
[FILE NOTE]

Client: Port Authority of the Cayman Islands

Matter N°: 14433

Attorney:

Re: Meeting held at PACI on 15 February 2018 at 2:30pm

In attendance:

Mr Errol Bush (EB)

Mr Charles Clifford (CC)

Mr Clement Reid (CR)

Mr Stran Bodden (SB)

Mr Michael Nixon (MN)

Ms Jaqueline Scott (JS)

Mr Ashton Bodden (AB)

Mr Richard Parchment (RP)

Mr Ken Thompson (KT)

EB I would like to call the meeting of order. We are here this afternoon to interview the Port Director Mr. Clement Reid on the OAG report to us and the subsequent addendum to that report in which Mr Reid took place. We're here to interview him as the Board of the Authority on those questions and answers that he has given in the OAG in the addendum. I will moderate the meeting. I would ask each one when they ask a question if they can identify themselves for the record. The meeting is being recorded by CR and the Authority as well. I will kick off the meeting. My name is Errol Bush and I'm the Chairman. Act one of the addendum, and in answers to questions from the OAG on this issue you indicated that there were certain sections of the Employee Handbook that were no longer applicable or relevant. Can you tell us which sections or provisions in the handbook you were referring to in your answer to the OAG?

CR Thank you Mr. Chairman, thank you members. The Port Authority Employee Manual was first authored back in 2007, that is 11 years ago, and there's been no revisions of that manual since. There's been a number of laws that have come onboard since that law took effect. When this question was posed to me by the OAG I didn't have the manual in front of me, so I didn't want to specify a specific area. If we just go through the first part of the manual under our new mission statement: the mission statement needs to be updated; the vision needs to be updated; the relevant laws that has changed - the new Pension Law the new...there are a number of laws that need to be updated. There is no provision in the manual in terms of recruitment or assessment or employees for succession. Those are just to name a few and I could go on and on. Those manuals should be updated on an annual basis from an HR perspective. It was written back in 2007. It was never amended or any changes made to the manual so therefore it would require a complete overhaul of that manual to bring that manual up to date. With the implementation of the Public Authorities Law ("PAL Law") it is even more relevant now that the manual be updated to reflect what's in that new law.

EB Any follow ups?

CC Mr Reid, further to your answer, do you anticipate any substantial difference in any provisions in the handbook relating to the recruitment of staff?

- CR Yes. Because the section that deals with the recruitment of staff was back in 2007 that was done. The PAL Law specifies now how recruitment has to happen. It also has to comply with the Port's requirements which we have asked for from the Chief Officer over there, which we have now in our possession. So that whole area is going to be in substantially and radically changed to reflect how Government does recruitment.
- EB Anyone else on that subject on Act One? Act 2 is in regards to employment of _____ and her recruitment.
- CR Mr Chairman, if you will just allow me to go back to Act 1. I just want to add some more meet to that.
- EB Yes
- CR The breach under the OAG says that the HR Manager is excluded from the new hires. When I was recruited back in 2015 the HR Manager was not included in that hire. That was done solely by Deloitte and a select committee on the Board of Directors. That's where this all started. In 2016 the Board decided that they would exclude HR manager based on the report done back in October 2015 by Deloitte which identified weaknesses in the HR division, the incompetence of the HR manager. So therefore going forward all new recruits followed that precedent that was set by the Board back in 2015/16.
- EB I hear what you're saying but I don't remember us specifically excluding the HR manager from any employment. What I do recall is that we did not think that she was competent enough to do what Deloitte wanted to do with regards to the setting up of the evaluation committee and that job description and so on. I don't recall us having made that decision that she was not competent enough to be sitting in on the interviews with prospective staff.
- JS I confirm that.
- CR Mr Chairman, I refer to page 35 on my answers to the questions. It refers to the addendum that was signed back December 2015. As it says under paragraph 2 *'As per discussion with yourself and members of the Board of Directors on November 16, 2015, the PACI is requesting assistance from Deloitte to assist with the recruitment process for the Deputy Director of Cargo Operations, Manager of Facilities and Special Projects, and the Office Manager positions ("the Services")'. The Board is seeking Deloitte's assistance in this regard due to a lack of current capacity internally, and to ensure objectivity in process. Additionally, it is expected, per discussions with the Port Director'*, which I ask : _____ to be included in that we can have some sort of training, but it was based on this that the addendum was signed.
- JS But that doesn't say she should be excluded at all.
- EB While we are looking at this CR, I really don't see where it says she should be excluded from any recruitment process. It does say that the Deputy Director of Cargo Operations, the Manager of Facilities and Special Projects and the Office Manager of Position Services, that Deloitte was specifically asked to help out with those. And it says that due to *current lack of capacity internally* that some say that she would be excluded.
- JS But it says that the *'PACI Human Resource Manager would also be involve to ensure transfer of knowledge on the recruitment process'*.

- CR That was my request not the Board request.
- EB Act 2, and that deals with the employment process that was gone through for [REDACTED] I will pass the questions around and if someone to ask that specific questions and answer I will be willing to do so now.
- RP For the record we believe that the hiring of [REDACTED] on a salary that exceeded the advertised range for the post without first consulting the Board was poor judgement on your part and it's not conduct that the Board would expect the Port Director to engage in. Do you agree with our sentiment and if not please explain your position on this matter?
- CR You are asking me laterally (?) in terms of coming to a conclusion on [REDACTED] final salary. That was done with consultation with Deloitte who was acting on behalf of PACI, and it was based on their consultation and their recommendation that we increase the salary to make sure that she would be the best fit for the position given her accreditations. So I accepted their recommendation and went ahead with it since they were acting on behalf of PACI.
- EB Was that recorded in any of the documentation on the recruitment process?
- CR Mr Chairman, I have my notes that I took and during the telephone conversation with [REDACTED] (?) I don't have all of the documents that were done during that recruitment. As far as I know everything was sent to HR to be placed on file, but I don't have copies of them. I only have my file note on the conversations and the meetings that took place during that recruitment period.
- EB Follow ups?
- AB I'm not quite sure if this ties in with this question but Mr Reid could you say the reason why you think the HR Manager declined the interview with [REDACTED]?
- EB No, I don't think this is the time. We will come to that. No other questions? Ok we move now to Act 3. The question which were put to you with specific reference to the changing of the job description from Office Manager to Operations Manager when [REDACTED] was hired and the increase in her annual salary from the post to [REDACTED] from the original advertised range from \$42- \$63,000, the following questions were asked, you can read that. Our question ...
- JS Mr Reid, the question that we're going to ask you. We believe that your hiring of [REDACTED] as a replacement for [REDACTED] but in a post that was specifically designed, titled and salaried for [REDACTED] and without first advertising that post was a breach of the Port Authority Law and the Employee Handbook. Do you agree with our sentiment and if not explain your position on this matter?
- CR Mr. Chairman, what section of the PACI Law was breached may I ask?
- CC I think the question is for you to answer whether you consider if there was a breach or not of either the law or the handbook.
- JS By the change of the title and position, being that we're only replacing [REDACTED]
- CR I don't see where it was a breach of the Port Authority Law at all in my opinion. I'm not a legal minded person but based on the law as it is written I don't see where the Law was breached in that instance. What was the second part of the question?

- JS And handbook, we asked of the Port Authority Law. Because what happened was the post itself was supposed to be replacing the Office Manager and the post was then upgraded to Operation Manager and the salary had increase. So we're trying to you know ... and the post itself wasn't advertised being that she is a new applicant to the position all together.
- CR As I indicated in my written response is that we had tried twice unsuccessfully to find the recruitment / a successful candidate for that position. And given that I had spoken and had some background information from my colleague over at ---, there was an applicant that we considered suitable for that position. I made an offer to the young lady and she accepted. In terms of following the Handbook, no I did not follow the rules that is written in the Handbook but that was the reason I did not follow it.
- EB Can you explain to me: we needed an Office Manager, we had an Office Manager in ---. What made you change your mind that we should hire someone and change the title of it to Operations Manager as well? We had an Operations Manager which is ---, right?
- CR Correct, yes sir. There is two different operations - Operations Manager for Administration was a title that was given to replace the Office Manager; Operations Manager for Cargo is a different manager that dealt specifically with cargo.
- JS Just a follow up to that question in respect to that position. Do you believe in the action in respect of hiring in that position without first providing the Board with a full disclosure as to the circumstances of hiring was poor judgement on your part and it's not a conduct that Board expect the Port Director to engage in? Do you agree with our sentiments? And if not please explain. The Board was not aware until after the fact not before.
- CR Correct. I did have a conversation with the Board Chairman while I has interviewing ---. At the subsequent Board meeting I informed the Board of my actions and notified them about what had transpired.
- JS Just to follow up with that: I do remember you telling us you were hiring this young lady but from my memory I think I remembered that you noted she was already an applicant that had applied and not a new altogether applicant as we now understand. And the position in itself has changed. That's how I remember it.
- CR I refer to page 46 of my response. Under section 6 where I notified the Board under matters for noting 'I --- commenced employment of Office Manager on September 1st 2016 and resigned on October 31st 2016 citing personal reasons. A candidate with the requisite qualifications has been identified and given an offer for the vacated post. If the offer is accepted it is anticipated the candidate will commence employment on January 2017.' So the Board was notified that an offer was made but I didn't get any direction from the Board not to proceed with the offer. It could have been rescinded before she commenced employment.
- CC Mr Reid, would you agree that in discussing this matter with the Board you gave the Board the impression that this person in being hired into a vacant post, just as it is stated here, when in fact that is not correct? It was redefined post, with a higher salary.
- CR Yes, looking back at the wording of the report, Mr Clifford is correct, and I agree with his statement that the title had changed and the salary had changed.
- RP Do you not feel like the magnitude of the change and the large difference in salary that has been offered to this person is something that Board should have been made aware of at this particular

