

# **NROCC**

**NATIONAL ROAD OPERATING  
& CONSTRUCTING COMPANY LTD**



# **ANNUAL REPORT**

## **2011 - 2012**

## TABLE OF CONTENTS

1.	CHAIRMAN’S AND MANAGING DIRECTOR’S REPORT .....	2
2.	NROCC’S ORGANIZATIONAL CHART .....	5
3.	BOARD OF DIRECTORS .....	6
4.	DIRECTORS’ REPORT .....	8
5.	FIVE YEAR FINANCIAL REVIEW .....	9
6.	PROJECT UPDATE.....	10
6.1.	HIGHWAY 2000 PROJECT OVERVIEW.....	10
6.2.	OPERATIONAL REVIEW AND UPDATE .....	11
6.2.1.	ACCELERATING DEVELOPMENT THROUGH INFRASTRUCTURE .....	11
6.2.1.1.	DEVELOPMENT PROJECT PHASE 1A DYKE ROAD FISHING VILLAGE .....	11
6.2.1.2.	FISHING VILLAGE TECHNICAL COOPERATION AGREEMENT .....	12
6.2.1.3.	DEVELOPMENT PROJECT PHASE 1B (SANDY BAY TO MAY PEN) .....	13
6.2.1.4.	DEVELOPMENT PROJECT PHASE 2A ( MOUNT ROSSER BY-PASS AND SPANISH TOWN TO Linstead BYPASS ) .....	15
6.2.2.	ROAD USER SAFETY .....	17
6.2.2.1.	ACCIDENTS .....	17
6.2.2.2.	ANIMALS ON THE HIGHWAY .....	19
6.2.2.3.	STONE THROWING/ROBBERIES .....	20
6.2.2.4.	ROAD SPIKES .....	21
6.2.2.5.	ADDITIONAL SAFETY/MAINTENANCE ACTIVITIES.....	21
6.2.2.6.	FIRE AND SMOKE: .....	22
6.2.3.	ENVIRONMENTAL BALANCE .....	22
6.2.4.	ECONOMIC DEVELOPMENT .....	23
6.2.5.	CUSTOMER SERVICE/QUALITY MANAGEMENT SYSTEM .....	24
6.2.6.	ORGANIZATIONAL DEVELOPMENT AND EFFICIENCY IMPROVEMENT .....	24
6.2.6.1.	REFINANCING/LOAN CONVERSION .....	24
6.2.6.2.	TRAINING.....	25
6.2.6.3.	OPERATIONAL EXPENSES.....	25
6.2.7.	PROJECTIONS .....	25
7	DIRECTORS’ FEES .....	26
8	SENIOR STAFF REMUNERATION FOR 2011-2012 .....	27
9	AUDITORS’ REPORT & AUDITED FINANCIAL STATEMENTS .....	28

## **1. CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT**

**T**HE YEAR 2011/12 was dominated by two major activities: the refinancing of more than 60% of NROCC debts to provide much needed working capital and the finalization of arrangements for the North-South Link Highway project.

### **North-South Link Highway (Caymanas to Ocho Rios)**

The North-South Leg of Highway 2000 from Caymanas to Ocho Rios is the largest ever infrastructure project to be implemented in Jamaica. The project which is expected to cost some US\$600 M is expected to be implemented without loans or equity being provided by NROCC. In 2011 November, Cabinet approved the signing of the Implementation Agreement with Jamaica North South Highway Company (JNSHC), a subsidiary of China Harbour Engineering Company (CHEC). In 2012 March the National Contracts Commission gave its no-objection to proceed with the project. This cleared the way for completion of negotiations and it is expected that a concession agreement will be signed by 2012 June..

### **Financing**

In order to restructure NROCC's debts and at the same time provide capital for NROCC's operations we completed the refinancing of approximately US\$290 M of our debts to the Development Bank of Jamaica which had been onlent by Bandez in Venezuela. These debts were replaced by new global notes issued by NROCC. This transaction resulted in net gains of \$7.7 billion to NROCC while at the same time not increasing the Government of Jamaica's (GoJ's) overall debts. We wish to thank our advisors, Pricewaterhouse Coopers, and arrangers, Credit Suisse and Jamaica Money Market Brokers, for their efforts in completing this transaction.

Over the year good progress was also made on a number of other construction projects which were underway :

### **Phase 1B - May Pen to Sandy Bay**

Construction continued on this phase of the highway which commenced in 2011February and is expected to be completed ahead of the scheduled 2012 September completion date. The overall work on phase 1B was 68% complete as at 2012 March 31. The bridge structures 31, 32, 33, 34, 35, and 36 were substantially complete, utilities relocations were ongoing, the toll plaza building was 88% complete and the toll plaza canopy was 99% complete.

## **Mt. Rosser**

Work was completed in 2011 September on all areas outside of Zone 2 - the area with the geotechnical issues. The investigations and redesign of Zone 2 was also substantially completed. The completion of Zone 2 is part of the discussions now taking place with JNSHC and it is expected that this will be included in the final agreement. Also expected to be included in the final agreement is the repayment of US\$120 M of expenditures made by NROCC on the Mt. Rosser project.

## **Dyke Road Fishing Village Complex**

In keeping with the requirements of the new loans from the Multilateral Banks we continued to work to ensure that the livelihood of the Fisherfolk who were relocated to the new facilities on the Dyke Road was restored. Over the year the newly constructed housing for the fishermen with families were completed, training of the fisherfolk was done in various areas to improve their ability to earn a living, and to manage the complex in the future.

## **Traffic**

Over the year despite the continuing challenges in the economy 17.7 million trips were made on the Highway, showing a modest increase over the 2010-11 year. The Developer continues to investigate other measures which can be used to increase traffic, including weekend and off-peak discounts. These are expected to be implemented during the new year.

## **Road Safety**

The total number of accidents for 2011-2012 decreased from 268 in 2010-2011, to 218 - a 19% reduction. The data showed that the main cause of accidents was speeding (30%) followed by bad driving (26%). There was also a steady increase in the number of robberies and stone throwing incidents on the Highway in the latter part of 2011, resulting in a few persons actually being killed during robbery attempts.

In order to address the foregoing the partnership with the Police was strengthened through more regular meetings and through the repair of a number of Police cars. By the end of the year the number of incidents had declined significantly.

The number of animals crossing the Highway as a result of stolen fencing continues to be a concern. In order to combat this problem several strategies including impounding of the animals were adopted by the Developer that resulted in some level of success.

