. Earlier on my colleagues have highlighted on the strong financial performance of Fiji Airports but it is also important to highlight the magnitude of the social obligations that Fiji Airports undertakes for Nausori and outer station airports. It gives an insight on the total operating and capital expenditure of the 14 airports relative to the revenue earned in 2018.

The key highlights here is the total deficit of \$18.9 million with an operating and capital expenditure of over \$24 million and a revenue of \$5.2 million.

Nausori had a deficit of \$9.1 million. Despite this, Fiji Airports committed to a \$60 million runway upgrade project for Nausori. This runway extension will allow Fiji Airways to operate its B737 aircraft on full load capacity into and out of Nausori. It has the potential to connect Nausori to other international airports but also it will have a huge impact on the Tailevu and Deuba corridor. This project will start from Nausori in 2021.

Rotuma, as you can see earns a revenue of \$6,000 annually. In 2018, Fiji Airports successfully completed the Rotuma Runway Upgrade Project. What this mean that previously only a twin otter could land into Rotuma once a week with seven passengers. However, now there is an ATR72 landing into Rotuma Airport with 46 passengers plus cargo.

With the grass airstrip in bad weather conditions the flights used to be cancelled and for the next flight, there was a wait for weeks. However this has changed the travel experience of all people wishing to visit Rotuma. Apart from this, the increase flight capacity and the reliability of flights will boost the island's economy as well. Recently Fiji Airports also upgraded Bureta and Lakeba Airstrips. All these projects are being carried out with the vision of better air connectivity of all Fijians and development of Fiji.

Fiji Airports will continue to upgrade and develop our network of airports as part of our social obligation. Mr. Isei will share with you some of the future plans for these airports.

MR. I. TUDREU.- Honourable Chair and Honourable Members, for our Project and Expansion where traffic management to the West, Australia looks after the airspace to the West, to the East, New Zealand looks after that airspace and also to the South and to the North we have US that looks after that airspace. So, aircraft that transit through our Flight Information Region (FIR) need to travel in a harmonised manner harmonising with these three flight information region service providers. . As a result, we cannot let our guard down when it comes to upgrading our facilities. And as we speak now, ICAO has just left our shores towards latter part of last year and when they left, they were so appreciative of what Fiji Airports has done to ensure that we are punching in a heavy weight division in as far as our facility upgrade for the provision of air traffic management.

So, in your visit this afternoon, you will see firsthand the upgrades that are happening now. In saying that, on 26<sup>th</sup> March this year in our domestic airspace, apart from the oceanic airspace, there will be a major change for the management of traffic. We are moving from a procedural system to a surveillance-system. We are not moving towards a radar system like many other countries provide for these services in a domestic airspace. So, we are one of the first nations to progress from a procedural to a surveillance. With that comes the necessity to provide the latest facility and we are grateful for the leadership who wants us to be there in the forefront. Mr. Chairman, ICAO came and said, "well done but don't let your guards down." When it comes to the airports, apart from the upgrade that Ms. Sanjana has shared Nadi Airport will be the fourth with five percent growth that we anticipate over the next few years, we need to be looking at our airport. You may have noticed, our CEO has already put in the media, we have a 2043 Master Plan and the work has already started. We need to be increasing the glove so that the hand for aviation will fit in come 2022, come 2030 and come 2040; that is for Nadi Airport.

For Nausori Airport, as you have heard, \$60 million upgrade that is happening now. In the first quarter of 2021, you will find the 737 no longer limited to 70 passengers and cargo. We will carry maximum load of 110 to 120 passengers and maximum cargo will travel either to New Zealand or Australia. So, apart from that, we have not forgotten Lakeba which just had an upgrade last year and Bureta. We got first hand from single operator that operates that they just love the runway surface now which enhances safety because of better grip of the wheels of the aircraft onto the tarmac.

In Labasa, we have gone out of our way to install runway lights allowing night landing and additional flights. So, a person in Vanua Levu can travel from Savusavu, Nabouwalu or Udu and come to Labasa and then can catch the latest flight at 5 o'clock not the 2.30 p.m. to come and meet the LA flight to go launching at 10.00 o'clock at night. So, we have the lights there. We are waiting for Fiji Link through Fiji Airways to come to us and say, "we are ready to go."

We have challenges which regards to the training of their crew and also the aircraft type that they want to launch there. But we have installed the lights, they have been ready since last year.

The new Labasa Terminal is written there but we are resurfacing part of the Labasa runway and we also are going to improve on the car park in the apron area to fit in double ATR42 and the work will commence in April and we will complete the works on the new terminal at the end of this year.

For Rotuma as you have heard, apart from the ATR42 going in now, there has been a 100 percent landing rate of aircrafts going to Rotuma. We are no longer impacted by weather or the runway surface. But apart from that, we have got in a new fire truck, a game changer for Rotuma. We put in a new fire station and we have trained firemen in Rotuma.

