MEETING OF EXPERTS ON ADMINISTRATION OF
PUBLIC ENTERPRISES IN LATIN AMERICA AND
THE CARIBBEAN
Santiago, Chile 17-22 November 1969

PUBLIC ENTERPRISES IN TRINIDAD AND TOBAGO
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Introduction

1. Trinidad and Tobago is a politically independent country of approximately 2,000 square miles with a population of just over one million people. The form of government is the Westminster model of parliamentary representative government in which the Executive is made up of Ministers of Government who are themselves members of the Legislative body and are collectively answerable to it and through it to the people for the conduct of the executive.

2. Trinidad and Tobago is predominantly a private enterprise economy in which public enterprises operate mostly in the sphere of public utilities. Public enterprises in the strict commercial bias have been created only when conditions in the economy are such that the existence of a public enterprise is deemed in the best interest of the country. All enterprises which are either wholly owned by Government or in which Government holds at least 50% of the equity shares are regarded as public enterprises in Trinidad and Tobago. The public enterprises in Trinidad and Tobago may be categorised broadly as public utilities, public enterprises operating competitively and promotional bodies.

3. Public utilities may be defined as those public enterprises "concerned with the provision of basic facilities and services to the public, usually with a certain exclusiveness of privilege - freedom from direct competition - with respect to type of service and geographic area of operation. Ordinarily, too, charges are made directly to the user for services rendered." 1/ Broadly, some public utilities are operated as commercial undertakings; these are organised as statutory corporations which aim at a "balance between the flexibility and autonomy enjoyed by private commercial enterprises and the responsibility to the public as represented by Ministers and Parliament". 2/ The other public utilities, because of the peculiar nature

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2/ Policy Statement by the Hon. Minister of Public Utilities - The Public Transport Service Corporation.
of the services rendered by them, are not operated as commercial undertakings and are instead departments of a Ministry. The public enterprises operating competitively are, on the other hand, Government undertakings which operate as any other productive enterprise within a free enterprise atmosphere. Finally, there are statutory bodies which promote and, where necessary, actively participate in developmental activities. A statement of the various public enterprises existing in Trinidad and Tobago is included as an Appendix.

Co-ordination

4. The Government of Trinidad and Tobago has established definite channels by which the co-ordination of the operations of public enterprises with the Government's official policies may be effected. The country's Five-year Development Plans serve as the medium for incorporating the long-term plans of the enterprises within the overall long-term policies for the whole economy. The annual budget provides for the co-ordination of the operations of these enterprises with Government policies for the whole economy, annually.

5. Since 1958, the Government initiated Five-Year Development Plans for the economy, a governmental effort, as a means of stating its long-term objectives, of reviewing the performance of the government services in the economy and of estimating the results expected from the implementation of its policies. In addition, the two latter plans have included assessments and projections of the private sector as far as is possible within a predominantly private enterprise economy. It is within the framework of these global plans that the long-term objectives, policies and plans of the public enterprises are analysed, assessed and co-ordinated with other government objectives, policies and plans. In these plans special attention is paid to the economic infrastructure of the country as well as to government institutions created to perform some function/functions within the developmental process. To date, only two long-term sectoral plans have written for the country. These are the First National Health Plan and the First Education Plan. Generally, all other sectoral plans are outlined and analysed within the global five-year plans.

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6. The annual budget of the country is an opportunity for review of the economy's performance over the preceding year and of the Government's policy for action in the following year. While in the five-year development plans capital investment is emphasized, in the annual budget recurrent revenue and expenditure estimates are the main items. At the same time any major items of capital expenditure and/or any major change in policy to be effected in the coming year are outlined.

7. Ministerial responsibility for the performance of all public enterprises compels the government to take an interest in their operations. On a continuous basis this is secured within the framework of ministerial responsibility and control or direction; the overseeing of the finances of some of the enterprises and the overseeing of the implementation of the government's plans for the development of the economy by the Ministry of Planning and Development. In addition, dialogue can be initiated by any of the public enterprises with any other public enterprise or Government Ministry on the co-ordination of effort and co-operation although positive arrangements can be made only through the formal channels.

