

SOE Performance Report

January-March 2014 YTD

SOE Monitoring Division, Ministry of Finance

August 2014

BACKGROUND

There are 27 State Owned Enterprises (also referred to as Public Bodies) providing various services for the benefit of the people of Samoa. 16 are Public Trading Bodies, 11 Public Beneficial Bodies which include the 3 Mutual Bodies. This report covers all 16 Public Trading Bodies. The Mutual and Beneficial bodies' financial performance are attached as Annex 1 to this report. In line with Section 26 of the Act, all SOEs are required to submit financial reports on a quarterly and annual basis to MOF.

Each SOE has a Shareholding Minister who acts as the "owner" on behalf of the people of Samoa. The Ministry of Finance as stipulated in the Public Bodies (Performance & Accountability) Act 2001 ('the Act') provides advice to the Shareholding Ministers and Government on all Public Bodies (PBs) matters. Advice from the Ministry is furnished through its State-Owned Enterprises Monitoring Division (SOEMD) which is principally responsible for the monitoring of SOE performance and the provision of Government's divestment policy.

Directors are appointed to oversee the operation of each SOE in accordance with agreed strategies and business objectives. At present 85% of directors are from the private sector with the remaining 15% being ex-officio members appointed in line with the Act. During the reviewing period, there were 4 Directors resign under a competitive process including 1 who passed away, 4 Directors were appointed for SIFA accordingly.

The performance of SOEs has a significant impact on the public and the economy in general through the goods and services SOEs provide. The government has set a target for Public Trading Bodies to earn at least a 7% return on equity (ROE) and are also required by Government to provide a 50% dividend payment on its Net Profit after Tax.

The purpose of this report as mandated under the Act is to provide an overview of performance of all PBs for the quarter ended 31st March 2014. The content of the report includes the following:

1. Overall view of all SOEs in providing service to the community for Beneficial and profit making for trading Bodies.
2. Compliance with Acts.
3. Comparison of KPIs to benchmarks.

The following is a brief report on the performance of each Public Trading Body for the quarter January-March 2014. All amounts are in Samoan Tala (ST).

PUBLIC TRADING BODIES' PERFORMANCE (YTD⁴ JANUARY-MARCH 2014)

PUBLIC TRADING BODIES		REVENUES			EXPENSES			NPAT		ROE	
		2014	2013	Variance	2014	2013	Variance	2014	2013	2014	2013
1	Agriculture Stores Corporation	0.00	3.10	-100%	0.00	1.07	-100%	0.0	2.0	0%	3.0%
2	Development Bank of Samoa	4.39	6.72	-35%	8.82	9.02	-2%	(4.4)	(2.3)	-9%	-4.0%
3	Electric Power Corporation	92.13	72.19	28%	78.97	71.31	11%	13.2	0.9	7%	1.0%
4	Land Transport Authority	5.28	32.33	-84%	4.40	29.17	-85%	0.9	3.2	29%	6.0%
5	Polynesian Airlines Limited	12.13	11.44	6%	10.47	10.07	4%	1.7	1.4	8%	7.0%
6	Public Trust Office	0.27	0.33	-18%	0.65	0.51	27%	(0.4)	(0.2)	-14%	-1.0%
7	Samoa Airport Authority	10.08	9.75	3%	9.01	9.25	-3%	1.1	0.5	2%	1.0%
8	Samoa Housing Corporation	3.33	2.75	21%	2.43	2.08	17%	0.9	0.7	3%	5.0%
9	Samoa Land Corporation	6.46	9.51	-32%	6.82	8.36	-18%	(0.4)	1.2	-1%	7.0%
10	Samoa Post Limited	1.54	1.80	-14%	1.27	1.40	-10%	0.3	0.4	12%	18.0%
11	Samoa Ports Authority	11.34	8.74	30%	8.75	10.06	-13%	2.6	(1.3)	1%	-8.0%
12	Samoa Shipping Corporation	6.51	17.40	-63%	3.88	15.11	-74%	2.6	2.3	8%	7.0%
13	Samoa Shipping Services	5.21	7.30	-29%	6.68	7.70	-13%	(1.5)	(0.4)	23%	-7.0%
14	Samoa Trust Estate Corporation	0.22	0.22	1%	1.68	1.37	23%	(1.5)	(1.2)	-3%	-3.0%
15	Samoa Water Authority	17.04	12.83	33%	17.41	19.17	-9%	(0.4)	(6.3)	-1%	-9.0%
16	Unit Trust of Samoa (Management) Ltd	1.11	0.36	208%	0.48	0.46	4%	0.6	(0.1)	49%	-10.0%

Key:

¹NPAT – Net Profit after tax

Calculated on Revenue less Expenses less any tax and dividend paid.