For Savusavu, we have already built a new apron and the terminal is just around the corner as far as Savusavu is concerned. For the next picture, you see the airport at Lakeba; what a beautiful airport. It has cost quite a bit of money but we are committed to connect the world to Fiji and vice versa.

MR. C. CHAND.- *Bula* again, Honourable Chair and Honourable Members of the Public Accounts Committee. Fiji Airports - what is our bottom line? We have emphasised on our financial performance, we have also had our colleague, Sanjana talk about our social obligation. As a responsible organisation our obligation is also to the environment. So now financial performances, social obligations and the environment if you can see on the slide, that is a picture taken of our colleagues at Fiji Airports when we launched our mangrove replanting initiative in August last year at Viseisei Village. Many of you would ask, why, mangroves? The mangroves absorb carbon four times more than any other plant or tree and mangroves help with restoration of the tidal ecosystem and the food source for the communities where we plant these mangroves. So, Fiji Airports has activated this new initiative for our environment where we are going out to learn as well as create awareness amongst our staff and in our community about mangrove replanting.

If I can speak on some of the other points on that slide, it is about basically that, on our triple bottom line which is about the financial performance, social obligation and the environment, our focussed attention is on building stronger relationships with all our key



stakeholders. Fiji Airports has a staff of 530. We are proud to have a local workforce. We do get consultants for key projects which are from abroad as well.

In 2018, Fiji Airports hosted six International Civil Aviation Organisation (ICAO) and Airports Council International Seminars (ACIS) on our shores. This gave the ability or exposure for employees to build their capacity and the final point in that slide is about the initiative that we have taken towards the environment by encouraging mangrove replanting which is a target that we have set every quarter.

Speaking of the environment, last year in February we received a silver award from the Green Airports Recognition by Airports Council International and in March last year we received Level 2 Airport Carbon Accreditation which shows that we are committed to reducing our carbon footprint at Nadi International Airport.

In terms of community, each year on the 1<sup>st</sup> of the New Year which is the 1<sup>st</sup> January we host orphans from our community in Nadi so we host the Treasure House Children's Homes and the St. Mina Children's Home for New Year's Day where we treat them. So we get all the children and their carer and we host them at the swimming pool where they spend the whole day and they are treated for lunch. This is a tradition that we have built over the last two years and if I can also point out that in 2018 when we won the Excellence in Service Award at the Prime Minister's Business Awards, we used the prize money for that as well as, we added some more funds to kick start this initiative where we give back to the community. Similarly last year when we won at the Prime Minister's International Business Awards we used the prize money from there and Fiji Airports topped it up and we were able to host our children for the New Year's Day treat that we do.

In terms of our community sponsorships, Fiji Airports invests a total of \$120,000 in sponsorships and community engagements. If I can give you an example, how we support the Nadi Airport School only in our community and that enables them to go and participate in the National Swimming Competition. Last year they finish second place in the girl's division and the previous year they won the girl's division.

Similarly we sponsored the Nadi Athletics Team. Last year they finished in second place in the girl's division and fourth place in the boy's division. The value that we get from this is empowering them as well as seeing them succeed in the sporting arena through the sponsorships.

Another key element of our sponsorships is our sponsorship of the Nadi Aviators Women's Team. We know for a fact that corporate organisations do not want to sponsor women's teams because they feel that they do not get the mileage by sponsoring women's teams so Fiji Airports took the responsibility of sponsoring the Nadi Aviators Women's Team who play in both rugby and rugby league. It is our responsibility not just to encourage them but to empower them to create gender equality.

Our key fact was just last week, they finished as a runner's up in the Coral Coast Sevens so they only lost to the National Women's Team in the final.

Apart from that, this last slide is on our achievements both locally and internationally. We have been quietly going along in completing the Nadi Airport upgrades. In 2018 SKYTRAX independently, we did not submit any application for this. It was based on passenger reviews, SKYTRAX ranked Nadi International Airport as the World's 6<sup>th</sup> most improved in 2018.

In the same year, in November, Traveller Guide, similar recognition, Best Recent Renovation and both these two international accolades we did not participate in them, these are based on passenger reviews so they are independently done.

Locally, the Prime Minister's International Business Awards, in 2018 we got the Excellence in Service Award. Last year we got the Excellence in Business Leadership where our CEO, Mr. Faiz Khan received the Excellence in Business Leadership Award and on the same night we bagged the main prize which was the Supreme Award which symbolises that Fiji Airports is one of the leading organisations in the country.

Moving down, Airport Carbon Accreditation, they have given us a Level 2 ranking of reduction. Our goal now is to keep going up and our target is a Level 3 or a 3+ in the coming years.