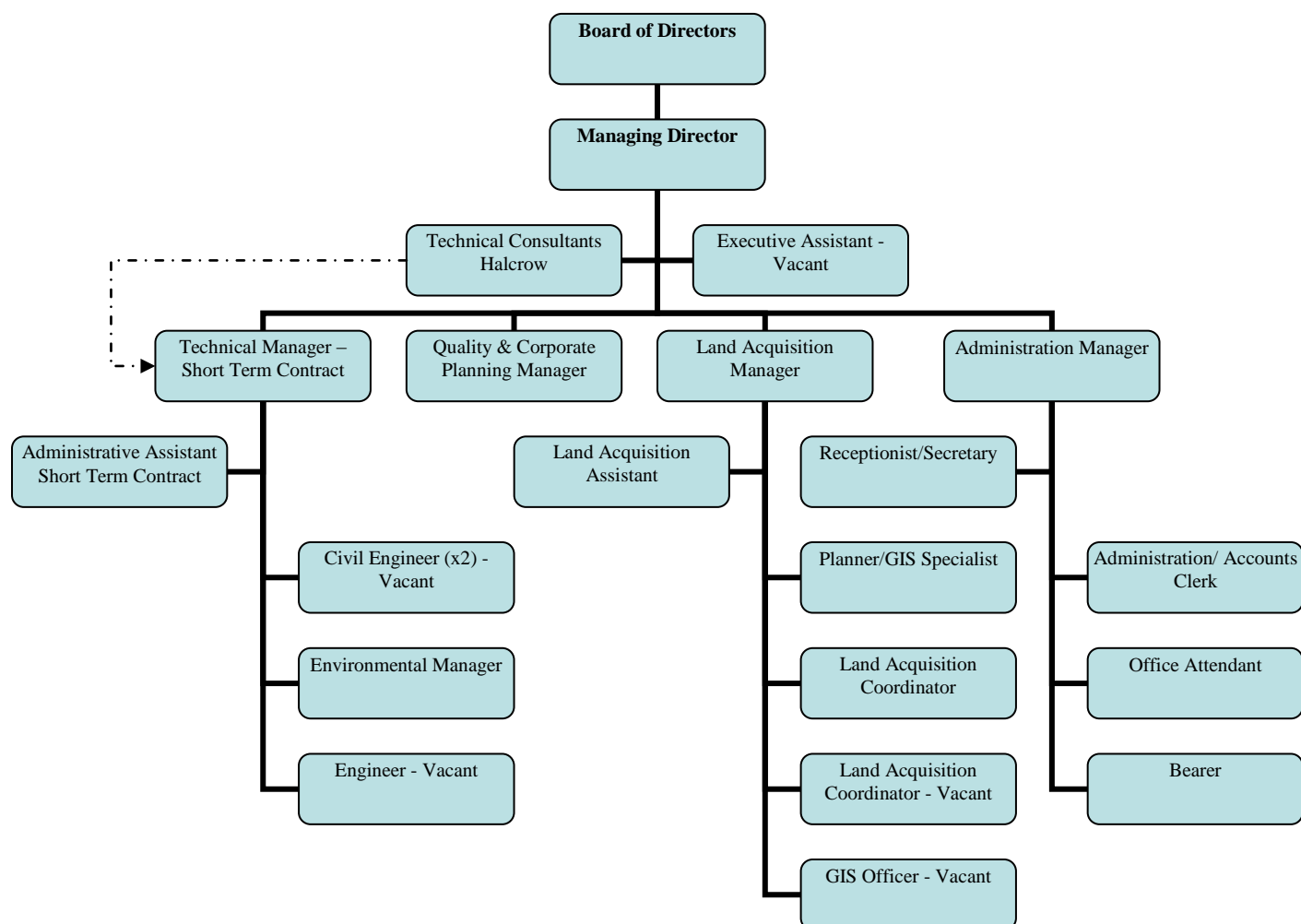


On behalf of the Board and management we wish to express our appreciation to the previous Board which led NROCC over the past four years. We also wish to thank the staff for their continued dedication to our company vision.

Dr. Wayne Reid – Chairman

Mr. Ivan P.G. Anderson – Managing Director

## 2. NROCC's ORGANIZATIONAL CHART



### 3. BOARD OF DIRECTORS UP TO 2012 MARCH 11

<p><b>Mr. Christopher Bovell, C.D. -</b> <b>Chairman</b> Consultant Dunn Cox (Attorneys-At-Law &amp; Notaries Public) Patent &amp; Trade Mark Agents</p>	<p><b>Mr. Ivan Anderson</b> <b>Managing Director</b> National Road Operating &amp; Constructing Company Ltd.</p>
<p><b>Mr. Edison Galbraith</b> General Manager, Portfolio Investments Development Bank of Jamaica</p>	<p><b>Dr. Alwin Hales</b> Permanent Secretary Ministry of Transport &amp; Works</p>
<p><b>Ms. Millicent Hughes</b> Accountant General Accountant General's Department</p>	<p><b>Ms. Ann-Marie Rhoden</b> Deputy Financial Secretary Ministry of Finance &amp; the Public Service</p> <p>Alternate</p> <p>Mrs. Veronica Warmington Unit Director Ministry of Finance &amp; the Public Service Public Enterprise Division</p>
<p><b>Mr. Peter Schroeter</b> General Manager Asphalting Specialists Ltd.</p>	<p><b>Mr. Robert Woodstock</b> Director Messrs. Morrison Woodstock Assoc. Architects</p>

## BOARD OF DIRECTORS EFFECTIVE 2012 MARCH 12

<p><b>Dr. Wayne Reid</b> <b>Chairman</b></p> <p>Jentech Consultants Limited</p>	<p><b>Ms. Millicent Hughes</b> Accountant General</p> <p>Accountant General's Department</p>
<p><b>Mr. Ivan Anderson</b> <b>Managing Director</b></p> <p>National Road Operating &amp; Constructing Company Ltd.</p>	<p><b>Mrs. Janet Coleman-Howlett</b> Director, Works Policy</p> <p>Ministry of Transport &amp; Works</p>
<p><b>Mr. Rezworth Burchenson</b> <b>Managing Director</b></p> <p>Prime Asset Management</p>	<p><b>Mrs. Veronica Warmington</b> Director</p> <p>Finance and Infrastructure Unit</p> <p>Ministry of Finance and Planning</p>
<p><b>Mr. Steven Whittingham</b> <b>Managing Director</b></p> <p>The Antilles Group (TAG Petroleum)</p>	



## **4. DIRECTORS' REPORT**

Your Directors submit their Annual Report together with the Audited Financial Statements for the year ended 2012 March 31.