time? Because I wasn't a member of the Board at that time, but reading back through this I can't see where and how the Board would understand and know from your report that this was a complete change of what was being purportedly done by yourself.

CR Mr Chairman, hindsight is always 20/20. Looking back there was mistakes that were made along the way. As the Board was fully aware, those that has been here since day one, the magnitude of the work that I was responsible for and the lack of resources, there were things that were done at the ... on a whim. Looking back yes, things should have been stated differently. Given what I know now that should have been the case. But I did not have any personnel to assist me - I had one deputy director and I was trying to do the job of 10 different people at the same time, things were a bit complex and rushed. I remember vividly : kept telling me every board meeting he was looking at me to implode / looking at me to explode, based on the complexity of the level of work that was afforded me. I was doing my best. As I said mistakes were made and I acknowledged those mistakes. I take responsibility for them.

EB Mr Reid, from the opening of PACI in 1979, we had deputies assigned those posts: Deputy Director, Deputy Port Director of Operations, Deputy of Finance and the Port Director. Up until the change you being elevated to Port Director. I see no reason as to why the job of Port Director of Operations, and this is my opinion and I think maybe the opinion of the entire Board, why that should have been split into two jobs - thereby increasing the cost to the port by \$____ per year. As you know, you are very aware of our financial position, it is not a very good position at this time. When I became the Chairman the financial position of the Port was, as I remember correctly, the Auditor General saying that could have been a private entity you would have had to close down. Well, that changed over the next 3-4 years. It seems like we're going backwards in this respect. That our financial position is in the next 6 months it's going to be very difficult for the Board to operate as it should. I do feel (and think that's the sentiment of the Board) is that the splitting of that job of Port Operations and Port Director of Operations was a big error on your part to do so. Of course that is our opinion. I just do not see why we would have had to do that. And let us go a little bit further than that, in that is really not experienced enough to become a Port Director even of Administration because it is a different business altogether, as you well know ... you know that yourself. The Deputy Port Director of Operations ran the Port in unison and it was clearly well done. Between Paul and yourself you had a good relationship, you did well under circumstances. Mistakes were made. But, at the same time, I don't think that any thought at that time was splitting up that position into two. If it was going to split I think that the Board should have been informed of it. I mean, it was a lot of money to be paid out and I think that by making that decision you have put PACI in a worse financial position than it should be. Because \$100,000 right now makes a lot of difference to us. And at the next meeting with (inaudible) I will bring a motion to the Board that the \$100,000 could be put to very good use in our position right now. Anyway that is our thought on the matter.

CR Thank you sir. I think there is a little misunderstanding in terms of the roles of a Chief Operating Officer and a Chief for Cargo Operations. A COO deals with that administrative work. If you look we have some members of the Board who have to serve on multiple boards, if we look at the Airport Authority, they have a COO; if you look at Cayman Turtle Centre they are now advertising for a COO. This is in line with industry standard today to have a COO in an industry of this size. The Operations of Cargo still remains as ____ s. His role has not been diminished. He still remains as that as the person responsible for cargo. But the COO mainly deals with administrative and strategic oversight of the organisation. In terms of the salary, the Board is aware that we had two terminations of staff within the 2017 budget year. We have one that is pending, which is a \$100,000 for a Senior Project Manager, and we also have the HR Manager who has indicated that she would be leaving us next month. So in terms of salary savings we're going to be close to \$40,000 of salary savings within the 2018 budget cycle. Just to be clear the role of the COO has

nothing to do with the cargo operations. It is totally separate and apart. And is what the authorities are now doing. Also _____ is about to do the same thing in terms of promotion to a COO.

JS Just to follow up with your answer, this Deputy COO that we have that's not under our new organisational structure right?

CR No

JS And again you don't think that we should've been aware of that in particular?

CR Like I said earlier, mistakes were made. Given the pressures that was under, I tried my best to put things in place to ensure the organisation was moving forward, to be in line with the industry. I try to keep the Board abreast on everything I was doing. But bear in mind I was doing multiple roles which really I was conflicted. I mean I was trying to be the Port Director to implement the strategic plan that we had come up with; I was still trying to be the Deputy Director for Cargo Operations; I was still the Port Engineer; I was trying to be an HR Manager and that's just to name a few. So I was conflicted in terms to trying to deliver everything the Board was asking of me. Like I said I tried my best to keep the Board abreast. Yes, there are things that might have been omitted but it was not wilfully omitted. I tried to keep the Chairman at a least on a weekly basis by telephone call on what's happening at the Port. Some things do get missed - that's human nature. But given that now we have a compliment of staff I now have more focus on the strategic vision and strategic development of the Port, which allows me more time to focus on the way forward. But prior to that the first year and a half, truth be told, I don't know how I survived to be honest with you. There was times that I thought I was going to really ...

EB Follow ups?

JS Which act are we on sir? 4th?

EB Well between 3 and 4.

? If I may be permitted to ask a question?

EB Of course.

? Mr Reid, we believe that your actions on the 12th June 2017 with in respect to increasing _____ salary on the completion of her probation was not only in breach of the PACI Handbook and her contract but also exceeded the approved budget for the original post of Office Manager, and that this was poor judgement on your part and it is not conduct that the Board would expect a Port Director to engage in. Do you agree with our sentiment and if not please explain your position on this matter?

CR As I keep going back now, mistakes were made during this process but they were all done in good faith on my part trying to ensure that we were meeting our obligations under the strategic plan. When I was appointed as Port Director in November of 2015 I was given a document that was done by Deloitte and I was given a 5 year employment contract in terms to deliver the contents of that document - without the resources to do it, mind you. So I was trying to play catch up at the same time in terms of ensuring that I had sufficient staff which required background in order for them to help me / to assist me in getting this done. Yes, looking back, if I had to do it again I would never done it. But I said mistakes were made and I take responsibility for that action.

- JS Just to follow up with that: the OAG noted a variance in mandatory experience for the COO and the CCS from their job description. Why was there such a variance in mandatory experience in these posts bearing in mind the seniority of each post?
- CR Good question, and they asked me about that and what my answer to them was well, I was trying to do the job of an HR Manager and also be the Port Director without any assistance of any one. I basically took, and if you look at my phone, what I do on a daily basis is I look at the Caymanian Compass ad section and I basically take snapshots of all their ads. So I basically tried to come up with a job advert and job description without the expertise but I had no help from my HR Manager who refused to help. So yes, there was a difference and I didn't really pick it up until they showed it to me during that interview. And I acknowledged that there is a difference and they should have been the same. But I was trying to recruit multiple positions at one time on my own without any help. So that was a mistake on my part. But not having the requisite training in HR and going based on what I know, that is how that transpired.
- JS Just a follow up on that question: Why then was Deloitte HR assistance was not utilized for all of the hires - that would include the hires of the COO, CCS, Deputy Director of Operations and Chief Logistic Officers - all those positions that were there? Why did we not utilize them for these matters and that being brought the Board for even more help?
- CR Good question. As I noted in my response, I was cognisant of the contract we have with Deloitte and every time we back to them with an addendum it was costing PACI money. I was trying to be prudent based on our financials, because if we look back on our reports from the CFO and myself dated back over a year you can see we kept talking about the issues that we would have with CAPEX going into 2017/18 and the financial struggles we were going to be facing. So I was trying my dire best to not overspend on that contract -because currently we're over and we did bear in mind that this is going to become an audit, highlight when they start audit that account because they're going to come back and say they're not getting value for money because we've exceeded what CDC requires. So we are well over the quarter million dollars and I was trying my entire best, okay, can we handle this in-house? I had already gone through the training with Deloitte in terms of two recruitment cycles with them. I'm using their format that they use for recruitment so I'm going do this to try to save the Port money.
- JS Another follow up to that. In that case since we've appointed the *** to to the COO position, can you explain from the OAG report how was her performance assessed in order to determine that she merited this promotion and why is there no form of written assessment on file, as noted by the OEGA office?
- CR Good question, and if you refer back to the Employee Handbook and this is some of the areas that needs to be updated, there is no formal process for evaluating any employee in that Employee Handbook. It does not exist. All promotions and salary increases over the years have been done at the discretion of the Director, but there is no formal written process in place. Because of our salary bands there is no increments in salary to allow for promotion, sorry, no increases in salary. It is all done at the sole discretion of the Port Director. So that's one glaring part of the handbook that needs to be updated.
- EB Following up on that: do you really think that we need two Deputy Port Directors? Do you really think we need one for administration and one for operations? Because I think we operated quite well, you can say that other entities are now doing this, but we operated quite well under one Operations Manager / or Operations Deputy. And now we have two. Which, again I come up with cost, I'm just really very concerned about cost. Although you say we getting rid of these people