Airports Council International, as I mentioned before, the Green Airports Recognition, they gave us a silver award last year and these are based on our efforts to continuously reduce our carbon footprint at Nadi Airport. That sums up the international and local accolades, *vinaka*.

MR. CHAIRMAN.- Thank you, CEO and your team for the wonderful presentation. Now, I will actually open the floor to my Members if they have any questions with regards to the presentation itself or the report that is before us. The last time I was here was with the Standing Committee on Justice, Law and Human Rights when we were looking at the Public Enterprises Act. Sorry to say that social responsibility cannot be part of dividend. We had a very good discussion about that because almost all the public enterprises actually recommended but at the end of the day the Government decided that it should not be part of the dividend paid to the Government. So social responsibility still lies with all the public enterprise to fork it out from your own pockets; that is one.

Secondly, I believe the last time I was here you stated your profit margin, I think you have actually shown for the past three years. If you can go back at least 20 years and tell us what was AFL back then in 90s and what AFL is now. It will be crucial information for the PAC Members to know about that. So, if you can just highlight what was the profit made back in 1990s and where does AFL stand today.

The oldest report I have in front of me is 2006 where we had a net profit after tax of \$1.3 million; that was for 2006. It is very important for the Committee Members to understand where AFL actually stood at least 20 years ago and what they are actually doing especially in terms of dividends. You have highlighted how much dividend you are receiving now compared to 2006; that is the gist of that particular question.

(Inaudible)

MR. CHAIRMAN.- The other thing for the Members to note, you are the only one making profit. So, a lot of social responsibility but still they are making a profit of \$18 million come 2018/2019. So, it is something very commendable for the organisation.

Can I now open the floor, Members? Yes, Honourable Leawere.

HON. M.R. LEAWERE.- Thank you, Mr. Chair. I have two issues that I would like to seek more clarification on. One of it is the list of airports that have been alluded to in the presentation. I see that some of the airports are not reflected there probably they are private airports like the one in Pacific Harbour. Does Fiji Airports look after that as well?

MR. I. TUDREU.- Altogether in Fiji we have 24 aerodromes; 15 looked after by Fiji Airports and nine private. Nanuku is a private aerodrome which is in Deuba.

HON. M.R. LEAWERE.- You do not look after the private aerodromes?

MR. I. TUDREU.- We do not look after that. It is a private aerodrome.

HON. M.R. LEAWERE.- Liability?

MR. I. TUDREU.- The liability rests with the operator that is certified by the Civil Aviation Authority of Fiji.

HON. M.R. LEAWERE.- Thank you very much. The question on the workforce, I see a lot of smiling faces in your slides so probably the workers are very happy. So what does the company do in terms of making the workers happy themselves, for example, salary? I just need some clarification on that, please.

MR. C. CHAND.- Thank you, Honourable Member for that question. Yes, we do have a very energetic and dynamic workforce. Our initiatives are not only based on the pay and salaries. Pay and salaries are reviewed annually based on performance but we also have a, where we create a fun environment for staff. So it is not just about work, on Tuesdays and Fridays we have a Health and Wellness Policy that has been introduced so they get one hour in the afternoons on Tuesdays and Fridays to go out and look after their health and wellness. Not only that, we also have sporting competitions to get them actively involved. So, for example, we have an inter-department soccer competition, volleyball competition that encourages the workforce to come together. There is a lot of integration and it is not only just about concentrating on work but we are also focussing on creating that fun environment at work. So, that is why you see a lot of energetic people in the pictures. It impacts on their families as well.

HON. ADI L. QIONIBARAVI.- Thank you, Honourable Chair. I would like to first congratulate the company for the 2016/2017 audit, in the two years the OAG has issued unmodified opinions, *vinaka*.

My first question is on Page 15 of the Auditor-General's Report on Government Commercial Companies and Commercial Statutory Authorities which includes Airports Fiji Limited. I would like to know which particular business activity....

(Inaudible)

HON. ADI L. QIONIBARAVI.- Do you have this? No?

Honourable Chair, I would like to know which business activity is the major contributor for the increase in revenue for Airports Fiji Limited? Is there one particular business activity that contributes much more than the other business activity that you have? For example, concessions,

there is an increase of about \$12 million in 2015 and 2016. Will that be the major contributor to your improved performance and why?

My second question on income, I note there is a big chunk there - Other Income of \$6 million in 2015, \$7 million in 2016. What is this other income? Is it not big enough to warrant a single line entry? What comprises this other income - \$6.9 million in 2015 and \$7.6 million in 2016? I agree with the comments on the departure tax, there is only a \$1 million increase there. I was really looking at the accounts to find out which is a major contributing business line from the company. Is it concessions? Navigation charges, an increase of about \$5 million between the two years 2015/2016.

My other question is on Other Income. What comprises this Other Income? What are the details? Do they warrant not to be one line ....