**Type A - Public utilities operating as commercial undertakings**

8. These are utilities which because of the nature of the services they offer are conducted "in the public interest". With the exception of the Trinidad and Tobago Telephone Company Limited these utilities are wholly owned by Government. The Telephone Company's equity is shared between Government which holds 50% and a private holding company which has 50%.

9. The general principle governing the operations of the utilities is that they are "expected to pay their way taking one year with another which means that their revenues should be sufficient to cover all items properly chargeable to revenue account, including interest payments, depreciation, the redemption of capital and the provision of reserves. These utilities are therefore under an obligation not only to limit the loss but to earn a sufficient return to provide for contingency and amortization reserve".\(^2\)


/Because of
Because of the private interests in the Telephone Company, its Act of Incorporation enables the Company to earn net returns but limits this by specifying the permitted range of net returns which should be earned.

10. Public utilities have been established by Statute and their enabling legislation broadly sets out the functions of each, its sphere of operations and its administrative organisation. Each public utility is controlled by a Board of management that is responsible to the appropriate Minister (now the Minister of Public Utilities) within whose portfolio it operates. He, in turn is responsible to Parliament for its operations. The day to day operations of the utility are overseen by a General Manager whose sphere of activity is broadly indicated in the specific enabling legislation but, as in private enterprise, the details are outlined by the Board of Directors concerned, with authority being delegated to departmental heads as it is found necessary. Each of these utilities is also serviced by full-time professional and technical staff best equipped for its efficient performance.

11. All these public utilities with the exception of the Public Transport Service Corporation but including the Telephone Company occupy monopoly positions within the economy. The Public Transport Service Corporation is in the peculiar position of having to compete with what is locally called the "pirate taxis" which operate along most of the bus routes which can be remuneratively run. This taxi service is generally regarded as a close substitute for the bus service. The problem of minimising this competition has been partially met by freezing the number of taxis so operating. However, because of the job opportunities which the taxi service provides in an economy where unemployment and underemployment exist it has not been possible to eliminate it altogether.

12. Among the public utilities wholly owned by Government, the Trinidad and Tobago Electricity Commission is allowed the greatest autonomy in its decision making and its operations. This obtains on account of its economic viability and its present high standard of efficiency. It is excluded from fulfilling many of the conditions of the Exchequer and Audit Ordinance which regulates certain important aspects of Government finances. The Port Authority which has been undergoing a process of streamlining of its
operations is not given this relative freedom but is less closely controlled than the Water and Sewerage Authority and the Public Service Transport Corporation. For example, little or no control is exercised over its recurrent budget. Water and Sewerage Authority and Public Transport Service Authority are also being streamlined and geared to become more efficient. Financial control is more stringently imposed upon these two and together with the Port Authority operate under the Exchequer and Audit Ordinance.

13. The Telephone Company which, as we have said before, is a joint venture between Government and private enterprise, is virtually autonomous also. Three reasons may be cited for this, namely, its registration under the Companies Ordinance; that is, the same law governing Trinidad and Tobago private commercial undertakings; the fact that management and overall control are effected by the representatives of the firm which owns 50% of its equity to whom Government by agreement has delegated certain powers; and perhaps most important is the fact that it operates as an economically viable enterprise. The Company therefore operates effectively as a private commercial undertaking with the minimum of constraints imposed by the Minister.

Financing

14. Each statutory board has control over its own finances. However, unlike a private firm, this control is exercised within a framework determined by the Public Utilities Commission on the current revenue side and under the conditions previously stated by the Ministry of Finance where the recurrent revenue and expenditure and capital funds are concerned; and by the Ministry of Planning and Development when programmes are being contemplated involving heavy capital expenditure. While all utilities are legally responsible to the Minister for their operations, in practice, the degree of autonomy which each exercise is dependent upon the extent of its economic viability. In effect, only those which are not functioning on a financially viable basis are very closely supervised although the annual budget of each must be submitted to the appropriate Minister for laying before the House of Representatives.