and that it is going to bring us more money back into the company - if we didn't have the two we would have a lot more money into the company. So do you really think that is necessary?

Maybe we could get the Port Director to explain the two roles of those two post and then maybe we can understand it from his perspective a bit better.

CR The Port, like the Chairman said, when it first came around in the late 70's, had a Deputy Director of Cargo Operations which was my former role in the organization. That role was responsible for everything related to cargo logistics, management of the fleet, and management of the movement of cargo to and from the two compounds, delivery of cargo. The role of the COO has nothing to do with cargo operations. It is mainly an administration role that deals with strategic planning, that deals with oversight of all your policies and procedures that deals with information management. That is what the role of a COO does. And also it has some oversight in terms of, HR and IT - just oversight. The PACI is embarking on a cruise berthing project and, as part of our organizational structure, whenever a bidder is selected for that project they going to be looking the organizational structure of this organization to see whether we have those key positons filled. These are positions that are required in any operating port or in a (inaudible) port. So, the question is do we really need a COO - in my opinion, yes we do because the roles are distinct. They don't overlap / they have nothing to do with each other. In terms of do we need two Deputy Directors? Based on the recommendation from Deloitte they recommend we have 5 Deputy Directors.

EB But only one Deputy Director of Cargo Operations.

CR And there is only one Deputy Director of Cargo Operations. That has not changed.

EB But the other one is not on the organizational chart.

CR No.

JS But we don't have a Deputy Cargo Operations we have a Deputy Cargo Operations Logistic Officer. The positon has changed as well. And let's be clear the organizational chart has still not been approved by the Board.

EB Yes it was approved in Cayman Brac.

JS Okay, sorry.

CR I was of the understanding that it was approved that is why we moved forward.

JS Okay.

EB Yes it was approved. So any follow ups?

KT Going back, Mr Reid, to speaking of you doing / looking at the restructuring and stuff of the Port and trying to fill new positions and everything else. In your words, explain knowing the cash position of PACI, how did you deem the positions needed and the salary bands.

CR Good question. We identified several positions that were need based on the Deloitte report, namely the HR area, Safety – those were two key positions that had to be filed. In terms of determining the salary bands: the PACI has a compensation plan that was last updated back I think back in 2009 or somewhere around there. And those salary bands they talk of the management ranging from \$8,000 to \$14,000 a month for management, which is anyone who is a deputy director or manager. When

I advertised those positions I did not use the compensation plan for that salary band. What I did, I used Government's salary scale. And I took two, that's B and C, I took the top of B and the bottom of C and combined them and that's how I came up with a salary range that was much lower than what was in the compensation plan. And that's how the positions were advertised.

KT Okay. And the follow up to that is: okay, fair enough and I understand your position there. But I am going back to the position of the finances of PACI knowing that they were cash poor, for lack of a better term. How did you assess trying to get the new positions you feel that we need, and I agree that moving forward yes, we need them, but the question was can we afford them? How did you assess the necessity of the position and being able to afford them?

CR What I requested from management was each division provide a business case in terms of what their needs were. That was then compiled and priority was given to areas that needed to be focused on. In terms of the cash position of PACI - \$2 million was budgeted in the 2016/17 budget cycle for new hires. \$2 million. We only spent \$1.1 million of that in terms of new hires. So I was cognizant not to exceed that amount, and I kept it below of what was required.

KT Thank you.

CR So when I advertised I did not use the salary scale of PACI, I used salary scales of much lower band of the Government salary scale, and that was in 2013 provision, not the 2015, if I remember correctly, of their salary scale.

KT Okay.

CC Mr Chairman, if I could just ask one question. Going back Mr Reid to your comment on the staff assessments, and the fact that the Handbook is silent on that issue. Did I also understand you correctly that there is no mechanism or no procedure or no formal procedure within PACI for the annual assessment of staff members?

CR That is correct. The Handbook is not silent. It speaks to ... there is a section that says that there should be an assessment but it does not give any details on to how that assessment should work. Or give any guidelines on how that is supposed to happen. It just basically one paragraph that says staff should be assessed and that is it.

CC And PACI has no template, for want of a better word, in place on assessing staff on an annual basis?

CR None.

JS So do you agree then that, following up to that question, that the position of Deputy Chief Operating Officer would be COO position, and the one for [redacted] was not advertised outside or internally within the Port?

CR The one for the COO was not advertised, correct. The one for the [redacted] went through at an open recruitment process that was facilitated by Deloitte. He made it to the final round. At the final round it was decided he did not have the aptitude at the time to take on the position. So he went through a training programme. We seconded [redacted] over to Kingston Wharf in Jamaica where he was embedded in their cargo operations. And he gained significant experience working over there with them. He came back home and he went through the business. He created the business case for all of our fleet replacement. He also was instrumental in procuring the new Robert tartaric cranes for PACI. He also was instrumental in doing the redevelopment of

the cargo distribution yard. So after he fulfilled all of these requirements, I made the judgment call that he was ready for the position and made him permanent in that post.

JS But you also changed the title, do you agree?

CR The title was changed but the job description remained the same.

JS And how long was seconded in Jamaica.

CR I think it was close to a month, if I remember correctly. That was facilitated through the Port Management Association of the Caribbean. I reached out to them.

EB On page 5 of the Addendum, the OAG office noted "*the PD noted that in terms of promotion, no formal assessment is done before an employee is promoted. In regards to her performance over the previous 6 months was used as the basis for her promotion. There is no formal documentation to demonstrate the nature or extent of the assessment*". Can you explain that to us?

CR Yes, sir. I talked to it just a few minutes ago. In the Employee Handbook there is a section that talks about staff should be assessed. But there is no formal documentation, no template, nothing that can be used to do an assessment of staff in terms of any – whether it is a lateral movement or vertical movement. None exists. It is done based on the sole discretion of the Port Director.

EB And do you believe that you were right in doing that? Bearing in mind, what you have heard from us, do you believe that you were right in making that judgment?

CR I only followed what was done in the past, Mr Bush. This has been the way of promotions have been carried out since I came to PACI. There was nothing formal in place to do promotions. Other than that no-one would get promoted.

EB And don't you believe that the Board should have been aware of this situation before you did it?

CR Of the promotion?

EB Yes.

CR In hindsight yes, and that is what I have been trying to do in the last several months to ensure that the Board is abreast of all matters relating to personnel. I have been including a section in my report that deals with personnel matters – whether it relates to disciplinary things that are happening, I try to keep the Board abreast of what is happening. And I go back to half hour ago when I talked about the number of moving parts that were happening at one time during all of this. It was quite chaotic. There was not only a new administration, but that administration was changing. It was a host of things that played up to this whole thing. Were mistakes made? Yes, I totally agree that mistakes were made. Were I to do it again would I make the same decision? No, I would not do it. But given the circumstances and the pressures that I was under, this is what transpired.

RB Mr Chairman, in relation to Act 5, and I am posing the question to the Port Director, we believe your promotion of to the post of Deputy Director and COO on 25 June 2017, and your simultaneous further increase in her salary without first advertising that post, was a breach of the Public Authorities Law, and the PACI handbook. Do you agree with our sentiment and if not, please explain your position in this matter.

