

BOARD OF DIRECTORS MEETING
Port Authority of the Cayman Islands
45A Harbour Drive
December 12th, 2016
Meeting No. 403

A meeting of the Port Authority of the Cayman Islands Board of Directors was held on Monday, December 12th, 2016 at the Port Administration Building, 45A Harbour Drive, Grand Cayman, Cayman Islands.

1. Welcome and Call to Order

Chairman Errol Bush welcomed attendees and called the meeting to order at 10:00 a.m.

2. Attendance and Apologies

Members Present

Mr. Errol Bush, MBE – Chairman
Mr. Stran Bodden, JP – (Ministry of DAT&T)
Mr. Ashton Bodden, JP
Mr. Arek Joseph, OBE
Mr. Randy Whittaker – (Customs)
Ms. Jacqueline Scott
Mr. Michael Nixon – (Ministry of Finance)
Mr. Woodward DaCosta

Apologies for Absence(s):

Mr. Robert Foster
Mr. Charles Clifford – (Customs)
Mr. Gerald Kirkconnell – Deputy Chairman

Other Attendees

Mr. Clement Reid – Port Director/Secretary

3. Quorum

IT WAS RESOLVED that in accordance with Section 3 (5) of the Port Authority Law (1999 Revision), a quorum of five Members was present and that the business would proceed.

4. Review and Approval of Minutes dated November 24, 2016

IT WAS NOTED that the Minutes of the Meeting held on November 24, 2016 was approved by the Board; moved by Mr. Woodward DaCosta and seconded by Mr. Ashton Bodden. Page 3 “Matters for Approval” bullet point 2 should state the procurement of the RTG’s will take place over three years.

5. Matters arising from Previous Minutes

- 5a. Members Agreed unanimously to recommend to Cabinet the amendment of the Port Regulations (2016 Revisions) section 123(2) to state *“The following charges are payable for storage of empty containers and trailers and chassis in excess of seventy-two hours, for each twenty-four hours or part thereof thereafter-”*
- 5b. The RFP Documents for the procurement of Rubber Tyred Gantry Cranes was submitted to Central Tenders Committee for a tender identification number on November 29th, 2016.

6. Port Director’s Monthly Reports

The Port Director’s Report for November 2016 encompasses all other reports for the purpose of this meeting and forms part of these Minutes.

The Port Director presented the following highlights:

Financial

PACI’s financial performance for the first five months ended November 30, 2016 and shows an improvement over 2015. The PACI recorded a profit of \$630k for the five-month period in comparison with a loss of \$472k for the period July to November 2015. This is an improvement of \$1.1M or 233%.

This was mainly due to the combination of the booking of the 2017 estimated \$4.2M defined benefit expense, (which prorated amounted to \$1.15M for the five (5) months ending November 30 2016). The prorated defined benefit expense for the prior year was \$2.44M, a reduction of \$1.3M for the 2017 fiscal year to date) and the increase in cargo income due to steady gains in cargo volumes and TEU imports. Cargo income increased by 3% for the comparative period. This is trending with 1% and 3% increases in cargo

volume and TEU respectively over the prior year. Total cargo income for July 2016 to November 2016 was \$6.47M, in comparison with \$6.25M for the previous period.

Year to date cruise income has declined by \$46K or 3% over the prior period. The decline in cruise passengers was due to ships avoiding Cayman during the threat of Hurricane Matthew.

Overall operating expenses saw a 12% reduction from the 2015 period. The single largest contributor of this decrease was the reduction of defined benefit expense booked. Total defined benefit expense booked for the first five (5) months of this year was \$1.15M compared to the prorated amount of \$2.44M booked for the same period last year. The major categories of expenditure had mixed results for the five-month period. Staff costs, repairs and maintenance, contracted services, training, advertisement and miscellaneous all had increases, while the other categories of expenditure declined.

Matters for Approval

The Port Director sought and received approval from the Board to:

- Annual vacation leave from December 16-31, 2016.