/15. Earlier
15. Earlier a reference was made to a Public Utilities Commission; a word of explanation is necessary. In order to ensure an objective system of rating for the utilities and initially to rationalize their policies where their rate structures lacked cohesion and were not in keeping with the economy's overall development plans. Government, in 1966, by an Act of Parliament created the Public Utilities Commission - "a quasi-judicial body with powers to hear complaints and initiate investigations relative to rates as well as approve rather than fix rates submitted to it by the various utilities". The Commission is also "empowered to act in an advisory capacity to the Minister in matters referred to it by the Minister". The Commission consists of five members, three of whom have been selected for their experience and because they have shown the capacity necessary in matters relating to trade, law, finance, engineering or accounts. The other two members represent the general public. Its composition is important in that it is equipped with the necessary expertise to implement two very important functions which spring from its terms of reference - ensuring the efficient operation of the utilities so that they are commercially viable and, simultaneously, seeking the public interest with all its implications.

16. The Commission is responsible to the Minister at all times. However the calibre of the commissioners; the fact that when acting in its quasi-judicial capacity its sittings are usually freely attended by the public who, subject to certain procedural measures may submit cases or queries on the rates charged; its access to the financial and other details of the operations of the utilities in order that it can critically analyse the true position of each utility over time and at any point in time, all serve as checks and balances for the preservation of impartiality and efficiency. It is important to note also that although the terms of reference of the Commission are specific to rates chargeable, so many factors impinge upon rates that the Commission is in a fair position, while acting within its scope to express its opinion to the Minister on almost all aspects of the functioning of these utilities.


/17. The
17. The individual budget estimates of these utilities for any one year is submitted to the relevant Minister for his scrutiny and assessment and for eventual submission to the Ministry of Finance for their analysis. The onus is always on the utility to support its claims. As indicated above it is normally expected that each utility will meet its recurrent expenditure from its recurrent revenue but in special cases where as a result of previous deficiencies this is not possible, the deficit on the recurrent account has been as from 1967 met by a loan from the Central Government, or by a loan from elsewhere guaranteed by Government. A check is kept by the Ministry of Finance on the actual income and expenditure of each utility through the review of the monthly income and expenditure returns submitted by the utilities. Where it is found necessary queries may be made and additional information demanded. Each of the utilities excepting the Telephone Company and the Electricity Commission functions under the Exchequer and Audit Ordinance of Trinidad and Tobago which provides not only for this system of control but also for annual reviews and analyses by the Auditor General of the Government (the independence of which office is safeguarded by the Constitution).

18. The capital budgets are analysed by the Ministry of Public Utilities for the submission to the Ministry of Planning and Development which is the co-ordinating and supervisory body for Government's capital operations. This Ministry makes further checks and ensures that the long-term planning of the utilities is in accordance with the long-term development strategy for the whole economy. The services provided by these utilities are such that their expansion affects and is in turn affected by other economic developments in the country. It is important therefore, owing to the Government's commitment to follow a planned path of development that the expansion of these important services be made to fit into the pattern of development. This planning arrangement does not mean that these enterprises are severely restricted and the views of the Ministry of Planning and Development dogmatically imposed upon them. Instead, it is a practical arrangement which facilitates the determination of realistic goals and provides the necessary co-ordination with other government enterprises.
and departments. Should a utility be unable to finance its own capital expenditure and further, be unable to secure loans on the basis of its own viability, the Government, where it is found necessary, guarantees a loan for this purpose either in the local market or abroad. The Telephone Company is excluded from this.

Criteria for Appraisal of Management

19. The two most important criteria by which the management of these utilities are evaluated are:

(i) the financial viability of their operations;
(ii) the quality of the service they offer.

As has already been said on the financial side, they are not expected to make profits in the commercial sense of the term, but they are expected to meet recurrent expenditures including interest payments as well as depreciation charges and redemption of capital from their current revenues. From the Central Government point of view, it is critical in evaluating the performance of each authority whether or not there is need for Central Treasury support of the operations to keep them afloat.

20. In the eyes of the general public, quite apart from concern at losses that an Authority may incur particularly if this occurs year in year out, it is by the quality of the service offered that the performance is adjudged. This imposes an obligation on the Authority to recruit and retain qualified personnel, to anticipate the needs of consumers, and to utilise equipment that is efficient, reliable and economical. Further, while efficiency at the production stage is important, it may be said to be more critical at the distribution and servicing stage which is the point of contact with the consumer. Clearly, much depends on the calibre of personnel not only in managerial positions, but also in all line and staff departments.