- CR Ah, good question. Yes, the PAL law came into effect on 1 June. We received copies from the Chief Officer, and it was noted in a formal meeting that the law had come into effect. Unfortunately, no one has been trained in the implementation of that Law. There was no regulations in that Law. So it was based on the sole interpretation on how the law is supposed to work. This all happened within the same time frame of the implementation of the law in June. So it was just a matter of days that all this transpired. So, if you look back and you say it was in contravention of the law, knowing what we know now since we went through this training back in December 2017, a whole 6 months later, yes it was in contravention of the law. But given a law that was placed on the desk, and it was not a replacement one but a new law, and not having the requisite training, yes, mistakes were being made in terms of what was happening.
- RB Mr Chairman, a further follow up. Being in the senior position that you are in, being a deputy of (inaudible), it is not the first time a law has come into effect under your watch or while you were in some sort of a power based position. Would it not have been prudent that understanding that the law came into effect 1 June 2017 that based on your ascertain now that there was no training, that before such a decision was made for the magnitude of the decision that you made, that you reach out and either get the training or delay the making of that decision before making it?
- CR In hindsight, yes. If I had a competent HR Manager, the first thing that that HR manager would have done, on receipt of this law, was to have gone through and highlighted all the issues that would be affecting PACI. Which I didn't have. So I do agree that the position I am in I should be interpreting laws or reading laws. But at the same time I do not have the legal background to understand all of the nuances of the laws. If you take for example the Procurement Law. The Procurement Law comes into effect later this year. Within the last year there has been numerous training with the civil service and statutory authorities in terms of the rollout of that law. And there is still training going on before the law comes into effect. No training was done on this law for anyone prior to it being rolled out. It was just basically placed on our laps and said here it is. It is now in effect.
- RB One last follow up Mr Chairman. Director, and again this is your judgement in the matter, if you had an employee, a senior employee, that potentially had breached the PACI handbook and the PAL law and somehow their actions caused the PACI to pay out significant costs to comply with their breaches, how would you potentially deal with that employee?
- CR If I had a senior employee who breached the PAL law?
- RB PACI handbook and PAL law.
- CR It depends on what the breach was and the magnitude of the breach.
- RB My question went on to say 'caused the PACI to pay out significant costs to comply with their breaches'. How would you potentially deal with that employee?
- CR Well, there would be disciplinary action, I would assume. There would be, if they are under the PAL Law, because we have no regulations in place right now, it doesn't say how things are supposed to be treated, so I could not answer to that, on that side of it. In terms the handbook – the handbook is a policy guide. It is not a law. It can be changed at any given time based on the Board.
- CC Just to read into this particular issue. We are talking about this specific breach that we are talking about is your failure to advertise the position. What is it about the PAL law that is not clear to you on that specific issue? In other words, do you accept that the PAL law requires you to advertise the position? Is there anything that is not clear about that provision?

- CR Thank you sir. Under the PAL law, and I had some [sound of pages turning] [comments about particular sections from multiple members]. Section 42 of the Law, and this is under recruitment, and this was my interpretation and not being legal minded person, it gives 3 sections under 42. 'Section 42.1 A public authority (a) shall operate an open and fair appointment process for all staff; (b) shall notify a vacant position in such manner as enables suitably qualified persons to apply for the position; and (c) may, if necessary, publicly advertise in local or international media or both, a vacant position in such manner as would enable suitably qualified persons to apply for the vacant position.' I went on the section c, and you are an attorney so you can advise me if my interpretation was incorrect, it says "may, if necessary, publicly advertise".
- CC So, if you were not able to, and I am not giving you my opinion on this, I am kind of formulating another question, but if you determined after having gone into this process that you could not fill the position internally, did you not then conclude that you were required by law then to advertise the position?
- CR Which position?
- CC This position that we are talking about. We are taking the CO position.
- CR If I could fill it internally? But it was filled internally. I do not understand the question.
- CC I am asking you if you had determined that it could not be filled internally, would you then have been required to advertise it?
- CR Correct.
- CC In order to fill it externally.
- CR Correct.
- CC Okay.
- CR But, if you go back to that section C it says '*if necessary, publicly advertise*'. So I did not want to put the Board member on the spot because he is not acting in a capacity as an attorney but ...
- CC No, no. I am not really advising. I am just asking a question.
- CR My interpretation of that section was if necessary, whether that is an internal promotion or whether it is an external, you have the option of whether to advertise or not. And this comes down again, when it comes to the rule of this law, the lack of training with it. I did my best interpretation.
- CC Okay, thanks.
- MN Thank you Mr Chairman. Mr Reid, in determining the need for the position, at what point during 2017 did you determine the need for the creation of the post of Chief Operating Officer?
- CR That would have been around about April or May 2017. We have a committee called the SAGC Committee which is made up of all the SAGCs. We try to meet quarterly. It was during that meeting the topic of COO and some of the statutory authorities were talking about their COOs and that is when the Turtle Centre talked about they were going to be implementing a position for COO and also the Maritime Authority. In looking at what the requirement was for COO and where PACI was

trying to go in terms of building this cruise berthing facility, I tried to use my best judgment in determining if we need to put this sort of structure in place. Now, when Deloitte was doing their organisational structure back in 2015, I presented them with a comprehensive organisational structure for this organisation. Included in that structure was a provision for COO. They chose not to put it in in their report but it was presented to them at the time. I think it was up to about 6 positions for deputies, but one was an 'if', a hit or miss, it was not something that had to be done. And there was also a position for the CHRO that I gave to them also. So, to answer the question, it was sometime around about April or May. I could go back to my notes to verify, but it was at the SAGC meeting. But before the report was in 2015 it was tabled to the Board. I had already given the Board that proposal that a COO was required for the organisation.

JS Through you Mr Chairman, to the PD: you mentioned earlier that the HR Manager will be leaving or vacating her post possibly next month. Has she given that formal (inaudible over cough) or is that just something that you heard?

CR I was notified of this by the CHRO that they had received in writing. He is not here this week because he is on training, but he had received in writing from her that she would be resigning. Retiring rather.

JS And do you think that we will Do you not think that we might need somebody to replace her, or some capacity in the HR department? Because you mention that we have a cost saving so I don't think that anyone can hold the job?

CR That is correct. That is an absolutely great question. Moving forward, the recommendation from the CHRO is not to replace anyone with a manager position /at a managerial position, but more of an officer / clerical position. Because the level of work that she was doing was mainly at administrative. And it is not required to get a manager level. So you could hire someone between \$40-60,000 at a clerical level in HR to do that position. So you are basically saving over half of what you are currently paying out for the HR manager.

RP This is further to Mr Nixon's question. In light of the fact that you said that you had presented Deloitte with an organisational chart that included a COO position, and they chose not to put it in what they presented back to the Board, that fact should have, in my opinion, given you some thought before appointing this person to that position, and not advising the Board, should it not?

CR The organisational structure that was presented in October 2015 report states that it is a draft and it is something that is a moving target based on the requirements of the organisation. So it was not fixed and they highlighted that in their report. Like I said, 40 – 45 minutes ago, mistakes, yes mistakes were made. And that sort of change in terms of the organisational structure should have been reported to the Board, not after the fact but before it was actually done. And I take responsibility for that.

EB You are quite right that it was not included in the organisation chart when we ratified that. In fact, it was discussed – your recommendation was discussed at that time and it was decided that we did not need that. Your position then ran contrary to what the Board recommended for the organisational chart. I mean how do you explain that?

CR Yes, sir. Well there are two positions at the chief level that is not on that 2015 report. And one is the CHRO. Under the Deloitte's recommendation they recommended that we employ a Human Resource Manager to work under the Deputy Director of Finance. And the other one that was missing was the CO which was not part of the period, which *** recommended it. As we all are aware the current HR manager reported to us that she doesn't have a copy of this to perform the

job. The CFO has also said 'I don't know anything about HR'. What I reported to the Board was that we should go and make this a more strategic position – the CHRO – as recommended by the lawyer (?) even though it wasn't there on the structure. And I proposed that to the Board back in 2017 and the Board went and approved it and we hired Deputy for the Human Resource Manager. But deputy of human resources, which I did. But the one for the CO, no, that was not on the chart which was put forward by Deloitte. Nor was the one for the Chief Human Resource Officer.

EB So you did get approval from the Board for one but not for the other?

CR Right. Correct. And that's what I said earlier, you know, that in hindsight everything should have come through the Board, but I am trying to do, as you remember back in March, I was trying to recruit for probably 8 or 10 positions at one time without help from my HR manager, and I was basically doing it on my own. And this is the same time when we were going through a transition in terms of Government. There is a lot of requirements in terms of reporting. So there was a lot of movement for us at that time and things got basically out of hand.