MR. F. KHAN.- Thank you, Honourable Member. I will let my team on the far right answer the second question because some of it is IFRS related on Other Income. Mr. Doneel, can you give a breakdown of what constitutes Other Income?

MR. D. RAJ.- Whatever we see on Page 15 is not a direct excerpt from the Financial Statements. The Financial Statements have a much larger breakdown of what this is. If I can just draw your attention to the Annual Report. I know it is not visible but ....

HON. ADI L. QIONIBARAVI.- If I may just make a comment there. Honourable Chair, why are we not giving them a copy of the Annual Report so that they can look into the total account instead of just looking at what the OAG has highlighted in this Audit Report? Should we not be accessible to the company's Annual Report so that we can see the total financial statement rather than just looking at these financial accounts.

(Inaudible)

MR. D. RAJ.- If you would like, I can give you, for your reference, just to see what this breakdown is.

(Inaudible)

MR. D. RAJ.- Right now it is hard for me to just start. I have to like add things from this week to see what is coming there but the major ones .....

HON. ADI L. QIONIBARAVI.- Maybe, Honourable Chair, if you just say there are 10 components and which is the highest.

MR. D. RAJ.- Alright, something like that.

HON. ADI L. QIONIBARAVI.- My issue is, why is it all lumped together as Other Income? At which point do you make the decision that they be all lumped together? If it is over a million, I see rental as as \$1.4 million. Do you have part of the other income sources more than a million, more than \$2 million? What is it?

MR. D. RAJ.- Can I just read whatever I see from here. So, we have air navigation charges - \$36 million, Airport Security Development Fee - \$15 million, these are the larger ones.

For the other income, it most probably is coming from electricity recharge, we have \$2.1 million. Again on disposal of \$200,000, the larger ones there again are deferred income of \$700,000, Land Rent Written Back \$2.9 million, this was a one-off item that we had.

(Inaudible)

HON. ADI L. QIONIBARAVI.- See, I am looking at this OAG Report.

(Inaudible)

HON. ADI L. QIONIBARAVI.- Thank you, Honourable Chair. My issue was just trying to determine in which activity in the whole AFL operations to the main contributor to the income. As I said earlier, if we had access to that, perhaps I would have a different set of questions but my main issue is, which line of activity within AFL is the main contributor to your increased income. If its concession, for the two years this \$12 million increased. Was this revenue line not recognised earlier in the 80s and 90s and this was not picked up in the last 13 to 14 years?

MR. F. KHAN.- Mr. Chair, if I may, the way I understand Honourable Member your question there are two parts to it. So, the second part we will try to answer as best as we can. The first part was the question on what is the major contributor to our revenue? We have not answered that. And the answer to that is the major contributor to our revenue is the aeronautical fees and charges that we earn and you will find, if I may finish, a number of line items on the aeronautical fees and charges. The first one which is navigation charges. So, these would be as Mr. Isei had mentioned earlier that we look after a 6 million square kilometres of upper airspace and in the management of that, we derive revenue. So that would contributed to the navigation charges. Then we have landing and parking fees. For all the aircrafts that land into our airports, there is a landing fee that is charged. Then we have a breakdown into Airport Security Development, the departure tax which we share, et cetera. However, the major contributor to our revenue will be the aeronautical fees and charges by the concession fees that we have.

The reason for the increase in concession fee, that you see in this Auditor's Report on Page 15 which is a substantial increase between 2015 and 2016 from \$18.5 million to \$30 million is because under the Airport Modernisation and Development Act that was passed by this Government, we were able to go back out to tender on all of our concession spaces after the development that we had undertaken and invite people to bid in a fair situation where we try to maximise on the rental that we could get from our concession space.

For the information of the Members and everyone else over here, when we did an audit study about how much we were earning from these concession spaces, concessions are your rentals. If you go and buy in a duty free, that is what we call a concession space.

In our analysis we found out that some of the fine spaces, airport space is supposed to be fine space all over the world. But some of the spaces we are earning less than what people are paying in rental down here in Namaka. So, that was the mismatch based on which we had to take certain measures. It was not enforced as such and based on that tender process, just to be able to get competition in, we managed the see that significant growth between 2015 and 2016.

HON. ADI L. QIONIBARAVI.- Honourable Chair, my other question is on the asset evaluation. I would just like to know, it has of course contributed to the strong balance sheet position of the company. What was the accounting entry to recognise this \$207 million between

the cost and the evaluation figure? How was it treated in the accounts? You have an asset evaluation account?

MR. D. RAJ.- Yes. So the three entries are basically a debit to our PPE which is our fixed assets of \$207 million. For the credit side, there is a deferred tax liability that is recognised of \$41 million and we have an asset evaluation surplus of \$165 million. This was also checked by the independent accounting firm, Ernst and Young so they have also agreed to this entry. So, this is under our shareholder's equity, we see an asset evaluation reserve in the balance sheet.