21. Let us turn therefore to the personnel policies of these Authorities in comparison with those of Central Government. The position in Trinidad and Tobago today is that most of these Authorities no longer enjoy decision making powers in large areas of the personnel function. As a result of certain abuses in the past and to avoid disparities in conditions of service between Central Government and these authorities, a system of regulation from the Centre has been introduced.
22. The recruitment, promotion and discipline functions are exercised by a Statutory Authorities Service Commission which is an independent body created by law on the lines of the Public Service Commission which derives its authority from the Constitution of the country. Conditions of service, e.g. salary ranges, leave conditions, training regulations, etc., are determined by the Ministry of Personnel of the Central Government. In the result, there is now generally, no distinction between the policies of Government and those of the Authorities in the personnel function.

23. In practice, steps have been taken to delegate certain powers to the Authorities and extensive consultation takes place between them and the central institutions both on policy and practice. These arrangements are still too recent to make final judgements on their efficacy; the Government has shown some disposition to react to the contention of the Authorities that more autonomy in this area is necessary in the interest of their efficient operations. We are therefore in a state of transition.

Type B - Public utilities which are departments of a Ministry

24. These utilities with the exception of the General Post Office offer services to a relatively limited clientele. All of them including the General Post Office operate within the framework of the Ministry of Public Utilities with relatively little autonomy, and efficiency in operations is sought within the ordinary Government service structure. That are each managed by a head of department in the same manner as any other Government Department and so control is effected by the Ministry concerned, the Ministry of Finance and the Ministry of Planning and Development in their respective areas of jurisdiction. These utilities do not have as units any independent capital budgets under their control, for unlike the other public utilities their capital expenditure is incorporated for budgetary and planning purposes into a consolidated programme of the Ministry of Public Utilities which is assessed and overseered by the Ministry of Planning and Development.
25. Each of the departments submits to the Minister its current revenue and expenditure estimates for the ensuing year and they are critically analysed before submission as part of the consolidated Estimates of the Ministry for inclusion in the Government's budget. Generally, no positive attempt is made to offset the current expenditure of these departments by their current revenue.

26. The rates chargeable by these utilities are usually assessed by the Ministry of Public Utilities and approval is obtained from Parliament for making changes. In the case of the Post Office its rates chargeable are in conformity with the agreement undertaken through its participation in the Universal Postal Union.

27. The recurrent expenditure of these public utilities is directly controlled by the Minister of Finance through the Minister of Public Utilities. This is an important check against indiscriminate spending and misallocation of resources leading to inefficiency and is effected partly through the use of reserve funds and extraordinary funds for the departments, from which funds can only be drawn with the consent of the Minister of Public Utilities after the Ministry of Finance has been satisfied that the expenditure is warranted. An additional check is made through the assessment of the actual expenditure details submitted to the Ministry at intervals. In effect, there is frequent dialogue between the Ministry of Finance and these departments and this takes place through the Minister of Public Utilities with the objective of securing maximum efficiency. Similarly, within the Ministry itself, a close check is kept on these public utility operations to ensure their efficiency. Strictly speaking, then, institutions of the type discussed here are not public enterprises in the accepted sense, but they are included for the sake of completeness.
Type C - Public enterprises operating competitively

28. These national companies for all practical purposes operate as any undertaking in the private sector within the competitive atmosphere in the domestic economy and in the international markets as the case may be. They are established by Acts of Parliament, the provisions of which define their sphere of activity and give the broad framework for certain administrative and operational procedures. This type of enterprise is a relatively recent Government undertaking and, as indicated earlier, is in keeping with Government's policy to promote these enterprises in cases where it is in the national interest so to do. For instance, Trinidad Tesoro Limited was formed as a joint venture to take over the assets of British Petroleum Trinidad Limited when that Company decided to get out of the Oil Industry of Trinidad and Tobago. The National Sugar Company emerged in similar circumstances. On the other hand, the very recent acquisition by Government of shares in Cable and Wireless Limited was inspired by the Government's concern to ensure control over the external communications media of the country.

29. In all cases their establishment has been in keeping with the scale of preferences announced by the Government in the context of its National Development Plan. It is intended that these companies operate under regulations similar to those which govern enterprises in the private sector that are incorporated under the Companies Ordinance of the country. It is also the Government's intention that the equity of these enterprises be taken over in the long run by nationals wherever and whenever this becomes possible.