### **Financial Statements**

NROCC reported a profit of J\$2,672,098,000 for the financial year ended 2012 March 31 which represented a significant turnaround over the previous financial year when the reported loss was J\$14,245,712,000. NROCC continued to have no revenues as seen in the five-year financial review. NROCC reported an overall negative equity of J\$28,238,149,000 and represented an improvement of 8.64% over the negative equity of J\$30,910,247,000 reported for the similar period of the previous financial year. The company recorded a growth of J\$3,021,413,000 or 18.97% in its total assets, moving from J\$15,925,908,000 at the end of the previous financial year to J\$18,947,321,000 at the end of 2012 March. These improvements were mainly due to the refinancing of the Venezuelan Loan and the global bonds issued.

Administrative expenses amounted to J\$310,235,000 compared with J\$384,032,000 for the 2011 financial year. The single largest element of the administrative expenses was the expenses associated with repairs and improvements to Government of Jamaica's roads which amounted to J\$140,493,000.

### **Dividends**

As a consequence of the need for financing going forward, the company is not in a position to declare a dividend at this time.

### **Directors**

The names of the Directors are shown in the above list of directors. Two are due for retirement.

### **Auditors**

KPMG has expressed their willingness to continue as Auditors of the company and a resolution will be proposed authorizing the directors to fix their remuneration.

## 5. FIVE YEAR FINANCIAL REVIEW

	'000	'000	'000	'000	'000
	2012	2011	2010	2009	2008
				(Restated)	
Revenue	-	-	-	-	-
Administrative & general expenses	-310,235	-384,032	-466,930	-395,729	- 513,196
Operating loss	-310,235	-384,032	-466,930	-395,729	- 513,196
Impairment loss	-	-10,467,893	-	-	-
Gain on sale of bonds	7,743,850	-	-	-	-
Miscellaneous income	316	3,266	97,639	-	-
Finance income	196,479	258,746	825,947	2,686,478	1,485,399
Finance costs	-4,310,903	-2,934,343	-3,170,064	- 3,463,114	- 6,095,578
Inflation compensation on Real Return Convertible Bonds	-647,409	-886,542	-839,882	-892,374	- 1,244,248
Profit/(loss) before income tax	2,672,098	-14,410,798	-3,553,290	- 2,064,739	- 6,367,623
Income tax credit	-	165,086	389,892	136,063	16,921
Other comprehensive income:	-	-	-	116,217	-
Profit/(loss) for the year, being total comprehensive income/(loss) for the year	2,672,098	-14,245,712	-3,163,398	- 2,317,019	- 6,350,702
Percentage increase over previous year	119	-350	-37	64	-235
Total Assets	18,947,321	15,925,908	25,341,444	20,640,224	19,280,608
Total Equity	-28,238,149	-30,910,247	-16,664,535	-13,501,137	-11,005,051
Total Liabilities	47,185,470	46,836,155	42,005,979	34,141,361	31,015,353
Total equity and liabilities	18,947,321	15,925,908	25,341,444	20,640,224	19,280,608

## 6. PROJECT UPDATE

### 6.1. HIGHWAY 2000 PROJECT OVERVIEW

The National Road Operating and Constructing Company (NROCC), also known as the Grantor, is a public company formed to represent the Government of Jamaica's interest under the Concession Agreement signed in 2001 between NROCC and the Developer, Transjamaican Highway Limited (TJH) for the design, construction, operation and maintenance of the Highway 2000 toll road. NROCC also has the responsibility for monitoring the performance of the Developer to assure compliance with the requirements of the existing Concession agreement and for monitoring new tolled roads which are added to the network. NROCC purchases properties affected by the Highway alignment on behalf of the Government of Jamaica and also provides partial funding to the project. The Project was conceived as a public-private-partnership and implemented as a build-finance-operate and transfer (BFOT) 35-year concession scheme. It is envisioned that the Highway 2000 project will meet the rapidly growing surface transport needs of the country by establishing a safe and efficient motorway axis linking Montego Bay and Ocho Rios by passing through the parishes of St. Catherine, Manchester, St. Elizabeth, Westmoreland, Hanover and St. Ann. The Highway is the largest and most significant infrastructure project ever undertaken in Jamaica as well as the English speaking Caribbean. It features a four to six lane controlled-access, tolled motorway with fully grade separated interchanges and intersections built according to modern international standards.

The Highway 2000 project is divided into two main phases which are further sub-divided into Sections as shown below:

#### **Phase 1**

Phase 1A (~46 km) - Sandy Bay to Kingston

Phase 1B (~ 10.5 Km) - Sandy Bay to May Pen

Phase 1C (~ 27.5 Km) – May Pen to Williamsfield



#### **Phase 2**

Phase 2A (~47 km) - Spanish Town to Ocho Rios (Includes Mt. Rosser Bypass)

Phase 2B – Williamsfield to Montego Bay.

Phase 1A of the Highway was completed in 2006 July. Construction is now underway on both Phase 2A (specifically Mt. Rosser Bypass) and Phase 1B.

## 6.2. OPERATIONAL REVIEW AND UPDATE

### 6.2.1. ACCELERATING DEVELOPMENT THROUGH INFRASTRUCTURE

#### 6.2.1.1. COORDINATE THE COMPLETION OF ENVIRONMENTAL IMPACT ASSESSMENTS (EIA) FOR SPANISH TOWN TO LINSTEAD

The EIA report was submitted to NROCC by the consultant. The application for a permit was made to the National Planning Agency (NEPA) in 2012 March for the east alignment. A variation order was done for the west alignment. The amount expended as at 2012 March 31 was J\$6.2 M versus a planned cost of J\$7.0 M.

#### 6.2.1.2. DEVELOPMENT PROJECT PHASE 1A DYKE ROAD FISHING VILLAGE

As part of the construction of the new Causeway, 308 persons were relocated into the new complex on Dyke Road. The new Dyke Road Fishing Complex has 84 storage units (boat owners and crews), 36 vendor stalls, 5 shops and 16 bunkhouse facilities for floating crews. In addition to the foregoing housing was also provided for 16 families as at 2012 March 31.

To date NROCC has invested in excess of US\$160 M dollars directly into the complex.



Before relocation



New Fishing Complex



Permanent housing for families

### 6.2.1.3. FISHING VILLAGE TECHNICAL COOPERATION (TC) AGREEMENT

Over the year we have been implementing a Technical Cooperation agreement with the InterAmerican Development Bank. The general objective of the Project is to improve the livelihoods of the Portmore Causeway Fisherfolk through the strengthening of the Fisherfolk's Association, currently named "the Causeway Fisherfolk Friendly Society" (the "Association"), and enhancement of the Association's commercial activities.