EB Well, the OAG synopsis at Act 4 states '*the PD responses do not remove our concerns regarding the directed to increase . . . salary without a proper assessment.*' Now that comes from the OAG's office. I just wanted to make that clear for the recording.

CR Without the process being somewhere in writing that we can forward it is next to impossible to do an assessment of staff without there being a formal assessment form to follow.

EB And then it goes on to the Port Director 'the promotion of . . . was in direct contravention of the Public Authorities Law, and his actions occurred following formal notification from the CO via email on 1 June 2017 of the law being in effect, and 1 day after the implementation of the Law was discussed at the PACI Board meeting, at which he was present.'

CR Yes, sir. Like I said, the law was given to us in June by the Chief Officer. We noted it in our board meeting that we had received the law.

EB I think we discussed it, and we discussed the recruitment of people and I think that the Board misunderstood number 41 ..

? No, that was at a later stage.

CR One thing that happened during our meeting was that the Board noted the

JS No, we had a discussion regarding it. I can confirm that Mr Bush indeed we did have a discussion on the Public Authority Bill.

? In June?

JS On 15 June.

CR What was the discussion?

JS The discussion exactly what Mr Bush was indicating?

EB Yes, you corrected me saying that we did not have... In other words, it was your job as Port Director to employ people ...

- CR Sorry sir, that was September?
- JS No, sir. That was after we found about all the hires. But in terms of the Port Authority Law, I don't recall that Mr Bush is what is what he's stating about that.
- CR Alright, my recollection, Mr Chairman, is that the Board was notified of the position of the Port Authority in August when the CFO acted in my capacity whilst I was on vacation. A meeting was called mid-September where I came forward to the Board and presented to the Board all the new hires that had taken place during that fiscal year, and what the financial implication for the Port was. And it was during that meeting that, and I specifically remember Ms Jacqueline asking if it was my position that I could hire who I want.
- JS Me? Or Woody?
- CR It could have been Mr DaCosta.
- JS It came from Mr DaCosta. He is the one who requested (inaudible)
- CR That was September 2017.
- JS No, that was 6th September, and that was when we had the vote. We did discuss the Port Authority Law and its effect on the Board.
- EB Yes, it was a law that was in accordance with section 17.1(g) of the Public Authorities Law a quorum, a simple majority of the members of the Board, was present at that business, and business would proceed. So, we were cognizant of the fact that the Public Authorities Law did exist at that time. That was on the 6 September.
- CR Because the Board received the law back in June but I do not recall us having a discussion in June, it was not noted in any minutes that we had a discussion on it. It was just noted.
- ? I just have a general question, if I might Mr Chairman, about the Public Authorities Law. And while it came into effect, I think, the 1 June 2017, I believe it also correct that all public authorities including all the CEOs would have been consulted on the draft law on a number of occasions before it came into effect. So, when it came into effect in June whilst that was a final version, that would not have been the first time that you had seen the law, is that correct?
- CR I saw drafts of the bill. I was never consulted as a Board director. This was only discussed at the SAGCs quarterly meetings, but it wasn't something that came in (inaudible) as this committee basically made up of the heads of the SAGCs...
- ? Yes, I understand that.
- CR ... voluntary, but we were never consulted as an authority.
- ? I see.
- CR As director on this table, what is your input on this block. Not what we asked for, any comments on the bill before it became law.
- ? I just wanted to clarify that issue because I know that this law was originally drafted even before you became Port Director, so you would have inherited it at some point some version of it, but I

don't believe any of the fundamentals changed in it. I mean, there were some tweaks in the bill, but I just wondered whether you had been formally consulted on it?

CR I saw the bill on numerous occasions, various drafts of the bill, but never formally consulted about it, no.

KT Mr Reid, in going back to the hiring, and sorry to keep beating the drum, on the COO or whatever. You said there was no guidance or anything in the handbook, or whatever. What was your strategy or your notes for you deciding – how did you question, how did you position the interview, so to speak, of your assessment of that person to determine 'okay, I think they are qualified, or whatever, to do this position' – do you have notes, or your thoughts on this that the Board could see to say how you assessed / decided to promote that person?

CR Yes, sir. If you give me a quick second, I will find it for you. I based it in my written response. If we look under section 32 to section 36. [sound of pages turning].

EB Go ahead sir.

CR And if you look under section 29 and 30 – there is nothing in the manual or guidelines to guide for assessment of a position. [sound of pages turning].

KT I am lost in my notes here, but I can't find, but I hear what you are saying that it provides no notes or guidance or anything else, but that is not what I am asking.

CR Yes, well, just to assist you, Mr Thompson, what I looked at was some of the projects that she had been working on, and namely they were the 'Administration Manager; HR duties; rebranding of the Port; writing research papers on my behalf; writing speeches for CO and Minister for Port related conferences; assisting with the logistics and event planning of the PMAC AGM and the Port's 40th anniversary; authorising the contents of the Port's anniversary magazine. She also took the lead initiative on the Port's Strategic Plan by guiding the managers and training for the SWOT analysis; she has knowledge of the ISO and MARPOL requirements from her time, and she is also working on the Port obtaining the ISO9001 certification, and she has a master's degree' so my decision was based on her demonstrated performance.

KT Okay, sir. Thank you.

RP [inaudible]. The director just pointed out s.29.2 says structural performance pay. Can you explain that to me because I have been using this as part of your evaluation is concerned? What is structural performance?

JS [inaudible]

RP s.29 says *'There are two mechanisms in the employee handbook for salary increases'*. So the employee handbook does speak to ... even though it was pointed out earlier today that there were no mechanisms in it.

CR Sir, if you are referring to page 48, the section of the handbook [pages turning] *'Merit increases are determined by management annually'*. Then I could confuse taking this structure apart ...

CR But I refer back to, one second [sound of pages turning]. If you look under section 30 to the OAG *'the employee manual does not provide for any prescribed procedure for position evaluation and currently relies on the subjective opinion and discretion of the Port Director. Further, whilst the*

employment contract refers to salary reviews at fiscal year-end, this is the minimum binding contractual term on the part of PACI towards the employee and can be cared in favour of the employee, without breach.'

KT Okay, but again, it is the minimum binding contractual term. This is the minimum. I guess I keep going back to this issue the fact that this was done in such a way with the quantities that was done, without the knowledge of the Board. One – the position, two – the salary increase. And we are talking about increasing her salary based on merit and an appraisal factor. And it talks about management looking at merit increases and determining annually. It was annually done. There was no structure put in place in terms of an actual appraisal evaluation. Your up line is the Chief Officer. His availability is POX having been with our Government for a while, I understand that at his fingertips and at your fingertips is a myriad of appraisals that could have been achieved. Simple templates that you could have, prior to making this assessment, had at your disposal to say 'now I am going to take this, and if we do it the same as what we did' and you are saying that you are having to do a lot of the HR function yourself, that is an HR function. So why not go all the way through and have that done. Speaking to the Chief Officer, or speaking directly to the POX (?) and having that appraisal that you could justify something as drastic as the increase that she got in the time frame that she got it.

CR Yes, I do agree that the POX does have that mechanism that could be utilised, and I go back to, and I keep repeating this over and over ... it was not an easy time for me. I was trying to perform 10 different functions, and trying not to be conflicted at the same time. Mistakes were made, yes mistakes were made. Would I repeat those mistakes again? No, I would not. Lessons have been learned. But at the time, trying to get everything done, trying to ensure that the Port has the necessary resources to function, and to deliver what was being requested of me. I tried to use my best judgement given the circumstances.

EB Do you want to move on, members, to item number 6? [sound of pages turning].

? This is in relation to , but you have the document before you?

CR Yes.

? We believe that in your hiring of I a in July 2017 in the post of Operations and Events Manager, in an unapproved and unbudgeted post, without first advertising the post, is a breach of the Public Authorities Law and the PACI handbook. Do you agree with this sentiment, and if not, please explain your position on the matter.

CR No, I do not agree that the post was not budgeted for. The post existed prior to our taking this position. In fact the title was changed slightly to include events, but the post had already existed. It was formerly 's position. So it was in the budget. Was the posted advertised? No, the post was not advertised. a was seconded to us to assist with us with the events that we had planned for 2017. She was with the Maritime Authority and she worked with the Port Authority for close to 6 months prior to taking on the full time position as the Operations Manager and Events Manager. So I used that period of secondment as probation. And she delivered the projects that she was assigned to do. And she already had the experience as an officer manager / operations manager from working at the MACI.