30. Three of these companies are not wholly owned by the Government, including Cable and Wireless Limited, 51% of the equity of which has been recently purchased by the Government. Membership on their boards of directors is divided between the private firms involved and the Government. While in keeping with the political and institutional structures within the country there is ministerial responsibility for these enterprises with its accompanying feature of ministerial control, in practice the Government seeks to
seeks to ensure that its appointees to these boards are selected for their integrity, experience and established competence in the fields which are regarded as having a great deal of relevance to the efficient and profitable functioning of the enterprises. At the same time, in the cases where they operate on a partnership basis assurance is sought that the partners chosen are renowned in their respective fields. The greatest amount of freedom is enjoyed by those enterprises including freedom to plan their long-term capital investments and to raise their own loans, so that it may be said that in effect Government has vested the power of control including financial control of these companies in autonomous boards of directors which are responsible to Government only in the same manner in which a private company is responsible to its shareholders. As is the case with public utilities which are statutory corporations, the Government's policy on these is to tighten the reins of control whenever efficiency of operations appears to be lacking.

31. The managerial responsibility for all companies except the National Sugar Company has been contracted out to firms competent in their field. In the cases of partnerships which so far have been contracted with only foreign firms, this arrangement is part of the overall agreement with Government. This is not to imply that management is completely in the hands of foreigners. On the contrary, foreign personnel are only in those positions for which the necessary trained local personnel is not available and it is planned that through the process of compulsory training of nationals these will eventually be equipped for assuming more responsible positions. This is one of the advantages to be achieved from Government's activity in these fields.

32. With competent boards of directors, efficient management and ministerial control as and when this is necessary, the Government expects to maintain the maximum economic viability of these enterprises. There are many reasons why the Government tends to be confident that these enterprises are efficiently controlled by their respective boards of directors. Most important is the fact that the Government always reserves the power for making vital changes in the decision making bodies should they prove ineffective.
prove ineffective or incompetent. In the case where the enterprise is owned in partnership with private firms, these firms are motivated by profits to be earned and strive for efficiency. Government nominated members of the board endeavour to secure the national interest so that they provide a fair balance between the profit motive per se on the one hand, and the objectives of the interest of the country on the other.

33. It will be inferred from all that has been said above that the Companies under discussion are thoroughly private enterprise oriented. Therefore in evaluating their performance the paramount operative criterion is their profitability which reflects itself in the return on capital invested. By implication the quality of the product or service marketed is critical. Management and staff must therefore be of the calibre that will enable the Company to remain competitive and to grow and expand.

34. In personnel matters these Companies are completely unfettered. It is in the area of training perhaps, that pressure may be exercised by Government to ensure that nationals are recruited and trained to accelerate the replacement of non-nationals.

Type D - Promotional bodies

35. The promotional bodies are statutory entities with relatively autonomous boards of directors that are responsible to the appropriate Ministers who in turn are responsible to Parliament for their efficient operation. They are wholly owned by Government with the responsible Ministers being legally empowered to give general and specific directions to their boards of directors, which are appointed by the Governor-General on the advise of Cabinet or the responsible Minister for a specified period. Their enabling legislation provides their constitutional framework, their financial provisions and their objectives. Each of them has been organised to encourage, facilitate, foster and promote that form of economic activity which falls within its scope. The National Housing Authority, in addition, actively participates in financing mortgages for house construction. The Industrial Development Corporation also in addition, controls a small fund for granting loans to industries and hotels. The /National Lotteries
National Lotteries Control Board is different from the others of this group, in that it is a profit making promotional body established for the purpose of assisting in the mobilisation of domestic funds through the promotion and organisation and conduct of national lotteries.

36. As is the case with the boards of directors of other public enterprises, those appointed to these boards are selected for their integrity, their experience and known ability in some specific field important to the efficient functioning of the enterprises. In addition these bodies may coopt persons to attend board meetings for the purpose of assisting or advising the Authority (This applies in all Statutory Bodies). The General Manager who is the Chief Executive Officer of the enterprises, is charged with its day-to-day administration and control. He acts on all matters which do not come within the sphere of activity of the board and is answerable to the board for all his acts and decisions. He is not a member of the Board of Directors but he must attend its meetings although he does not have the right to vote.