HON. ADI L. QIONIBARAVI.- I note the improved ratio, congratulations! So for me I really just wanted to know what the cost of improvement is. What are the reasons for the improvement from the last 21 years? Is it through the improvement, the increase in concessions, what are you doing now that you have not done in the last 20 years or so? That is why I raised that question.

My other question is on your social responsibility, *vinaka vakalevu* for servicing the outer islands. We need to have those services maintained.

The question on plan to support your international, would they reduce the deficit in these two operations or which other airport are you looking at to be upgraded to international?

MR. F. KHAN.- Thank you for your comments. I think the team has given good information on most of those but I will try to specifically respond to the questions that you have. Before I respond to whether we can have Savusavu or Labasa as an international airport, I would like to make just a few points so that we can clearly understand what is at play over here.

We all would like to have more and more airports however there is commercial reality behind these things which I would like to elaborate so that we can all understand. One of the critical thing is that when we go to the slide, which showed the Nausori and 13 outer island airports that we look after. It showed the distinct imbalance between the revenue that we earn per annum and the amount that we have spent in operating and capital expenditure on these airports.

Mr. Isei had mentioned Rotuma. If you look at Rotuma, it has got a gross revenue, this is the gross total revenue that you earned from all the landing fees and all the fees and charges. It is \$5,938, let us call it \$6,000. So for 365 days that is all that comes in our till. Its gross revenue.

HON. ADI L. QIONIBARAVI.- Is that one flight a week?

MR. F. KHAN.- One flight a week, sometimes we have two, sometimes we have none, sometimes we have cancellations but on average you are correct, it is about one flight a week. Yes, we have increased the ease with which flights can land and take off in Rotuma, but we have simply taken it from a twin otter which could take six to seven passengers in a flight to an ATR42 or ATR72 depending on the demand which can take 42 or 72 passengers per flight. However, we see that the traffic is limited to one flight per week. Obviously, bigger aircrafts pay a little bit higher in landing fees compared to smaller aircrafts but all of that combined. That is your revenue, \$6,000 of 365 days. Now, that is your cash. Even grass cutting, housekeeping or looking after this airport would cost us more than \$6,000. Then you have a runway to maintain and look after.

When we upgraded this runway, it came at a cost of about \$13 million. You see in the financial year, 2018 we got \$5.4 million and then \$845,000 in operating expenditure, we have our people there.

The reason I have chosen Rotuma to answer your question is that by the fact, as I was explaining earlier, after we upgraded the runway, to allow bigger aircrafts to land, you need a better facility in terms of the fire services. So, the fact that we have fire tender service, a fully-fledged fire tender service in Rotuma is due to compliance issues because without that we will not be able to land the bigger ATR42s and the bigger ATR72s. The twin otters we could land them based on a pick up van with 300 to 400 of smaller tank filled with water, but not with the bigger aircrafts.

So, on the one hand we are incurring an excessive cost in trying to upgrade an aerodrome which has a revenue of only \$6,000 but at the same time we are increasing our operating expenditure, ongoing and future operating expenditure in order to upgrade that airport because with bigger aircrafts comes bigger compliance costs. With bigger runways comes bigger compliance cost.

Now we are doing Nausori. The runway is being done at \$60 million. The traffic forecast that we have received thus far for Nausori is that by undertaking Nausori the current jet operation of four will increase to about eight or ten by 2023 per week. Now eight or ten per week equates to about 1.2 or 1.3 jet operations per day.

The reason Nadi is successful and you can see that it is the only airport that makes profit is because on average we have 42 flight movements in a day. Even after the upgrade that we do at Nausori, we will have an average 1.2 in, 1.2 out, 2.5 flight movements a day. So traffic is what dictates whether we can have revenue. My point is we cannot just keep on building airports or international airports after international airports without there being supporting traffic numbers to support that investment. If we are now saying, should we build another international airport in Labasa or Savusavu depending on infrastructure constraints, obstacle limitation et cetera whether an airport can fit in a particular area, the key driver will obviously be your traffic and whether that can support that investment because these investments are not cheap, it costs a significant amount of money. And based on what you see in traffic, at the moment, it does not seem like something that could be supported but again more analysis needs to be done before we can make any firm comments on whether the third international airport is sustainable or not.

(Inaudible)

MR. F. KHAN.- The question is, do we see that this situation will continue? So, for Nausori and Rotuma, as you have very correctly observed, Honourable Member, you will see higher numbers because those are the two airports during 2018 and Nausori continued in 2019 and even in 2020, it is continuing, we were doing major capital upgrades. You will not see the 2018 results over here being replicated for Rotuma for 2019 and 2020, for the operating expenditure, you will see an increase for the reasons I explained that our compliance cost increases by bigger runways but you will see a recurrence of the CAPEX capital cost for Rotuma until the project is complete, depending on how much you spend in that year, you will see in that financial year. But for Nausori we will see it for 2019, will see a higher number maybe \$20 odd million just for Nausori and we will see it in 2020 as well because our project is continuing into 2020.