²ROE – Return on Equity

ROE is calculated as NPAT divided by Equity for each SOE. This represents the return on government funds.

³Var = Variance – This represents the percentage change compared to corresponding quarter of the previous year.

⁴YTD – Year to Date.

SUMMARY OF ANALYSIS OF PUBLIC TRADING BODIES PERFORMANCES

1. **Agriculture Store Corporation (ASC)**

- The Store is now in the process for re-tendering following the unsuccessful 1st round.

2. **Development Bank of Samoa (DBS)**

- At the end of the quarter, 108 applications to a value of \$6.6million were approved compared to budget of \$12.4million and prior period of \$14.9million.
- Loan collection for the quarter amounts to \$3.6million, representing an increase of 13% compared to budget of \$3.2million.
- Total portfolio at the end of the quarter was \$135.7million, a decrease of 0.9% and 25.6% increase compared to budget and prior year respectively.

3. **Electric Power Corporation (EPC)**

- Total revenue generated during the quarter was 30,257,572 kilo watts per hour (kwh). 28.29% of the generated electricity was from hydro, 71.81% of diesel and 0.01% of solar.
- Total expenditure for the quarter is 4.4% above budget. The performance was fueled by Generation and Distribution costs being above budget by 27% and 11% respectively. The main expenditure items are Fuel costs, repairs and maintenance costs and Payroll.
- EPC recorded a Net Profit for the quarter of \$6.3 million. As mentioned above the record profit plus the higher than budget revenue output was the reason for the high Net Profit.
- Solar Photovoltaic Project: construction and installation was completely during the quarter.

4. **Land Transport Authority (LTA)**

- LTA is continually committed to the implementation of major activities including roads rehabilitation and management systems for roads users.
- Revenue is below budget by 0.4% but has increased by 2.4% compared to last quarter. This is mainly due to the increase in Government contribution during the quarter.
- Expenditure is below budget by 2.2% and has increased by 1.6% compared to last quarter.

5. **Polynesian Airlines (PAL)**

- Loading factor of 79% exceeded budget by 6%. Total passengers flow of 15,263 exceeded budget by 11%.
- Revenue for the quarter is 1.6% above budget. Aside from the General Agency services, all of PAL's other business units exceeded revenue projections. The Airline operation was the biggest contributor with revenue being 8% above budget.
- Expenditure was 2.2% above budget for the quarter.
- PAL's recorded profit of \$565,533 is below budget by 2%. However as noted above if the staff costs are understated, the recorded profit will be well above budget.

6. **Public Trust Office (PTO)**

- The Office is collaborating with an IT specialist to obtain and develop a legal management practice software system as well as other relevant software packages available to improve its service delivery to the public as well as the swift and accurate preparations of reports.
- Total revenue for the quarter is below budget by 63% as a result of decrease in administration fees, commission earned, interest on term deposits and other income declining below budget.
- Total expenditure reported in the period is below budget by 46%. This indicates good control by the office during the quarter.

7. **Samoa Airport Authority (SAA)**

- The new VIP building and installation of the new Car park ticketing system as preparation towards the SIDS were realized during this quarter.
- Total Revenue is below budget by 6%. This was mainly due to the decrease of operating income from departure tax and landing fees for this quarter.
- Total Expenditure is 2% below budget as a result of the decrease in directors' fees, interest on NPF loan and zero balance for audit fees compared to budget of \$5,000.

8. **Samoa Housing Corporation (SHC)**

- Loan approvals recorded a total of 95 valued at \$2.1 million by value. Income from loan administration has increased, indicating an increase in the number of loans processed during the quarter. This includes loans for rehabilitation from Cyclone Evan as part of Government's recovery program.
- Cash flow is positive and has improved from previous quarter as a result of cash inflow exceeding cash outflow in operating activities of the Corporation.

9. **Samoa Land Corporation (SLC)**

- Malifa Accommodation currently under construction with other projects in the pipeline including plans to acquire the Fugalei Market.
- The loss in this quarter is a substantial decrease compared to the profit recorded in the last quarter. Reduction in income from land sales and negative impacts from other activities such as Faleata Golf course and markets have contributed to the loss recorded.

10. **Samoa Post Limited (SPL)**

- SPL is in the final phase of the postcode Project, gearing towards speedy delivery of goods, accurate addressing and facilitating of online trading for Samoa.
- Total revenue is below budget by 20% as a result of the reduction in Agency Services due to slow economic activities experienced by local businesses.
- Total expenditure is also below budget by 19%, a direct result of the decrease of ministerial, financial costs and direct operating expenses.