The specific objectives of the project are to:

- a) Strengthen the capacity of the Association to manage the facilities at the Portmore Causeway Fishing Village (the "Fishing Village") and to pursue the strategic objectives defined and agreed upon by the Fisherfolk;
- b) Increase the net income of the fisher folk through improved sanitation, product handling and presentation, better marketing and the pursuit of new entrepreneurial ventures, as well as more affordable access to finance and inputs such as ice, fuel, fishing and storage equipment; and
- c) Assist in creating a safer and more secure environment for fishermen at sea and for the fisher folk within the Fishing Village.

The following have been achieved:

- a) Fisherfolks have signed a management agreement with NROCC to take responsibility for the day to-day management of the fishing complex.
- b) Payment of outstanding utility fees and reconnection of electricity to the fishing complex
- c) Successful execution of the planned training program for Fisherfolks (45 persons attended).
- d) Improved sanitary and aesthetic conditions in the fishing complex
- e) Improvement in the discipline and decorum of the Fisherfolks in the fishing complex
- f) The re-construction of the 16 burnt-out containers, the bunk house, gas pump and fuel storage units.
- g) Fire certification for the entire complex
- h) The installation of solar lights within the fishing complex (two lights as gifts and four (4) purchased with funds provided by the TC)
- i) The staging of two (2) days of promotional activities (2011 December 23 & 24).
- j) The establishment of the Administrator to understudy the person employed by the TC. This has created a sense of security for the Fisherfolks and provided a good atmosphere to conduct business.

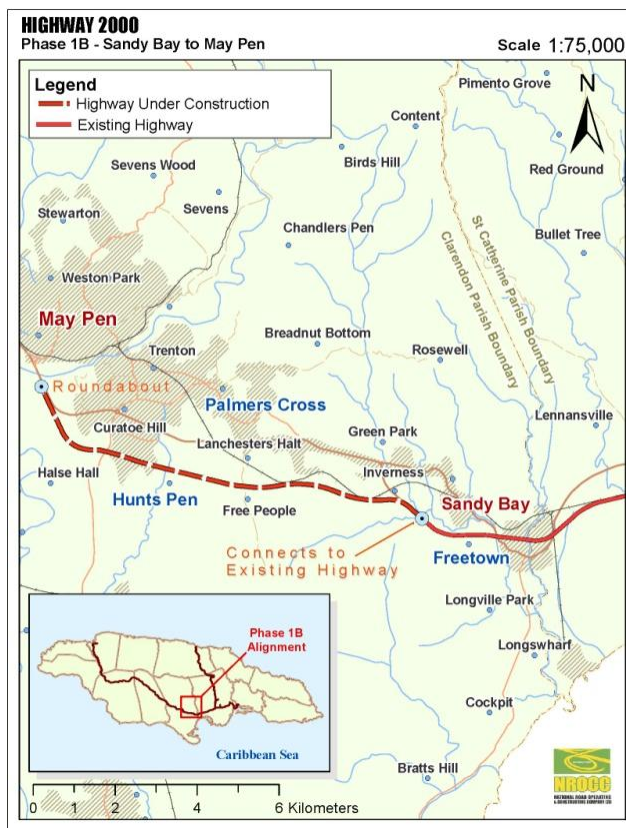


#### 6.2.1.4. DEVELOPMENT PROJECT PHASE 1B (SANDY BAY TO MAY PEN)

This phase of the project begins at Sandy Bay near the current end of the Highway and runs to May Pen (Rio Minho Bridge) - a distance of 10.5 Km and will cost approximately US\$105 M. Construction commenced in February 2011 and is expected to last for approximately 19 months and be completed by September 2012. US\$13.5 M was provided to the project in keeping with NROCC's obligations to this phase of the project. No Additional funding is required.

##### Land Acquisition

NROCC has the responsibility of acquiring the properties for the construction of the Highway. For the 2011-2012 financial year achievement J\$123.7M was spent on land acquisition for Phase 1B representing 57.8% of the targeted cost of \$214M.



The shortfall in acquiring the target was due to NROCC's Land Acquisition Team not finding competent persons to accept payment awards for lands that were acquired by compulsory acquisition and in some cases they are awaiting pre-checked plans from the land surveyor.

All other lands required have been acquired and handed over to the contractor.

##### Construction

The overall work on phase 1B was 68% complete as at 2012 March end. The targeted completion is 2012 September. The bridge structures 31, 32, 33, 34, 35, and 36 were substantially complete, utilities relocations were going well, the toll plaza building was 88% complete and the toll plaza canopy was 99% complete.

NROCC's target for 2011-2012 of providing US\$13.5M to the project keeping with NROCC's obligation was achieved.



Work in Progress on Bridge Structures



Toll Plaza at Sandy Bay

Phase 1B is financed by a group of Multilateral Banks made up of the Inter American Development Bank, World Bank (IFC), European Investment Bank and Proparco (French Development Bank). A total of approximately US\$209 M has been provided in loans and equity by this group. This funding was used to retire approximately US\$120 M of original loans of the Developer (RBTT) for Phase 1A.

Once this phase of the project is completed it is expected that NROCC will begin to receive 50% of the free cash flows of the project (amounts left over after the servicing of the debt and the operating and maintenance costs of the highway are deducted).

As part of this phase of the project the Developer will also carry out the necessary designs and investigations which will allow him to exercise his option for Phase 1C of the Highway from May Pen to Williamsfield.

#### 6.2.1.5. DEVELOPMENT PROJECT PHASE 2A ( MOUNT ROSSER BY-PASS AND SPANISH TOWN TO LINSTEAD BYPASS )

The hand-over of construction by BYTPJ was completed in 2011 September for zones 1, 3, 4, 5, and 6. Geotechnical challenges in Zone 2 caused construction to remain incomplete. The revised costs of the Mt. Rosser project is US\$124.6 M (subject to US inflation from 2007). The completion of Mt. Rosser has been included in the discussions now taking place with Jamaica North School Highway Company (JNSHC). It is envisaged that these works will be completed as part of the North-South Link.

#### Land Acquisition

The land acquisition cost achievement of J\$127.2M was 50.9% of the target of J\$250M. All the lands based on the original alignment were acquired and handed over to the contractor. NROCC's Land Acquisition personnel had negotiations with property owners affected by the re-alignment of Zone 2, along the "Bottom Road" at Mullock and have agreed in principle with eight of the nine affected persons. Six persons have already signed accepting the offer for compensation for buildings and crops based on the valuations done by the assessors.

#### Construction

The negotiations between NROCC and China Harbour Engineering Company for completion of zone 2 were stopped due to concerns from the Contractor General. Discussions restarted in the last quarter of the financial year. The expenditure achievement of J\$352.8M was 51% of the targeted J\$687.3M. The shortfall was due to cessation of work in zone 2.