EB So you used her period of secondment here to manager the events as her probation period, is that correct.

CR That is correct.

JS So she is not on probation currently, right?

CR There was a 6 month probation period when she was employed with us it was 3 to 6 months. But I used that 6 month period to assess her to perform the job.

EB Here again, I do not think Organizational chart had anything to do with the event manager, did it?

CR No, sir that is before it came into the law. I was explaining the position was the work position of as Operations Manager, sorry which is formerly the Office Manager. The title was changed to add the Events. Events was not something that PACI do on a daily basis, but as a part of my remit, I am charged with the marketing of the Port and we did not have any in-house expertise in that area, in terms of marketing the Port. I had to ensure that the Port has is visible not only locally but internationally. So that is why Events was included as part of her title. But it is the same post as the former Operations Manager. The only thing that is changed is the title.

EB So she is really the Operations Manager then?

CR Correct. Administration.

EB And administration.

KT? If I could just do a follow up on that then.

EB Yes, sir.

KT? On the basis of that answer then, Mr Reid, I am assuming that if we compared [redacted] job description to the job description of [redacted] when she was originally hired, they would be almost identical except for the addition of Events.

CR Correct.

KT That is correct?

CR That is correct.

EB Any follow up?

JS Just one follow up. The OAG noted that [redacted] was not required to have a police clearance and in the document that they gave us back late last year had an email that was sent from you to [redacted] on 10 July 2017. It says '[redacted] is currently an employee as [redacted] and they have same insurance providers, hence the reason for not requiring a medical. Under the new PAL Law, all persons employed in SAGC are considered public servants and do not require a reference or police clearance certificate when moving from one SAGC to another – you are still a public servant. The same applied for her residency status having lived and worked in Cayman for the past 20 years and being married to a Caymanian has granted Cayman status. As an employee who needs no work permit as required given the fact that she Caymanian. Further reference the recruitment of civil servants and public servants are not required to produce police clearance certificates or reference letter. They will only require a medical if the plan they are currently on is different to our provider. We all work for the same company.' They thought that was a contravention not required because when they had required it, she had one. Can you explain?

- CR Yes, this is again, my interpretation of the Public Authorities Law. If you are a public servant or a civil servant it is basically a lateral move that you are doing within the civil service or public service. Here again, I am trying to be cognizant of costs. Should she be required to a medical, police clearance certificate and all the other stuff that is required under the handbook, then it is a cost to PACI. In terms of her security clearance – her security clearance at [redacted] far exceeds what is required for PACI, so I was comfortable with that position that she had been vetted over and over in terms of security clearance. For the medical – the [redacted] has the same insurance provided as PACI which is Britcay, so to do a medical and for PACI to incur costs, I didn't see the benefit in that because she would be under the same insurance provider. Are there any other questions?
- JS And how does that protect us being that I was just going through their questions that they had for us.
- CR That is my interpretation of the law, that if you are a public servant or civil servant, you were just basically transferring across from one SAGC to the next, so hence not having the reason to go through that whole vetted process in terms of police clearances. I know in the civil service, based on my conversations with some HR managers, if you are working for public works and you transfer over to Dept of Vehicle and Licensing, it is just basically a lateral transfer and you do not have to go through all the background checks because you are already in the system. I used that same mind-set when I did this one. And to save PACI money.
- MN Mr Reid, in recruiting [redacted] to this position, was it your intention from the beginning that she would be put on a permanent basis? Because you mention that you had her seconded to deal with events and then subsequently moved to employ her to a permanent position. Can you explain that a bit for us, the process?
- CR The secondment of [redacted] was basically to handle the 2 events that PACI had contracted itself to rollout – namely the 40th Anniversary celebration, and the PMAC Conference that would be hosted, and that would be the extent of her secondment. Given that [redacted] was promoted, the post became vacant. And since she had already proven herself, in my opinion, to PACI that she could handle the situation, and having experience at [redacted], being a former office manager, I decided to offer her permanent employment. But it was never the intention through the secondment that she would be permanently employed with PACI, no.
- EB Follow up? None. Act 7 “*Contracting of salary in excess of advertised salary range and the PACI 2016/17 budget*”. This is in regards to the employment of the HR Manager.
- EB We believe that your agreement to hire [redacted] in the post of Deputy Director – Human Resources, and a salary that exceeded the advertised salary, and the PACI budget, was a breach of the Public Authorities Law, and the PACI handbook. Do you agree with our sentiment, and if not, explain your position on this matter.
- CR No, I do not agree with the assessment. When the positions were to be advertised, the HR manager provided to the CFO the salary bands – the existing salary bands – that PACI uses, which is far in excess of what was advertised. So that was in the budget. When [redacted] was interviewed we became aware that he had other skillsets that could be utilised by PACI – namely, the areas of safety and crisis management, being that he was a former director of the Labour Office, I believe it was Labour Office at the time but is now ... I don't know what it is called, but it has changed the title so many times. So as part of his job offer we offered him position of Chief HRO and also responsibility for safety which forms part of our organisational structure. This, in my opinion, was a cost savings to PACI instead of having to go hire another deputy director to deal with safety. He already had the years of experience and that could save the Port. He had a competent safety manager

that reported to him and that he could work with. And that's the reason he was offered the salary in excess of what was advertised. But it still fell within the compensation plan that is approved by PACI and formed part of the budget. Because the numbers that were given by the HR manager to the CFO were the original numbers from the Compensation Plan, not what was advertised.

? Understanding a little bit about HR myself, if I advertised for an HR post, and then when I recruited and realised that there was a possibility of me expanding the remit of that post, it would have been in my best interests and in the best interests of the company that I am representing, that I re-advertise that post, simply because the persons that applied and that I am interviewing, are people that I am interviewing for that particular post that was advertised, not for the other things that are being added on because of the skillset of one particular individual. Now, if I am going back to do it again, I would re-advertise the entire post adding the fact that now I want to increase the responsibilities of that post. First thing I have to do, if I am in your position, and sorry to say in this fashion, but I still need to bring that back to the Board – because of the changes that have happened. Now that didn't happen. But I also firmly believe that I re-advertise that post because I don't know if I could have gotten a better candidate than the person that I ended up taking simply because the skillsets that he had there might have been other skillsets out there but we don't know that. PACI Board does not know that because that was a decision that you made on your own to mark them in without, again, that was a little bit before my time, but without the Board being aware that these positions were being amalgamated. Explain that to me a little bit better because I do not quite get how you can amalgamate those two things and then justify the fact that you are paying this person for something that you started out advertising at a very low range but ended paying at a higher range because you decided to add other things into the mix.

CR Yes, good question. You mentioned that you had the benefit of HR experience. Unfortunately I did not have that experience in terms of when faced with a situation like that what to do. I tried to use my best judgement based on what was before me to make a decision. And hence the reason why we are where we are today in terms of the recruitment of [REDACTED] and his responsibilities that have been assigned to him.

JS Did you at any time reach out to your CO or any help in regards to when you decided to do that, being that the PAL law was in place and you would be a person that we would direct questions to?

CR Basically the PAL Law states that he reach out to the CO if the remuneration package exceeds what is, correct me if I am wrong, it basically states that if the remuneration package exceeds what is in the salary band then you have to reach out to the CO. In this case, it did not exceed the salary band.

RP But it exceeded what was advertised.

CR Correct. And if I go back to my recruitment back in October 2015, my salary band went to \$172,000.

RP But that was a Board decision. Your salary is a Board decision.

CR Correct. So I am using precedent, you know.

RP Sorry, I do not want to seem confrontational in that light, but the two are not precedent. The precedent was the Board making that decision for you and your salary. You are making the decision on your own for somebody else as an employee. So the two cannot, to me, they are not comparable. It's just my opinion.