11. Samoa Ports Authority(SPA)

- A total of 5,477 containers, 153,738 tons of cargo discharged, and 65 vessels have been handled by SPA at the end of this quarter. All these indicators have improved compared to the last quarter.
- The YTD revenue is above budget by 9.5% mainly due to Government grant and increase in income from wharfage and port charges.
- The YTD expenses have been below budget by 4.5% as a result of an over estimation of operation & administration costs and salaries & wages for the quarter.
- The results also indicated that SPA managed to achieve profit as attributed by increased revenues from port charges and wharfage while expenses have reduced, mainly administration and depreciation.

12. Samoa Shipping Corporation (SSC)

- The launch of the MV Pasefika Express on 27th March at the Satitoea SSC Slipway marked the successful completion of the dry-docking maintenance carried out by the Slipway crew assisted by the Engineering Workshop staff.
- Total revenue is below budget 1.7% respectively as a result of the decrease in revenue collection from the international and charter services.
- Total expenditure is above budget by 0.7% respectively. Contributing to this, is due to high spending on vessel and administration expenses.

13. Samoa Shipping Services (SSS)

- SSS recorded 238 seafarers employing on international vessels, which is a reduction from around 270 over the last two quarters.
- SSS have increased its market share on cargo sea freight of 1.6% compared to 1.4% of the corresponding quarter in 2013.
- The Company continues to struggle as the majority of its core activities are dictated by factors beyond its control such as fluctuating rates of exchange, poor disciplinary status of crew leading to reduce employment opportunities, strong ship agency competition, a weak cash flow situation and FSII JV financial obligations.

14. Samoa Trust Estate Corporation (STEC)

- With its abundant land resources and given adequate incentives STEC is well positioned to support national development in terms of agricultural development and renewable energy alternatives from coconut oil and biomass gasification.
- STEC continues to record losses as a result of revenue continuing to be below its level of spending. As a result, liquidity and cash flow positions continue to be in unsustainable conditions.

15. Samoa Water Authority (SWA)

- Falelauniu water supply scheme officially opened on 9th January 2014, as of to date 127 households are connected to this scheme.
- On-going installation of new pipeline for Tufutafoe has completed. Continue pipe extension towards Falelima to improve SWA coverage area and provide water supply for these villages.

- SWA continued to record losses as from previous quarter. Outstanding payments from debtors, is at a very high level. The main reason behind this is the delay in addressing non revenue water issues.
- SWA managed to have all water supply systems fully operational within the reporting period with ongoing routine and maintenance. There were no major problems with any of the systems during the report period.

16. Unit Trust Of Samoa Ltd (UTOS Management)

- Management Company continues to achieve a quarterly profit of approximately \$238,000. This increase is driven by the 4% on manager's fee.
- A noted increase in number of new unit holders each quarter indicating effective marketing strategies and awareness.
- UTOS also continues to assist SOEs by way of issuing capital notes to SOEs. To date, total Capital notes stands at \$30.2million.

ANNEX 1: MUTUAL AND BENEFICIAL BODIES PERFORMANCE (YTD JANUARY-MARCH 2014)

Mutual and Beneficial Bodies		REVENUES			EXPENSES			NPAT	
		2014	2013	Var	2014	2013	Var	2014	2013
	<u>Mutual Societies</u>	-							
1	Accident Compensation Corporation	11.2	10.4	8%	3.05	3.22	-5%	8.2	2.3
2	Samoa Life Assurance Corporation	7.4	2.8	168%	6.09	2.46	147%	1.1	0.1
3	Samoa National Provident Fund	30.0	28.7	5%	7.11	6.40	11%	22.9	6.4
	TOTAL	48.6	41.8	16%	16.24	5.12	217%	32.2	8.8
	<u>PUBLIC BENEFICIAL BODIES</u>								
1	National Health Services of Samoa	0.1	52.0	-100%	0.06	47.20	-100%	(0.0)	(2.0)
2	National Health Kidney Foundation of Samoa	4.0	4.0	0%	4.73	3.98	19%	(0.7)	0.6
3	National University of Samoa	0.0	0.0	#DIV/0!	-	-	#DIV/0!	0.0	0.4
4	Samoa Qualifications Authority	1.9	1.7	12%	1.80	1.53	18%	0.1	0.1
5	Scientific Research of Samoa	2.7	2.5	8%	2.71	3.07	-12%	0.0	(0.1)
6	Samoa Sports Facilities Authority	3.5	2.7	27%	3.78	3.82	-1%	(0.3)	(0.3)
7	Samoa Fire and Emergency Service Authority	3.0	2.7	11%	2.82	2.34	20%	0.2	0.1
8	Samoa Tourism Authority	9.2	9.0	2%	8.73	8.94	-2%	0.5	1.3
	TOTAL	24.3	30.5	-20%	24.63	30.45	-19%	(0.3)	0.0

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⁴YTD – Year to Date