### PICTURES OF THE MOUNT ROSSER PROJECT



Toll Plaza on Mt. Rosser Bypass



Area with Geotechnical Challenge:  
Zone 2 – Mount Rosser



The targeted expenditures for the vending complex and the ancillary facilities (solar light and landscaping) were not achieved as the completion of the project was deferred pending a decision on the North-South link.

### Caymanas to Ocho Rios

Cabinet approved the signing of the Implementation Agreement with China Harbour Engineering Company (CHEC) at its meeting held on 2011 November 7. This agreement which included the obligations of the GoJ, as part of the concession agreement was expected to be concluded shortly thereafter.

In 2011 December the Contractor General requested that all negotiations with CHEC's representatives should cease and the project be put to tender. Meetings were subsequently held with the Contractor General's Office Representatives by both the Minister of Transport, Water and Housing, and the Managing Director of NROCC. This was eventually resolved by a submission by NROCC to the National Contracts Commission in March 2012 when the National Contracts Commission gave a no-objection to the project.



A Cabinet Submission has been prepared requesting Cabinet's approval to proceed with the negotiations to finalize the Concession Agreement.

The discussions on the new concession agreement between China Harbour Engineering Company Limited (CHEC) and NROCC were substantially completed at the end of 2012 March except for the matters of termination risks, location of interchanges, the

confirmation of alignments in the Caymanas area and the options for the Linstead Bypass.

The following are the essential features of the proposed concession agreement which is being discussed between the JNSHC a special purpose company established by CHEC to undertake the development :

- a) JNSHC will be responsible for financing, design constructing and operating the project for the Concession Period of 50 years. On completion of this Concession the roadway will be handed back to the GoJ at no cost.
- b) The project, which is expected to cost US\$600 M (Highway Development) is expected to be financed by loans from the China Development Bank and from equity provided by CHEC. The project is expected to be constructed over a period of three years and is expected to be completed by 2015.
- c) The project will be a 4-lane Highway similar to the existing Highway with all grade-separated interchanges.
- d) The GoJ will make no financial investments in the project neither will it provide any loan guarantees, revenue guarantees or traffic guarantees for the project.
- e) The full geotechnical risks are to be taken by the contractor
- f) Lands adjacent to the Highway totaling approximately 5sq.km will also be developed for housing/commercial and hotel developments.
- g) JNSHC will be provided with similar incentives as are now provided to Transjamaican Highway, the operators of the existing Highway 2000.
- h) The Developer will be responsible for completing the Mt. Rosser Project and NROCC will be refunded approximately US\$120 M based on its expenditure to date on Mt. Rosser.

### **6.2.2. ROAD USER SAFETY**

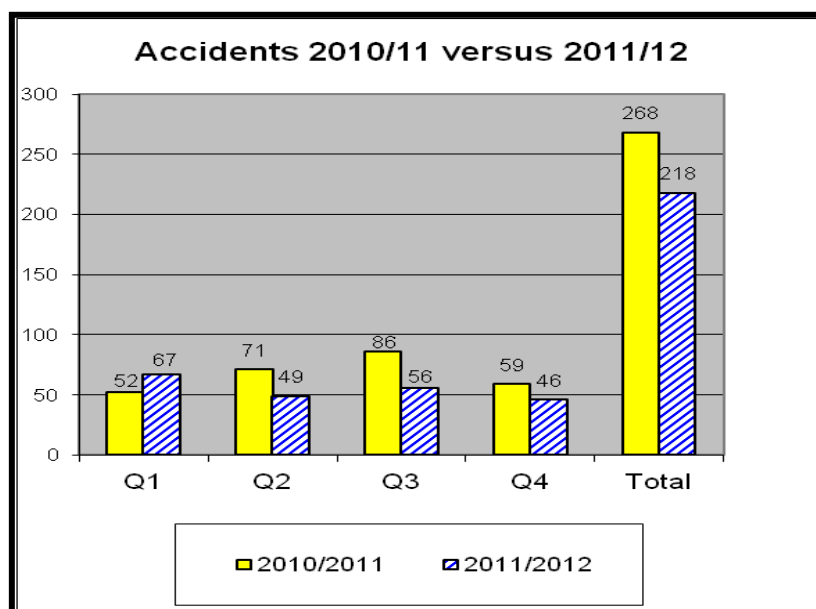
The strategy used for road safety is to monitor the Highway Operating Agreement and to partner with the Developer, Operator and Police to identify and implement safety improvement measures.

#### **6.2.2.1. ACCIDENTS**

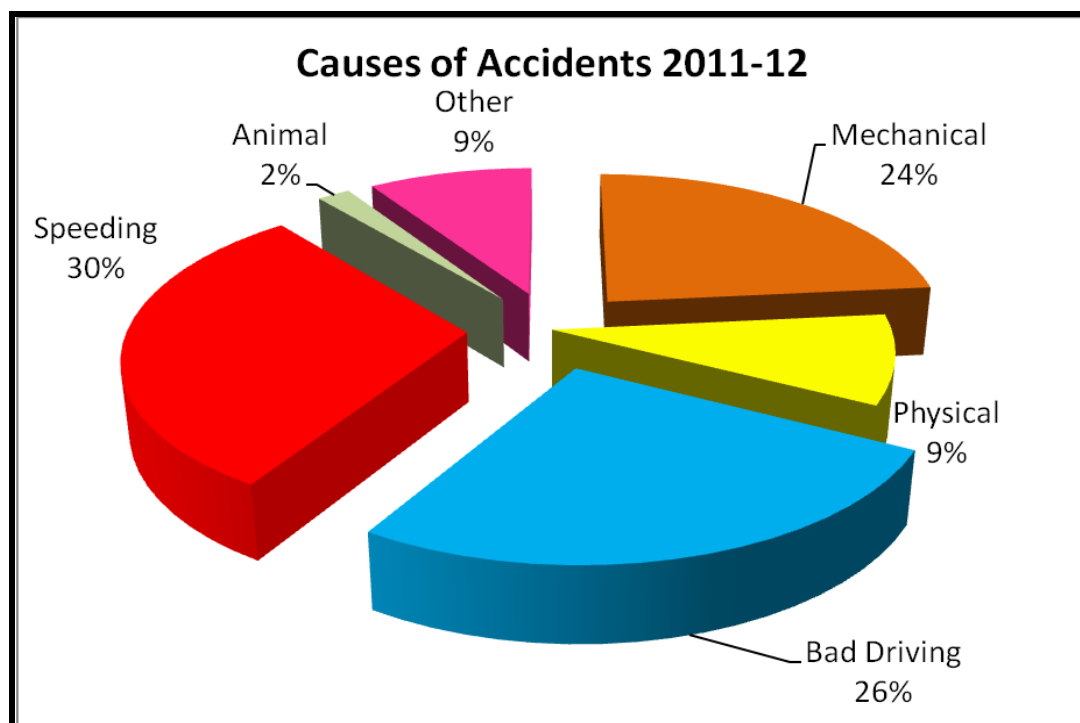
All accidents occurring on the Toll Road are recorded, analyzed and reported by the Operator. The numbers and causes of accidents are discussed at fortnightly project meetings and monthly Operations and Maintenance meetings held with representatives of the Developer, Operator, Contractor, Grantor, Toll Authority, National Works Agency and the Ministry of Transport and Works. Accident data are included in a monthly Operations and Maintenance report submitted by the Developer (TJH) to NROCC and the Toll Authority, giving the location, cause, gravity and other statistics relating to the accidents.

