

MINISTRY PAPER #99/15

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF THE
NATIONAL IRRIGATION COMMISSION LIMITED
FOR THE YEAR ENDED MARCH 31, 2014**

The matter for tabling in the Houses of Parliament is the Annual Report and Audited Financial Statements of the National Irrigation Commission Limited (NIC) for the year ended March 31, 2014.

2. COMPANY PROFILE

The National Irrigation Commission Ltd. (NIC) which is an agency within the Ministry of Agriculture and Fisheries was established in 1986 and became operational in May 1987 with the following stipulated objectives:

- To manage, operate, maintain and expand existing and future irrigation schemes and systems.
- To fix and collect the rates or charges for the use of water.

The Commission maintains an island-wide presence through seven (7) District Offices located in key irrigation areas.

3. STRATEGIC INITIATIVES

The plan for transforming the NIC began in 2013 with the approval of the Ministry of Agriculture and Fisheries. The need to transform the culture and to meet the infrastructural needs of the organisation arose within the context of serious resource constraints, changing client demand and the global challenges of climate change and food security. The plan for this transformation is to make an impact at the national level. It seeks to build and strengthen farming communities by integrating the needs of these stakeholders with expanded service offerings.

The goals of this plan are the attainment of the following targets by the end of 2017:

Major Indicators	2013/14	2014/15 Yr1 Target	2016/17 Yr3 Target
Volume of water delivered (million m ³)	53	56	70
Overall unit cost of water delivered (2013 J\$/m ³)	18	18	15
% Annual increase in agricultural productivity (over 2013/14) in irrigated areas	TBD	0%	20%
% of NIC farmers whose earnings have increased	N/A	TBD	15
Number of farmers impacted	2,850	3,135	3,794
Total hectares irrigated/drained	36,000	37,000	40,000
Total revenue collected (2013 J\$M)	420	430	500
% Expenditure from Govt. subsidy	70%	65%	60%
% Energy use from renewables	0%	0%	30%
Value of projects implemented (J\$M)	90	160	180

4. ENGINEERING AND TECHNICAL SERVICES

During the year, the Engineering and Technical Services Department continued work in the following critical business areas:

- **Water Production and distribution**

The Commission produced and distributed irrigation water to customers in three regions comprised of nine irrigation districts. A total of 86.4 million cubic metres (mcm) of water was produced by the Commission, of which 51.25 mcm was invoiced, resulting in an invoicing level of 59%.

- **Energy Management**

Energy cost continues to be a significant factor in the Commission's operation. During the year, a total of 10.5 million kWh of energy was consumed in pumping 34.22 mcm of water. Commensurately, the overall energy bill was \$395.2 million compared with \$303.2 during the previous year reflecting a 30.3% increase. In order to improve energy utilization, the Commission pursued several 'green' initiatives, including:

- i. Window film installation at selected offices
- ii. Power factor correction at pump stations using capacitors
- iii. Variable Frequency Drive (VFD) installation at pump stations
- iv. Wind Resource Assessment Study

- **Irrigation System Design and Installation Agro-Parks Initiative**

During the year, the NIC's Planning, Design and Installation Teams provided services in the development of the irrigation component of the agro-parks being implemented by the Ministry of Agriculture and Fisheries. The main activities for the seven Agro-Parks being operated included:

- i. Completion of field layout plans and Geospatial Information System (GIS) mapping at Spring Plain/Ebony Park and Plantain Garden River (PGR)
- ii. Development of irrigation system designs for Hill Run, Spring Plain and PGR
- iii. Installation of irrigation systems at PGR
- iv. Irrigation and drainage rehabilitation of Meylersfield System
- v. Farmer training in on-farm irrigation systems installation and operation at Yallahs and New Forest

- **Drainage Services**

The NIC is responsible for maintaining a schedule of waterways in the Upper and Lower Morass regions of St. Elizabeth. Additionally, the NIC responded to requests from the Ministry of Finance and Planning for assistance with drain maintenance in Westmoreland. A total of 127 km of drain was cleaned during the year using both mechanical and manual methods. Greater coverage

was not achieved due to frequent down-time of equipment and insufficient funding to undertake drain cleaning exercises.

- **Civil Works-Irrigation System Maintenance**

The Civil Works Team continued efforts to improve the system maintenance as well as to complete new customer connections, disconnections and reconnections. Despite the financial challenges, a total of 793 metres of leaking canals was replaced with reinforced concrete lining. In addition, a major sugar rehabilitation project in Vernamfield resulted in the replacement of 5,295 m of asbestos concrete pipes.

- **Security Activities**

The Commission's staff, property and equipment continued to tackle the security threats with which they were faced. The main areas of concern for the review period included:

- i. Illegal extraction of water:
- ii. Tampering with irrigation systems
- iii. Vandalism of pump stations
- iv. Squatting

Counter-crime activities included the serving of demand forms, notice to quit and summons to court. As a result, approximately half a million dollars of lost revenue was recovered.

5. COMMERCIAL DIVISION

During the review period the Commercial Division sought to expand its customer base and maximize the collection of revenue. This was achieved through the following measures.