- CR At the time, and I am trying my best to save the company money. Here we have two positions that are approved by the Board at deputy level: one for a Deputy for Safety and Crisis Management, and one for So we have a candidate that can actually do that job plus do HR. So I am trying to use my best endeavours to ensure that we do not exceed what we have budgeted for in terms of recruitment. Should I have gone back out based on what you mentioned early? Had I known all of this stuff in HR, yes, I would have done that. But with the absence of not having that training in HR I used my best judgement and made a judgement call.
- EB You have hired a Safety Officer?
- CR A Safety Manager.
- EB A manager.
- CR But under the organisational structure there should be a Deputy above that safety manager.
- EB I think that was discussed at one of the Board meetings that, you know, all of this, these deputies, these managers, supervisors ... we did not know what the deputy was going to do. If he had a manager, if he had a supervisor, and then he had staff under him / her, we discussed that. We discussed the deputy was not necessary if we were going to have a manager and then a supervisor and then staff under him. I think you must remember that.
- JS And it was not advertised again. The Deputy Safety Manager was not advertised – externally or internally. If he was going to amalgamate the two positions, the Deputy Director for Safety Management was never advertised.
- CR Right.
- JS And we already had a Safety Manager in place at the time.
- CR This HR role does not have the title of deputy for safety and crisis management. I just included it in as his responsibilities. His title is still remains as the CHRO. He just oversees the safety manager because of his years of experience, so he reports up, the Safety Manager reports up the CHRO. So it was not a position as a set standalone position, it was just rolled some of the responsibilities of the deputy level into the CHRO job description.
- EB Follow ups?
- KT No, sir. I just keep going back to the fact that we offered positions and we did things but it seems as though the Port Director was not aware, I guess we would say, of the strapped cash position of the Port. Because, I mean, we keep talking about giving people promotions and everything else, yet we are sitting here looking down the road saying ‘how the heck are we going to function’? So, I am still trying to gather in my mind, how you assessed in yours that yes, moving forward, we need these positions and we have to have them? I know I go back to saying how can we afford them and you saying ‘well, there was a \$2 million budget, and we stayed under that’, but we are still strapped. So does that report to the CFO? Does him not bringing correct financials to the Board, or how did we arrive at having a budget for so much, and staying under that, but yet we are still short of cash? I do not know if you can explain it sir! Again it is just my brain thinking and trying to figure it out.
- CR To answer the question, and it does not relate to this but, the Port finances capital expenditure projects out of operating revenue. We are not allowed to take out loans or get any grants from the

Government. So we have to use our cash from our reserves in order to fund these projects. And the Port embarked on an ambitious project of fleet modernisation, and also the redevelopment of the cargo distribution yard, and the procurement of two rubber Robert T cranes. This comes to a total of just over \$5million at the end of the day, which basically uses up all of our cash reserves. Had we been able to obtain loan financing we would not be in the position that we are in.

KT I hear you, but I thought we cannot go to get

CR So we have to fund these things out of operating revenue. Which we always said would put the Port in this financial position because we are not in compliance with the Finance Management / MFL. We are not in compliance because we are supposed to have 90 days cash reserve, and we cannot have 90 days cash reserved based on what we are doing. So, the decision was made months ago to suspend a number of these CAPEX projects to ensure that we had some sort of reserve, but we still wouldn't be compliant at the end of the day. At the same time I am operating without the human assets to assist me, with just one deputy director and that is the CFO, and I am still trying to run all of these projects and do all of these things at the same time. This is where the conflicts come in. You are not aware, but the other members can tell you, but basically I have been working around the clock trying to ensure that everything is kept in order. At some point I am going to burn out. So we need to have some personnel in place. That's why I thought I had my management team at the time. Give me a business case in terms of what is required, in terms of this organisational chart, in terms of recruitment, so we prioritize. I came to the Board and said 'this is what we need in terms of recruitment, this is what we are going to advertise'. The only one that I didn't bring to the Board was the CO. And like I said, if I had hindsight, that should not have happened. But at that time I was trying to do all of these things. With all of this recruitment, she gets rolled into it at the same time.

EB Thank you. Follow ups on Act 7?

JS Was there no consultation with the CFO in front of the hiring, in terms of whether we could afford it or not?

CR Oh, yes. There is email correspondence back and forth with the CFO and the HR manager in terms of hiring. That's why I noted earlier that the numbers that were provided by the HR manager to the CFO – she used the existing compensation plan to come up with the numbers. We advertised low and we recruited at the lower rate than what is in the compensation plan.

JS The OAG does not seem to agree with that.

EB Mr Reid, you have in front of you the OAG's synopsis of your conduct at 7. If you have not read it you can read it yourself. I need not tell you that this is going to reflect in our Audit Report. Do you agree with this?

CR With what?

EB Their synopsis.

CR Yes, sir, I do, and as I just talked to Mr Parchment, not having the HR experience I tried my best to consolidate the two positions, and trying to ensure that the company saves money, using my best efforts. Knowing what I know now, yes, the position should have been re-advertised. But at the time, without the benefit of having that experience under my belt, I did my best in terms of trying to save the company money.

EB Okay. So you do agree with that synopsis?

CR Yes, I should have. Once you have qualified yes, and knowing what I know now, it should have been re-advertised.

EB Any follow ups on 7? Act 8: *'Contracting of salary in excess of the PACI 2016/17 budget'*. The OAG believes that the PD's responses do not require any additional clarification.

CR Yes, sir. There was a misunderstanding between the OAG and myself and my attorney on this matter. And they will explained to us during our interview process. The 2016 financial year was half year. 2017 was a full year. We had \$2 million budgeted for the 2016/17 budget cycle. We did not do any hiring between July and December 2016. The hiring's occurred in 2017. So what was allocated for 2017 exceeded what was budgeted but we did not go over our budget. So the way they worded it seems like we were in excess of the budget amount. But in reality we were not. It is just that the budget year cycle was split over half year and year. We did not use any of the money in 2016. And the way statutory authorities' budgets work is different from Government's. Had it been core Government and you do not use the money, then you cannot use it in the following budget year. You have to apply for a new budget. So the monies was always there. So we did not exceed the overall use, we just did not use the money in 2016, we used it in 2017. But the way we had it allocated, let's say we had it \$0.50 in 2016 and we had \$1.00 in 2017, and we went over to \$1.25 in 2017, but overall the budget is \$1.50...

? So you were in your 18 month budget.

CR Correct.

EB It said (inaudible) clarification.

CR And that is what is confusing. Because when I received the report, I could not figure it out. I went back and forth. I went through everything and I could not understand what they were talking about. But then they clarified.

EB Act 9 *'The recruitments approved and in some instances initiated by the Port Director has increased the PACI annual payroll cost by \$1.7 million per annum. This amount exceeds the budgeted annual increase by \$400,000 per year'*.

CR This is the same thing as 8.

EB The OAG at Act 8 that your responses do not require any additional information, but Act 9 says *'The PD's responses do not remove our concerns that the contracts entered into by the PD has committed to PACI to annual payroll cost in excess of what was originally budgeted.'*

CR Mr Chairman, if we go back to their report it talks of staff costs, that they are not hired for, so their numbers (inaudible) I don't know why they did not change it.

EB Follow ups on Act 9? Act 10 *"The granting of paid leave for 63 days by the PD contravenes the PACI Employee Handbook'*. We all know about this, for those that were here before. I do not think that ...

? I read the full report.

EB You've read it. Thank you. In retrospect, do you agree that this should not have been done?

- CR In retrospect, Mr Chairman, you are absolutely correct. This should not have been done.
- EB Let me follow up on that. It should not have been done. And the Board, if it were done, the Board should have been apprised of it before it was found out. We didn't find about it until after the fact. We were never brought up to date on that.
- CR For the two new members who are not aware of what transpired: I received a written request from the then Leader of the Opposition for services of one of our employees to assist with him with travel in terms of driving. In our PACI handbank there is no provision in there for this sort of leave or this sort of request. Using examples from the Government in the past, I looked at the former Premier when he was the premier he used the police officer as his driver. The police officer was still employed as a police officer and was paid by the police department, but he was driving. And I looked at the current Premier who is using the fireman to do the same job as a driver, but he is still paid as a fire officer. So those were the two cases I used in terms of coming up with how to handle it. It got to the point where it was getting out of hand. I did go to solicitors. While this was in legal in Ritch & Conolly and whilst I was seeking advice, that is when the Board became aware that this was going on. But I did take action in reaching out to Ritch & Conolly to find out how to resolve this, because I have no guidance whatsoever in terms of how to handle it. I was very uncomfortable with the position that I was being placed in.
- CC I am just wondering Mr Reid, if at any point during this particular issue, did it occur to you that you should have consulted the Protocol Office in relation to it?
- CR No, it didn't occur to me. I am not too familiar with the Protocol Office. I became aware of their true functions after reaching out to Ritch & Conolly, and that is when they said that would be the best route since we didn't have anything in place or to get the Board to pass a policy. During this period is when the Board became aware of what was happening.
- CC Okay.
- EB Follow up?
- JS Just to follow up - has a policy been put in place now?
- CR Yes. A policy is implemented. Any such requests has to come through the Protocol Office.
- EB And it has to be approved by the Board?
- CR Correct. Well the update to the Employee Manual will have the steps to be taken.
- EB Okay. Act 11 "*Release of a wrecked vessel to Port Authority employee without proper and clear evidence of rights to owner of vessel*" This came as a surprise to us, and we as the Board was not aware of this at all.
- CR Of a release of a vessel?
- EB I do not think we were aware of that, of being released or anything.
- CR Under the Merchants Shipping Law, the Port Director is receiver of wrecks. I handle numerous releases on an annual basis. How it currently works – once a vessel is brought to our compound it is registered through the Secured Officer, I , and then there is a one year notice