As per the target set for 2011-2012, the number and categories of accidents along the highway have been tracked monthly by NROCC personnel and discussed at the H2K project meetings. NROCC continues to review the accident data provided in the Developer's monthly report to review patterns, trends with the intention to recommend, remedial measures that may lead to a possible reduction in the frequency of accidents.

The total number of accidents for 2011-2012 decreased by 19% from 268 in 2010-2011 to 218, as shown in the graph below.



The analysis of accident data showed that the main cause of accidents was speeding (30%) followed by bad driving (26%).



The Developer has taken additional measures to improve the operation and safety of the Toll Highway. These measures included:-

- the introduction of the user emergency toll-free telephone system and the erection of advisory signs;
- the installation of Light Emitting Diode (LED) lane indicators at the Portmore westbound lanes;
- introduction of the pilot solar light project and variable messaging signs at the toll booths; and
- public relations campaign in both the print and audio-visual media.

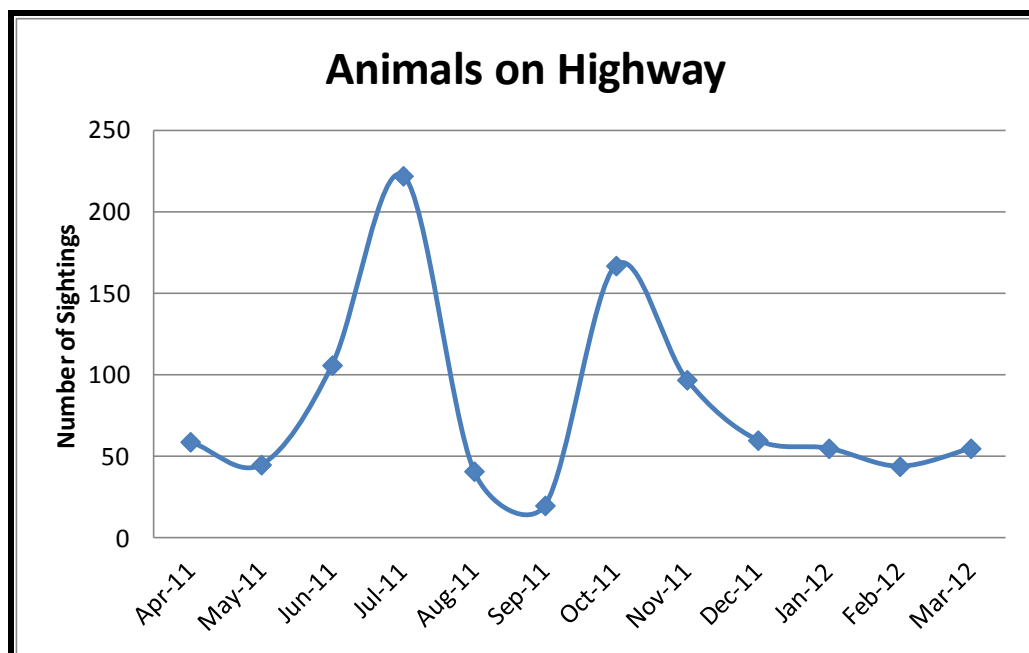
#### 6.2.2.2. ANIMALS ON THE HIGHWAY

The number of animals crossing the Highway as a result of stolen fencing continues to be a concern. In order to combat this problem the following strategies were adopted by the Developer:

- a. meetings with the community;

- b. replacement of the chain-linked fence with more resistant barbed-wire fence
- c. regular patrols with the goat catcher/pound crew.

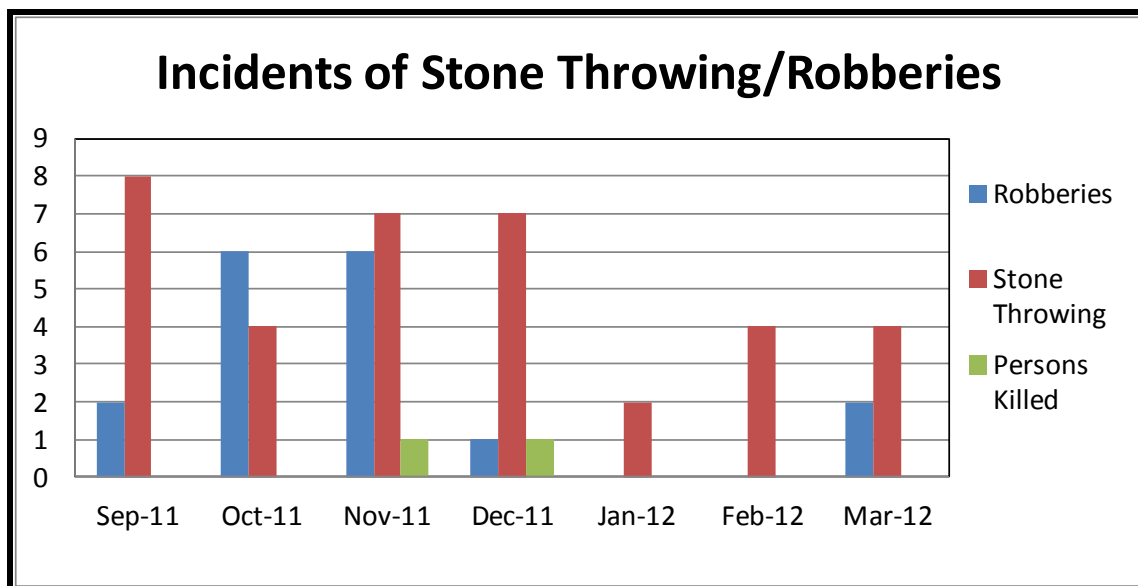
These activities resulted in some levels of success as seen in the following chart showing the sightings of animals over the past year.