The second question was whether this cost is Fiji Airports' and whether it can be passed onto any other Government?

(Inaudible)

MR. F. KHAN.- No, there is no other Government department that they can pass on this cost to. From 1<sup>st</sup> January, 2016, we as an entity when we started doing well, we assumed the responsibility for all of the capital costs for Nausori and outer islands until that time the Government was funding CAPEX costs for outer islands in particular, the 13 outer islands that we look after.

I think it is quite an important point and quite significant in terms of what has happened to Rotuma. I think people would know that Rotuma was a work in progress for about 40 years. We ourselves in our records have project plans that were done on multiple occasions, but there was no funding to go ahead with it. So, when responsibility came on us, we could make commercial decisions whether we had enough money at that point in time to undertake a project such as Rotuma. You could asked the question, do we have enough money to undertake, say another Rotuma maybe in one of the other 12 outer islands? At the moment our answer would be, our main focus is on Nadi particularly because the Master Planning has put on us a significant responsibility and a significant challenge in terms of both financial resources that we require, the time and effort to be able to implement a Master Plan. So this is, I cannot answer all the questions clearly because it is a question of weighing your financial resources and giving priority as to where you want to invest so that the impact of that dollar that we are going to spend is going to be the most significant for the people of Fiji.

HON. ADI L. QIONIBARAVI.- Honourable Chair, Air Traffic Management, what is their contribution to .... Are they looked at separately?

MR. F. KHAN.- No. I think we may have mentioned, we are one of the few airport operations throughout the world that has the Air Traffic Management and the Airport Operations under one umbrella.

HON. ADI L. QIONIBARAVI.- (Inaudible)

MR. F. KHAN.- For Air Traffic Management? We would have about a 50/50 ratio because they are two significant arms of our business and it is about 50/50.

(Inaudible)

MR. F. KHAN.- That was last year, 2019.

HON. ADI L. QIONIBARAVI.- (Inaudible)

MR. F. KHAN.- Yes, that has been resolved.

(Inaudible)



HON. J.N. NAND.- Thank you very much. Mr. Chair, through you, first of all I would like to congratulate you and thank you very much to you and your team for making a mark internationally. We can see in this transitional phase there has been growth towards modernisation. Thank you very much for that.

For reference and noting, in reference to the departure tax. Is it under your jurisdiction to determine who gets what or there is a current arrangement in place where you get \$9.17? What is the matrix behind it, if you want to disclose that?

MR. F. KHAN.- We do not have any jurisdiction or powers to determine the departure tax. The departure tax is determined by the Government of Fiji. On the \$9.17 that we receive that is reflected in our financials and in our Annual Report, we also do not have any ability to increase or decrease. However, that \$9.17 is actually \$10 VIP and the reason we call it \$9.17 is when we take VAT out, all the financials are stated in VEP terms. So, when you take the VAT out, you get \$9.17 and that is what is reflected in our financials. That is why we call it \$9.17. So the \$10 VIP or \$9.17 whichever way you look at it is actually determined when we ... to the Government and then the Government decides what should be the share of the departure tax that we receive. Over the period of the last 20-odd years, I believe that the departure tax has been around for Fiji Airports or the airport authority has been around the \$10 mark. So, it has not increased over the last 25-odd years.

It is important and I do not want to, Mr. Chair, through you, to take this out of context but it was a bit disappointing for all the team members that are sitting here and for the entire Fiji Airports, I believe when it was raised in Parliament last year when our Annual Report was being discussed in Parliament and one of the parliamentarian said, "well what is there, talk about this Annual Report. What is there to be proud of that because we are earning \$200 departure tax? You have increased the departure tax and we are saying, we are making a lot of profit. No one stood up to correct that Member of Parliament who was absolutely incorrect. So, I think if I may request that if ever in future a subject is raised in Parliament where an MP is not equipped with the right facts and if you have been through a Committee session such as this and if you are aware that we actually only get, in this instance, \$9.17 or for any other matter for that matter and hopefully someone can stand up and actually correct that MP because you would have the facts in a better way. It was raised last year, it was actually even in the newspapers, printed and published as a fact when it was not.

MR. CHAIRMAN.- (Inaudible)

MR. F. KHAN.- So we make submissions and I think the last submission we made was many, many years ago but we have tried to track it down over the last 25 years on what was the amount that was paid to Fiji Airports and it has been around \$10 for the last 25 years. So, it has been constant. In fact, if you look at the factor in the diminishing purchasing power of money, the \$10 today compared to the \$10 20 to 25 years ago is far lesser.