period where someone can actually file a claim. When no-one files a claim then the person bringing the vessel to the Authority is given the first right of refusal to take the vessel. Should they do not do it then it is actually auctioned and the salvage proceeds goes to the person bringing the vessel to the Port. In this instance, I think it happened in January 2015, sorry 2016, 2016. I became aware of this when [redacted] said that he was in receipt of a vessel that was given to him from the police department and he logged it in the system. After the one year period I got enquiries from two individuals [redacted] (who coincidentally is a member of staff) and [redacted] who is a father of [redacted] both claiming that they were the rightful owner to the vessel. I enquired from [redacted] what the position and I wanted all the documentation to make a determination on how to handle the matter. [redacted] did provide me with an email saying this all the correspondence relating to the vessel. In that correspondence it had claims from [redacted] and [redacted] both claiming that they had rights to the vessel. Also included in that correspondence was two reports – one from the senior Customs Officer for the Maritime Unit and one from the police constable in the marine unit. The senior customs officer said that the boat was found and delivered to him by [redacted]. The police officer said it was [redacted]. I went back to [redacted] and asked if there was any more documentation and he said this was all he had. I then noticed in the report that the person in charge of was [redacted] the commander of the Marine Unit. Because of my friendship with [redacted] I reached out to him to ask him to provide me with a police report on terms of what had happened. I was furnished with an email from [redacted] who instructed to send me an email, saying what transpired during this event. It was not an official police report. It was just an email, alright? So based on this knowledge and information in front of me, I had to make a decision on who was the rightful owner to the vessel. I did not make a decision right away. This was in October. It was not until March of the following year – that was based on I was waiting for any further developments that may have occurred, before making my decision. I then made the decision to hand the vessel over to [redacted] because I had [redacted] who is the commander of the marine unit saying [redacted] brought him the vessel. I have a senior customs officer saying [redacted] found and brought him the vessel. And I have a constable in the police department saying no, it was not him, it was [redacted]. So I have two senior officers telling me this is the man who brought it in. I don't have an official police report. No one is furnishing me with an official police report. So I only have this documentation on which to guide me. And there is really no policy in place at PACI in terms of how to handle these events. So I have to make my best judgement and use my best judgement based on the information provided to me to make a decision. And this is when I made the decision that based on the facts before me, [redacted] was the rightful owner of the vessel. It was not because he is a PACI employee. That had no bearing on my decision. It was based on the facts that were presented to me. I only became aware of a police report when the Auditor General provided that information in their report. And I only became aware of the registry that [redacted] keeps, which he did not give to me at the time, when the vessel is brought to him.

EB So you do agree with the OAG synopsis of that Act? Having said what you just said?

CR I made a decision based on not having all the information, correct. And they said the responses do not remove our concerns that the wrecked vessels was done with proper and clear evidence of rights of owner of vessel. That's the only information I had. I asked for all the information from the security manager downstairs. He said this is all the correspondence I have, this is all I have. I went to the senior commander for the marine unit. He sent through me his constable an email. At no time did someone say / either of them say 'here is an official police report'.

EB Subsequent to that did you then receive a report.

- CR No sir. I only became aware of this report when I received the OAG report. That was the first time I saw it.
- JS Just following up. In the documents that they gave us, and which you have a copy of, in the first OAG report that you are reading the response to: they have an email in here from PA 37 that says *'from [redacted] to Clement Reid, November 9, 2016 8:26am'* – it seems to be 11 minutes after you sent the instruction to prepare the transfer to [redacted] but he mentioned to you *'good morning Clement, unfortunately there are dual claims to the vessel and I have instructed them that if they cannot resolve it we will have to auction the vessel and pay each a salvage fee. See email below from PC [redacted] who originally mentions the second claimant'*.
- CR Yes, there are emails prior to that dated back from August to October where he also talks about the conflict and that is why based on the two pieces of information I got from the senior commander of the customs department and the police constable, that's where in their report they talk about [redacted] and that's when I went to [redacted] and asked him for the report. He then instructed PC [redacted] to send me an email, which I received the following day, and that email in there saying the person bringing in the vessel was [redacted]. But had I been given the police report or known of the existence of the police report, we would not have been in this situation that we are in right now. Because having seen the police report, and like I said, the first time I laid eyes on the police report was when I received the OAG's findings, and in there they included the police report.
- ? Follow up question. Director, when you made the decision to assign it to [redacted] that was based on your belief that he was the one who found the vessel?
- CR He found and delivered the vessel - that was my belief. Yes. That was all the evidence that was provided to me.
- AB The 3 or 4 engines that was on the boat – they were delivered with the boat?
- CR I am not sure, sir. I am not sure. We do not remove anything off the vessel once we receive it. So had they been received with the engines then they would have been delivered with the engines.
- AB Okay.
- EB Follow ups? Act 12 is ongoing, an ongoing investigation. Act 13 *'was a business case put together for the renovation of the 2nd floor for the new hires?'*
- CR Mr Chairman, before taking the office of Port Director, business cases were not something that was done at PACI. To my recollection there was one business case that was done back in 2015 for the refurbishment of the two harbour patrol boats. In this instance, no, a business case was not done. On going now, moving forward, as of late 2017, business cases are a requirement for anything. As the Board knows, we have presented numerous business cases to the Board over the last calendar year for procurement. But in this instance, when this project was undertaken there was no business case that was done. This was in as a result of the expectation of the new hires that we were going to be doing. We did lock the space as part of the project. Phase 1 was the renovation of the downstairs lobby. Phase 2 was the small area that we now call the Meeting Room, and its walkthrough in which I sit in one. Phase 3 would have been the relocation of the Customs and Immigration Department over to Royal Watler which was approved by the Board. And then fill up of the remaining office space for the new recruits. All this was placed on hold. Phase 3 was placed on hold due to budget constraints. And what we ended up doing was taking the old Customs Sea Port Office temporary offices of the Carriage Reaching Centre, and doing some slight

refurbishment to that, and placing the majority of the staff over there. It is not a permanent fix because it is just a mobile trailer. A permanent would be something similar to this – part of the administration building at CDC. But, like I said, between the last calendar year anything that we do we do now require business cases regardless of what they are, and those are presented to the Board as was evidenced in the last meeting we presented two business cases. One business case for the procurement of accounting software but we deferred that. Also then the larger procurement of the RTTs – a business case was done for that. The CDC redevelopment – a business case was done for that. Replacement of fleet, upgrade of fleet – a business case was done. So we have now the personnel in place to ensure that business cases are done. When I undertook these two projects, the one downstairs and upstairs, I was still the Port Director, the Project Manager, the Facilities Manager, the Port Engineer, the Deputy Director of Cargo – all wearing those hats at one time and still trying to facility all of these projects. But it is a requirement now that business cases are in place prior to anything happening. Those business cases are brought to the Board for approval.

EB Follow ups? Mr Reid that concludes our interview with you. The Board will meet and discuss what we have heard from you today. And as early as possible give you our feedback and decisions on how we move forward.

CR Can I have closing comments?

EB Yes, sure.

CR Members, I am grateful that you gave me the opportunity to come before you today to address these matters. Like I talked throughout the whole process, it was a period of great strain and stress and trials for all of us, to ensure that the Port was actually saving money, and ensuring that we put the right personnel in place. Mistakes were made and I do admit that. We are all human. Given the circumstances, would the mistakes be repeated today? No, they would not because we now have the personnel in place to ensure that the right people are there to follow the rules and procedures that are in place. At no time did I act in bad faith to try to deceive the Board in terms of what I was doing. I tried my best to keep them up-to-date on things that were happening. But things were moving at lightning speed so things did go amiss. As you see from my monthly reports to the Board, which the Board never received before, they average from 12 to 16 pages on a monthly basis. That is quite a lot of information to accumulate within one month. But during that interim period of the Board meeting I do try to keep the Chairman by either telephone or by email up to speed on what is happening. Again, I thank you for the opportunity to come before you today to present my case and I look forward to ...

[Multiple thank you's]

EB If the members would just grant us a few moments to discuss again. [sounds of moving recorder]

Tape ends

Duration of meeting: 2hours 21 minutes.