- **Water sales and drainage**

Water sales and drainage charges for the review period increased by approximately 1.5% from \$475.8M to \$482.8M. The increase in sales can be attributed to:

- i. Demand for irrigation services in new areas targeted under the Ministry of Agriculture and Fisheries' Agro-Parks Programme
- ii. The expansion of irrigation infrastructure especially in Vernamfield, Ebony Park and sections of Spring Plains in Clarendon. This build-out and expansion has resulted in the engagement of non-utilized and under-utilized lands and the corresponding demand for irrigation services.

- **Review of Customer Status**

The Commission's customer base totalled 3,359 clients occupying 14,024 hectares of land. The customers are categorised as follows:

- Active: 70% (2,351 customers on 9,653 ha.)
- Suspended: 3% (9 customers on 326 ha.)
- Terminated: 27% (910 customers on 4,046 ha.)

The number of active customers increased from 1,893 in the previous year to 2,531 reflecting a 24% increase.

6. FINANCE & CORPORATE PLANNING

The Commission incurred a deficit of \$180.3M in the 2013/2014 financial year. This deficit represents a deterioration of \$221.1M in the financial performance of the Commission from a profit of \$40.8M in the previous year to the current year's loss of \$180.3M. Operating revenue from the core business areas of water sales, drainage charges and government subsidy for the financial year, decreased by 2.2% (\$21.4M) when compared to the prior year. The decrease resulted primarily from a reduction in government subvention of \$27.8M which was offset by a marginal increase in water sales revenue of \$7M. The Commission's operating cost increased by approximately 23.8% (\$182M) to \$946.1M from \$764.1M in the previous year.


7. SALARIES & EMOLUMENTS

The compensation of the directors and senior executives are set out at appendices I and II, respectively.

8. AUDITOR'S REPORT

The Financial Statements were audited by KPMG Chartered Accountants and they have stated that in their opinion the financial statements gave a true and fair view of the financial position of the Commission as at March 31, 2014, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

9. The Annual Report and Audited Financial Statements of the National Irrigation Commission Limited are hereby submitted to be tabled in the Houses of Parliament.



Derrick Kellier, C.D.
Minister of Agriculture, Labour and Social Security
May 21, 2015

NATIONAL IRRIGATION COMMISSION LTD

DIRECTORS COMPENSATION

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 (\$)
Statutory Director 1	127,500.00	303,418.00	-	-	430,918.00
Statutory Director 2	110,500.00	-	-	-	110,500.00
Statutory Director 3	85,000.00	-	-	-	85,000.00
Statutory Director 4	181,375.00	20,460.00	-	-	201,835.00
Statutory Director 5	144,500.00	319,733.20	-	-	464,233.20
Statutory Director 6	76,500.00	24,071.20	-	-	100,571.20
Statutory Director 7	76,500.00	121,350.00	-	-	197,850.00
Statutory Director 8	34,000.00	70,285.00	-	-	104,285.00
Statutory Director 9	120,500.00	32,044.00	-	-	152,544.00
Statutory Director 10	144,500.00	74,404.40	-	-	218,904.40
Statutory Director 11	59,500.00	188,051.00	-	-	247,551.00
Statutory Director 12	51,000.00	3,296.60	-	-	54,296.60
Statutory Director 13	127,500.00	729,566.70	-	-	857,066.70
Statutory Director 14	144,500.00	154,458.00	-	-	298,958.00
Statutory Director 15	59,500.00	77,240.00	-	-	136,740.00
Statutory Director 16	102,000.00	182,184.00	-	-	284,184.00
Statutory Director 17	34,000.00	44,555.00	-	-	78,555.00
Statutory Director 18	76,500.00	110,352.00	-	-	186,852.00

NATIONAL IRRIGATION COMMISSION LTD
SENIOR EXECUTIVE COMPENSATION

Position of Senior Executive	Year	Salary (\$)	Gratuity or Performance Incentive (\$)	Traveling Allowance or Value of Assigned Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-Cash Benefits (\$)	Total (\$)
Dir. Of Finance & Corporate Planning	2013/14	5,411,566.44	-	975,720.00	-	25,000.00	-	6,412,286.44
Chief Executive Officer	2013/14	2,777,278.59	-	385,567.00	-	25,000.00	-	3,187,845.59
Dir. Of Commercial Operation	2013/14	3,955,647.96	-	975,720.00	-	63,965.00	-	4,995,332.96
Dir. Of Engineering & Technical Services	2013/14	5,615,190.42	-	975,720.00	-	124,650.00	-	6,715,560.42
Dir. Of Corporate & Legal Services /Corporate Secretary	2013/14	4,796,112.07	-	975,720.00	-	331,226.00	-	6,103,058.07
Total		22,555,795.48	-	4,288,447.00	-	569,841.00	-	27,414,083.48

Notes

- Other Allowances represent mileage, toll charges, one-off lump sum payment of \$25,000.00 per the Government of Jamaica's MOU requirements. As it relates to the Director of Corporate Services/Corporate Secretary, it also includes robing and laundry allowances.