37. The objective of the Government is that the promotional public enterprises serve as very effective action units within the developing economy. They have been created for the purpose of fulfilling certain objectives within the economy and, in fact, the realisation of the results of the developmental effort within the economy has come to be increasingly dependent on the efficient performance of these enterprises. The global and sectoral development plans of the economy are the key factors influencing the activity of these enterprises.

38. In the normal course of their operations, these bodies are not truly revenue earning, though they do undertake some activities that bring in revenue, e.g. the rental of industrial sites by the Industrial Development Corporation, the sale of produce by the Central Marketing Agency, interest earned on lendings. Such revenues are usually inadequate to cover administrative costs; therefore subventions from the Treasury are required to make up the difference. Such subventions exceed the earnings of these bodies at the present time. The outstanding exception is the National Lottery Control Board whose raison d'être is the mobilisation of savings and is therefore expected to and does earn revenue greatly in excess of its expenditures.
39. In this situation, it is only to be expected that the budgets of these bodies are rigidly scrutinised in the first instance by the Minister under whose portfolio it operates and eventually by the Ministry of Finance. The manner in which this control is exercised is much the same as has been described in the earlier section of this paper dealing with Statutory Authorities (paras. 14-19 refer). It should be noted, however, that the Agricultural Development Bank, the National Housing Authority and the IDC enjoy a high degree of autonomy in their lending operations within broad policies set at the Centre.

40. It is equally the case that in their personnel policies, these bodies do not enjoy final decision making powers and are subject to the authority of the Statutory Authorities Service Commission and the central Ministry of Personnel (paras. 21-23 refer). Management tends to be evaluated in terms of the growth of the particular sector in which each Body operates, but these sectors are so exposed to influences in the economy as a whole that active results are not always true evidence of the effort and efficiency of their operations.

Summary

41. Perhaps the most striking feature of Trinidad and Tobago for purposes of this meeting is the extensive recourse to public enterprise type institutions and the variety of models employed.

42. Management practice and management problems tend to vary according to the model involved, which in turn is inspired by the purpose which the particular institutions is intended to serve and the circumstances giving rise to its creation. We believe that there is merit in such flexibility - pragmatism, some may say.

43. Certain principles of operation are clearly discernible, however. First of all, commercial viability is not subservient to "public interest", even when a service is being provided to the public. Secondly, public enterprises which are created, in the national interest, in the private sector are expected to and enabled to perform according to modes current
in that sector. Thirdly, strictly public sector institutions are expected to operate within a framework set for them by Government. Finally, and above all, the principle of Ministerial responsibility and public accountability is an entrenched safeguard.

Acknowledgement

Miss Joyce Alcántara, Economist in the office of the Economic Adviser to the Prime Minister undertook all the research necessary for the preparation of this Paper.
APPENDIX

The following are the major public enterprises existing in the country:

**Type A - Public Utilities which operate as Commercial Undertakings**
1. Water and Sewerage Authority
2. Public Transport Service Corporation
3. Port Authority
4. Trinidad and Tobago Electricity Commission
5. Trinidad and Tobago Telephone Company Limited a/

**Type B - Public Utilities which are Departments of a Ministry**
1. General Post Office
2. Meteorological Services Department
3. Government Wireless Service *
4. Civil Aviation Department
5. Government Printery
6. Harbour Master's Division of the Ministry of Public Utilities

**Type C - Public Enterprises operating competitively**
1. British West Indian Airways
2. Trinidad-Tesoro Limited
3. National Sugar Company
4. Cable and Wireless Limited b/

**Type D - Promotional Bodies**
1. Industrial Development Corporation
2. National Housing Authority
3. Agricultural Development Bank
4. The Trinidad and Tobago Tourist Board
5. National Petroleum Company
6. Central Marketing Agency
7. The Cocoa and Coffee Industry Board
8. The National Lotteries Control Board

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*a/ This is a public utility operating under the Companies Ordinance.
b/ A most recent acquisition by the Government.
* To be merged with Cable and Wireless Limited to form a new Company - Trinidad and Tobago External Communications Limited with effect from 1st January 1970.