#### 6.2.2.3. STONE THROWING/ROBBERIES

There was a steady increase in the number of robberies and stone throwing incidents on the Highway in the latter part of 2011, resulting in a few persons actually being killed during robbery attempts. In order to address this situation, NROCC working with the Police were able to repair four police cars which were returned to service on the Highway. The additional patrolling resulted in a significant decline however there was another spike in 2012 March when three incidents occurred on the day of the Parish Council Election.

NROCC's management continues to work along with the police in an effort to minimize these occurrences. In addition to the Police activities, TJH has also installed fencing on one of the bridges at Bernard Lodge road in order to reduce the incidents of stone throwing.



#### 6.2.2.4. ROAD SPIKES

The Highway continues to be affected by persons who drive the “wrong way” down the ramps in order to avoid paying tolls. As a consequence we have been working along with the Ministry of Transport and the Chief Parliamentary Council (CPC) to develop regulations which would allow Road Spikes” to be installed on the ramps. This is expected to be concluded in the new year.

#### 6.2.2.5. ADDITIONAL SAFETY/MAINTENANCE ACTIVITIES

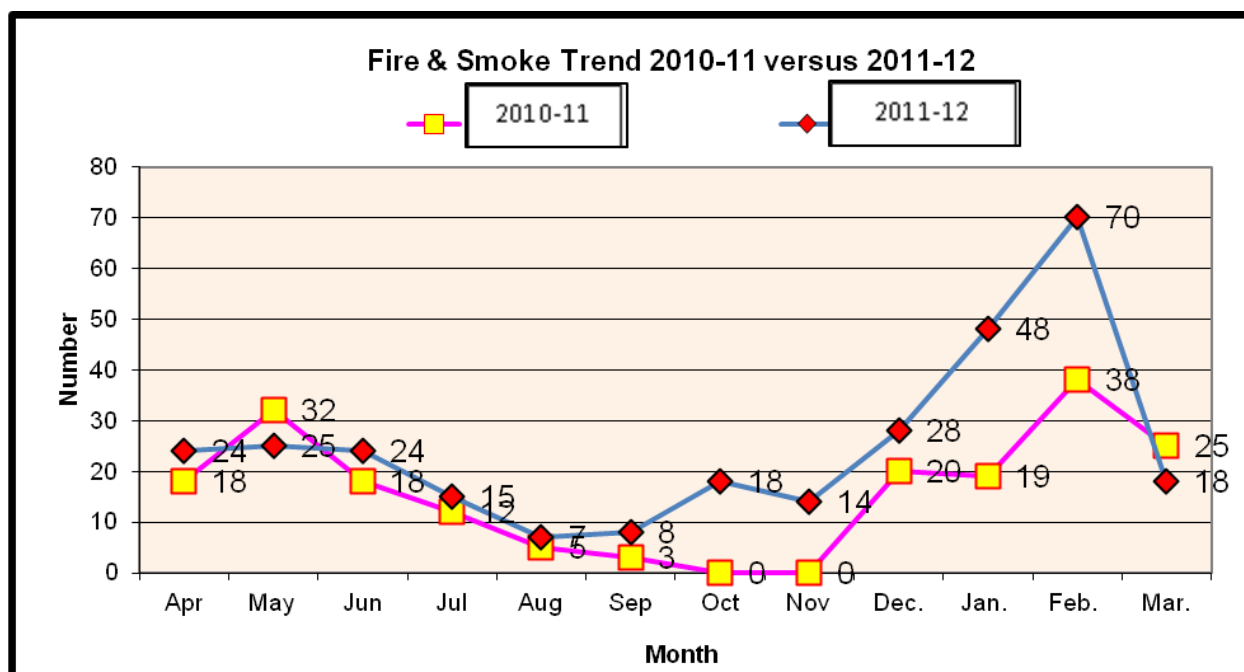
- The resurfacing on the Spanish Town link road was completed and crack sealing on T1 was done.
- In order to deal with the problem of lighting on the Highway and the theft of the fence wires a pilot project to test the use of solar lights was implemented on the Causeway. These lights and their intensity are being monitored by the Mona Geoinformatics Institute. Following the successful pilot study on the Causeway, a Developer’s variation order was signed for the ordering and installation of the solar lights for Phase 1B and Phase 1A. A total of approximately 200 lamps are to be installed.
- The toll plaza at Vineyards was expanded to include an additional lane.



#### 6.2.2.6. FIRE AND SMOKE:

NROCC achieved the targeted the safety performance measure for the 2011-2012 financial year. The smoke trend along the highway was tracked monthly and any adverse trends discussed at monthly meetings held with the operator.

Generally the incidents of fire and smoke on T 1 and T2 (Vineyards and Causeway sections of the Highway) for 2011-12 are more numerous than the comparable periods in 2010-11. Further meetings are to be arranged with the sugar factory to confirm that the agreed protocols for advising the Developer/NROCC whenever planned sugarcane burning is taking place are being observed.



#### 6.2.3. ENVIRONMENTAL BALANCE

NROCC remains committed to minimizing the impact of new Highway construction on the surrounding environment, in compliance with the requisite National Environment and Planning Agency (NEPA) requirements as well as Jamaica's environmental legislation. NROCC is also committed to adopting applicable Best Environmental Management Practices, which will ensure the best opportunity to protect, preserve and enhance the quality of the natural resources, as well as mitigate environmental impacts that often emerge in the construction of major highway routes.

Monitoring mechanisms have been developed, implemented and applied to the project with the intention of satisfying all of the requirements. NROCC achieved three of four environmental balance targets set for 2011-2012.

During 2011-2012, compliance monitoring of the Contractor was done through joint site visits to all locations along the Phase 1B corridor, to verify compliance with NEPA's Environmental Permit conditions and guidelines in the BYTPJ Environmental Management Plan. The parameters monitored were air and water quality, noise and dust reduction, waste and chemical management, health and safety, protection of biological resources, archaeological resources, erosion and sediment control and community relations. Discussions were held with the Contractor's representative on site and follow-ups done to verify actions taken for non-complying conditions.

Weekly inspections were conducted as scheduled and no adverse impacts from the constructing works were observed during the period. The works, in general, were compliant with NEPA permit requirements and the concession agreement. All twelve monthly reports targeted were completed and submitted to the Developer in the agreed timeframe.

21 meetings were held with stakeholders compared with the targeted 8 meetings planned for the 2011-2012 year.

Two applications for environmental permits for Phase 2A, Section 1 (Spanish Town to Linstead) of H2K North-South Corridor and for the gas pump at Dyke Road Fishing Village were submitted to NEPA in 2012 March and subsequently received. The application for the permit for the Moneague to Ocho Rios leg is expected to be made in the coming year.