Strategic Plan Implementation Update

- The Business Justification Case (BJC) for the procurement of service vehicles and container handling equipment has commenced with the tender package for phase one of the service vehicles being advertised in the local media. Central Tenders Committee has approved the procurement process and the Department of Vehicle and Equipment Services has awarded the contract to Vampt Motors.
- The Tender Package for the procurement of RTG's was sent to the Central Tenders Committee for a identification number. The advertisements will be placed in the local media.
- Deloitte issued a status update on the Human Capital Services for PACI. The new completion date for this project is now January 31st, 2017.
- PACI will be contracting Aegir Port Property Advisers to prepare a comprehensive assessment and analysis of all relevant factors impacting PACI's property portfolio and infrastructure values in order to determine appropriate lease rates and port service and tariff charges that will produce reasonable returns on asset values. The report will identify areas of revenue diversification and will fulfill one of the mandates in the SPA. Contracts negotiations are ongoing and anticipated to be finalized December 2016.

- Bermello Ajamil & Partners has submitted the final concept on the Cargo Distribution Centre Master Plan for review and comment. The concept has been handed over to APEC Consulting Engineers to commence the engineering drawings and specifications. A meeting took place with National Roads Authority (NRA) to seek their input into traffic impacts with the proposed layout. NRA Engineers and planners have given their approval to use Portland Road for ingress and egress and North Sound Way as south bound egress only.

Risk and Compliance Update:

Risk and Compliance Management

- The Manager of Cruise and Security Operations is preparing an Operational Manual to manage the servicing and repairs of the channel markers and buoys in the Cayman Islands.
- The contracts for Mac Iron for the procurement and installation of the channel markers in the North Sound have been revised with an addendum to use a different methodology for the installation of the markers.
- PACI has received two proposals from Deloitte and KPMG to develop a Disaster Recovery and Business Continuity Plan. The proposals were reviewed by management a contract awarded to the lowest bidder, KPMG.

Risk and Compliance Incidents:

- The 20' container consigned to Lawrence Paul Williams that was detached from the container handling equipment while suspended in midair and free fell to the ground has not been resolved with the insurance company. The matter has been turned over to Ritch and Conolly who is advising the Risk Management Unit on behalf of PACI. The investigation is ongoing.
- The Royal Watler Tenants Association has engaged legal counsel and are challenging the decision of the PACI Board not to amend their existing leases by inserting a First Right of Refusal clause. Our legal counsel has prepared and disseminated a response to their challenge. The matter is ongoing.

Matters for noting

- A new Office/Operations Manager – Administration will commence employment on January 3rd, 2017.

- The Project Manager for the Cruise Berthing Project has tendered her resignation and will remain on the job until the end of April 2017 to ensure a smooth transition.
- Carnival Cruise Lines has implemented a new dispatching process and signage for their shore excursions at RWCT. RCCL will be implementing a similar process in the future.
- PACI will be the host of the 2016 AAPA Port Directors Seminar to be held at the Westin Grand Cayman Seven Mile Beach Resort & Spa, December 14-15, 2016. We are anticipating 10-20 Port Directors to be in attendance. PACI will also be sponsoring a dinner for the delegates at Blue Cilantro Restaurant, Seven Mile Beach on December 14th, 2016.
- The annual PACI Staff Christmas Dinner will take place on December 9th, 2016 at the White House, Bodden Town.
- On November 25th, 2016, the m/v Saga ran aground on Eden Rock while departing from the cargo dock. The Captain did not request a local pilot or tugs to assist with the departure. The grounding resulted in substantial damage to the reef system. The Department of Environment has assessed the damage but have not charged the Captain for the destruction.
- On December 8th, 2016, the cruise ship MSC Opera called on the Grand Cayman with a guest that is on Interpol's list and wanted on an international warrant for Arson, abduction and is associated with a terrorist group in Turkey. The guest was arrested by local authorities and detained for extradition to France.
- On December 7th, 2016 while travelling along North Sound Way, one of the container trucks was struck by a Honda car. The driver of the car had a blood alcohol level of 1.42 and was arrested at the scene of the accident for DUI.

7. New Business

a. PACI's 40th Anniversary, July 16th, 2017

Members Agreed to create a week of celebrations in July to recognize the 40th Anniversary of PACI. Management will provide a Business Plan in early 2017.

8. Any Other Business

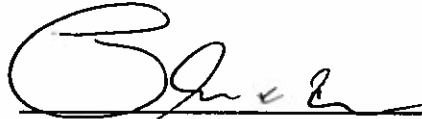
No other business.

9. Adjournment and Date of Next Meeting

There being no further business the meeting was adjourned at 11:30 a.m. until the next meeting scheduled for January 26th, 2017.



Mr. Errol L. Bush – Chairman



Clement Reid – Secretary