MR. CHAIRMAN.- (Inaudible)

MR. F. KHAN.- Because it is a per passenger charge, it is collected in the fare and that portion is then remitted to FRCS and then FRCS remits it based on the entitlements.

HON. V. PRAKASH.- Mr. Chair, thank you very much. First of all I would like to compliment the management of Airports Fiji Limited. It is a great success story that we are

hearing today and it is a pleasure to be here too. We congratulate all of you and the fact that you all are locally based. Our talent is meeting the expectation of international ones, you all know that once this management was dominated by expatriates. Now we see local, young and energetic people, no one is old here and we thank you for that. I think the whole country benefits from it. Apart from that, I would also, through you Chair say that the current Government also needs to be congratulated for trying to take the necessary reforms and actions, trying to revitalise this industry so that it can generate profit and income to serve those areas that need us. I think it is important to recognise that it is a collective effort of the people of this nation. So, thank you very much.

On Page 18, Mr. Chair, there are few comments made by the OAG regarding your impairment assessment review of depreciation rates.

You have agreed that you will try to make necessary adjustments in line with the suggestion made by OAG and I think we have heard part of the explanation regarding debt reconciliation. Apart from that, your account is one of those accounts which is to be complimented and we hope the comment made by OAG is appreciated and improvement will be seen as you have indicated.

My first question is, I think we are in competition with Qantas because it has made a decision to go on its own. How will it affect our local career? Are we ready to compete with Qantas?

MR. F. KHAN.- Thank you for your kind comments, Honourable Member. I will say that I need to refuse to answer that question because it is not in our jurisdiction. We look after the airport infrastructure. We do not look after the Fiji Airways. We do not look after the airlines and so we are unable to make specific comments on that, I am sorry.

HON. V. PRAKASH.- The other question is on SDG. The gender balance your team, what is the percentage you have?

MR. F. KHAN.- I will talk about a Department that I am very proud of which is the Air Traffic Management which has got more than 50 percent women than men but I will let Chris talk about the other departments which are not that great in numbers.

MR. C. CHAND.- In Air Traffic Management specifically, we have a larger ratio of women Air Traffic Controllers, so we have a lot of women in that Department. On a ratio basis I could go back and check that. So, there is 50/50 in most departments. In Air Traffic Management, it is 50/50, in the other departments it has got a higher ratio of men particularly. For example, I think Building and Civil Works, there are more men than women in those departments however with that being said, when we have our recruitment processes, we are gender blind so we do not base our selection based on whether an applicant is a male or female. So, when the recruitment processes come in, very transparent, we make sure that the top candidate is taken. We are not gender biased, so we turn a blind eye to gender when the recruitment takes place.

(Inaudible)

MR. F. KHAN.-It is departmental-based as well. It is difficult sometimes depending on which type of work the people are doing to get the gender balance. We have a Fire Department which has got about 60 people, quite a strenuous work we have only one female fire officer. Similarly, as Chris mentioned, carpentry. So it is not just about the recruitment process, but it is

about the choices that people or genders make, sometimes based on gender themselves so they do not take education in carpentry. Females do not take education in carpentry because they think, alright, this is not the job that I am supposed to do. So, then that gets driven at recruitment and employment by department as well where it becomes outside of our control because if we have gone out to the market asking for four carpenters and 100 people have applied and they are all males, even if we want to positively discriminate and find some females, we cannot. So those are some of the constraints we have.

HON. V. PRAKASH.- But again, Mr. Chair, we should not undermine our female colleagues. They are fitting into many places which used to be a dominant male area of work and I feel that since it is a goal that we need to reach by 2030.

MR. F. KHAN.- As Chris has very adequately highlighted we are gender blind. There are organisations in Fiji that do not recruit females because they say, “alright, depending on the age of the female, has a child then they will be out of work.” That is where we are completely gender blind. I think it is reflected in some of the recent recruitments we did for our Air Traffic Controllers and this is where the recent last two recruitments we did, we had 60 percent females and 40 percent males. Then there is joke going in the aviation sector when pilots would say that Fiji Airports Control Tower is unmanned because at sometimes only females would be controlling the skies. So, this is just to show the strides we have made particularly in some of the departments where we have good candidates.

(Inaudible)

MR. C. CHAND.- Thank you, Honourable Member. That question on sponsorships, so largely Nadi Schools based on our community here at Nadi International Airport but we have request if they are made from other districts for our other stations, we do look at them. It is also based on our sponsorship policy. We would look at them on a case by case basis to see first and foremost is how we can give back to the community. Yes, we can sponsor other schools in the neighbouring communities of these airports but it would have to be look at through the sponsorship policies and how we can assist them.