NROCC's internal environmental balance target of developing an Environmental Management System (EMS) for NROCC was not achieved due to time constraint.

#### **6.2.4. ECONOMIC DEVELOPMENT**

Highway 2000 will contribute positively to reduced travel times between the key urban center of Spanish Town and the second major tourist destination in the country - Ocho Rios as well as from Spanish Town to Williamsfield when that section is completed.

The target for meeting with the Developer to discuss traffic numbers and how these can be increased was achieved. Meetings were also held and mechanisms agreed for discounts, variable message sign advertising and improvement of bottlenecks. Discussions were held with the Developer and discounts at Vineyards and Spanish Town Toll plazas were implemented.



### **6.2.5. CUSTOMER SERVICE/QUALITY MANAGEMENT SYSTEM**

The main thrust of a Quality Management System (QMS) is in defining the processes, which will result in the production of quality products and services. An effective QMS will also ensure that the customers' as well as the organization's requirements are met. NROCC has sought to assure that customers' requirements as defined in the Concession Agreement are met through the targeted quarterly audits of the QMS for the Highway 2000 Developer, Operator and Contractor and the bi-annual Technical Inspection of the Contractor's Design and Project System. Instances of non-compliances are formally addressed to the relevant entity for corrective measures to be taken and follow-up done to review the effectiveness of the actions taken.

The targeted four audits each of the Developer and Toll Operator were achieved. Three of the four targeted for the Contractor were achieved. The other was not achieved because the Contractor's documentation for Phase 1B was not completed at the time of the audit. Also, works at Mount Rosser was substantially completed and the decision was taken by the Contractor's Management, not to do any further updates to their QMS for Mount Rosser.

The bi-monthly targeted update of NROCC's H2K Website was not achieved however, three quarterly updates were done. During the 1<sup>st</sup> quarter the website was updated with the community bulletin for Trinity/ Williamsfield; the 3<sup>rd</sup> quarter with Administrative update, and the 4<sup>th</sup> quarter with the Dyke Road Fishing Village project and Mount Rosser work pictures.

### **6.2.6. ORGANIZATIONAL DEVELOPMENT AND EFFICIENCY IMPROVEMENT**

As a public sector company NROCC is seeking to implement suitable operating measures that will reduce the impact on/support from the Government budget allocations.

#### **6.2.6.1. REFINANCING/LOAN CONVERSION**

The most significant event in 2011-2012 related to the refinancing of in excess of 60% of NROCC's existing debts. This involved approximately US\$294 M that had been borrowed from Bandez (Venezuela) through the Development Bank of Jamaica (DBJ). This refinancing needed to have been done while not increasing the GoJ Debts. This was successfully achieved with the following outcomes:

- buy back of existing notes at a 30% discount;
- raising of US\$294 M through the issue of new short term (one year) and long term NROCC Bonds. The long term bonds are listed on the Luxembourg Stock

- Exchange and carry an interest rate of 9.375% and having a tenure of 13.5 years; and
- release of Euro/US\$ Hedge which had been purchased by DBJ to protect the loan from changes in the Euro.

The foregoing transaction resulted in a net gain of JA\$7,700 M before fees and transaction costs.

#### 6.2.6.2. TRAINING

For the 2011-2012 year, nine external and four internal trainings were attended by NROCC staff compared with the target of four job-related training sessions.

#### 6.2.6.3. OPERATIONAL EXPENSES

During the year NROCC targeted a number of areas to reduce its operational expenses. Reduction in telephone talk time tracked for the year showed no average reduction compared to the target of 5%.

The system to reduce paper and ink consumption cost (used paper in fax machine, for meeting notes and internal memo, recycled ink bought for fax machine) was implemented as targeted during the 2010-11 financial year. There was no net reduction in expenditure compared with the targeted 5% reduction. Although the expenditures were reduced in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters over the 1<sup>st</sup> quarter, the talk time increased for the 4<sup>th</sup> quarter due mainly to discussions relating to project and financing negotiations.

#### 6.2.7. PROJECTIONS

The following are the significant projections for the 2012-2013 financial year:

1. Completion of Phase 1B (Sandy Bay to May Pen in 2012 September.
2. Signing of Concession Agreement with CHEC having obtained Cabinet approval for the recommencement of negotiations.
3. Commence work on the Mt. Rosser section of the North-South Link
4. Commence the Environmental Impact Studies for the Moneague to Ocho Rios section of the Highway.

5. Meet with Developer to formulate plan to grow/improve traffic on H2K
6. NROCC will continue the implementation of the ISO 9001 Quality Management System and begin to develop an Environmental Management System.

## 7 DIRECTORS' FEES

Position of Director	Fees(\$)	Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle (\$)	Honoraria	All Other Compensation including Non-Cash Benefits as Applicable (\$)	Total (\$)
Board Chairman	195,500.00	*1,359,107.14			1,554,607.14
Director 1	85,000.00	-	-	-	85,000.00
Director 2	80,000.00	-	-	-	80,000.00
Director 3	77,750.00	-	-	-	77,750.00
Director 4	75,000.00	-	-	-	75,000.00
Director 5	59,500.00	-	-	-	59,500.00
Director 6	46,750.00	-	-	-	46,750.00
Managing Director	-	-	-	-	-

\* Includes retroactive payments to 2011 February.

## 8 SENIOR STAFF REMUNERATION FOR 2011-2012

Position of Senior Executive	Year	Salary (\$)	Gratuity or Performance Incentive (\$)	Travelling Allowance or Value of Assignment of Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	@Non-Cash Benefits (\$)	Total (\$)
Managing Director	April 2011- March 2012	10,879,269.00	2,310,357.50	796,500.00	-	-	151,221.00	<b>14,137,347.50</b>
Technical Manager (Resigned Oct.)	April 2011- Oct. 2011	3,135,420.05	-	464,625.00	150,910.42	-	84,476.00	<b>3,835,431.47</b>
Technical Manager (Temp.)	2011 Nov. – 2012 Mar.	2,219,225.98	-	328,857.95	-	-	-	<b>2,548,083.93</b>
Land Acquisition Manager	April 2011- March 2012	5,375,005.93	-	796,500.00	-	-	151,221.00	<b>6,322,726.93</b>
Quality/Corporate Planning Mgr.	April 2011- March 2012	4,025,000.04	1,006,250.00	796,500.00	-	-	151,221.00	<b>5,978,971.04</b>

@ Health Insurance & Life Insurance

## 9 AUDITORS' REPORT & AUDITED FINANCIAL STATEMENTS