(Inaudible)

MR. C. CHAND.- We highlighted how we have become a Level 2 Airport Carbon Accredited Nadi International Airport. So, now we taking strides to become a Level 3 Airport Carbon Accredited Airport which means the next level up we have to engage our stakeholders as well. So this level means we will work with our stakeholders as well to also reduce their carbon footprint and then we will be working with our stakeholders at the airport. So, it is a collaborative not just Fiji Airports but our airport stakeholders together that we are reducing our carbon footprint so that goes in line with how we are focussing on the future for a Master Plan collaborating with our stakeholders. The next level above that is a Level 3+. That is our ultimate goal to be Carbon Level 3 is Optimisation and Level 3+ is Neutrality. So, our goal is to be 3+ and in into the future hopefully we can achieve those goals. Those are our carbon ambitions that we want to do. So, Level 3+ would be engaging the stakeholders. At the moment when we got Levels 1 and 2, it was not going outside but now we will be engaging overall all our stakeholders on a broader perspective reduce the carbon for everyone at the airport.

(Inaudible)

MR. C. CHAND.- Yes, since 1999 Airports Fiji Limited has been in existence since 1999. We had a renaming in 2018 where we were renamed from Airports Fiji Limited to Fiji Airports. It is because of the first name “Fiji”, we are proud of that name and we are able resonate it with the companies that we deal with abroad, with our suppliers so it is easier for them and it was a good rebranding for us. So, now they look at us as Fiji Airports, “Fiji” is the first word in the organisation and it resonates well with the modernisation that we have undertaken. Before it was Airports Fiji Limited so it was bit harder but the rebranding has enabled us to align with some of the work that has been taken through the modernisation.

(Inaudible)

MR. D. RAJ.- Mr. Chair, I think the question is regarding the 1999 profit. So in 1999, our net profit after tax was \$0.5 million. In 2018, it was \$64.5 million after tax.

(Inaudible)

MR. D. RAJ.- Before tax it was \$380,000 in 1999. In 2018 it was .....

(Inaudible)

MR. F. KHAN.- I think that is why the ACI Report that the team presented to the Committee is very important because the ACI Report was an independent benchmarking report that we undertook. It highlights particularly the cost efficiency of Fiji Airports and we have made this statement before that our revenue over the last six years would have doubled, but our profit ability over the last six to seven years has increased by tenfold. so that only can happen not just through the increase in revenue but through cost efficiency. How your revenue only double but your profit does increases by tenfold? It is through cost efficiency that we derived and that was the presentation that the team had done on the Airports Council International Independent Benchmarking where in comparison to Australia and New Zealand, Pacific Island countries our cost efficiency are much, much greater compared to those. It is not just a concession. The combination of the increase in concession fee, alignment of the aeronautical fees and charges and also the cost efficiencies that we have been to derive.

(Inaudible)

MR. F. KHAN.- Yes, the support has been great, absolutely. I think profits on its own looked at in isolation is dangerous. There are other factors in the financials that are really important and also in terms of what we are doing. With the Master Plan implementation at Nadi perhaps we do not have the time to go through the details of that Master Plan but we will be doing a lot infrastructure developments over the next 25 years to prepare Nadi Airport and the nation for the next 100 years. The point is, the benefit of that investment is not something we will see in terms of incremental revenue straight away but it is going to be there for the development and growth for the future generations to come and that is what is going to be the hard part. So, the profit in itself, when you look at it in isolation and we do not look at it in terms of the commitments that the company may have in terms of infrastructure, they may say, “the company is making a lot of profit” that there are commitments as well. So, I think with the commitments that we have, we have a justifiable cause, justifiable case to make to our stakeholders, the airlines for increases in fees and charges. We may be able to see that in the near future in terms of crossing the 100th year, but it is always going to be there with commitments. It is not going to be on its own in terms of greater bottom line, but definitely a huge commitment.

Like I said, I do not think we have time to go through the Master Plan, we will probably require an hour or so. But I do invite the Chair and the Committee back in your next visit you are here, please let us know in advance whether it is a formal setting or informal. We were told informal and we again apologise for not being appropriately dressed but we can go through the Master Plan so that I think it is important people understand what they are embarking on over the next 25 years to achieve.

(Inaudible)

MR. F. KHAN.- Pacific Island countries, Australia and New Zealand. The reason we approached this company Airport Council International is because they have access to the financial statements of the Pacific. That is how they are doing our benchmark.

MR. CHAIRMAN.- I really appreciate the work that you are doing. PAC is there to support you and we also understand that you are responsive to whatever we have dealt with in the past. So, on behalf of the PAC team, thank you very much for being there for us and we will work in collaboration to ensure that Fiji Airports provides better service.

Thank you very much and I request our Honourable Members and secretariat team to give them a round of applause.

(Acclamation)

The Committee adjourned at 4.45 p.m.