

SOE Performance Report

July-September 2014 YTD

SOE Monitoring Division, Ministry of Finance

December 2014

BACKGROUND

There are 26 State Owned Enterprises (also referred to as Public Bodies) providing various services for the benefit of the people of Samoa. 15 are Public Trading Bodies, 8 Public Beneficial Bodies and 3 Mutual Bodies. 25 out of 26 Public Bodies submitted quarterly reports on time as required under the Public Bodies Act 2001. This report covers the Public Bodies' financial performance.

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 90% of directors are from the private sector with the remaining 10% being ex-officio members appointed in line with the Act.

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.

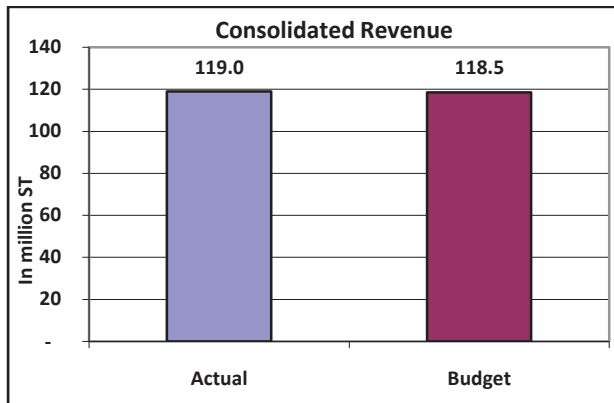
The purpose of this report as mandated under the Act is to provide an overview of performance of all PBs for the quarter ended 30th September 2014. The content of the report includes the following:

1. Overview of Public Bodies Performance by Consolidation
2. Compliance with Acts.
3. Comparison of KPIs.
4. Fiscal Risk Analysis

1. OVERVIEW OF PBs PERFORMANCE BY CONSOLIDATION

The following is the consolidated analysis for all the 25 PBs for July – September 2014 quarter.

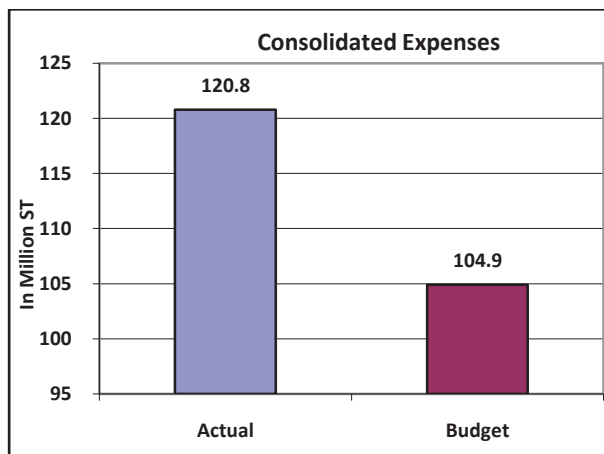
i. Consolidated Revenue (YTD):



Consolidated revenue is slightly above budget by 0.4%.

Overall, the PBs has performed well in terms of revenue collection.

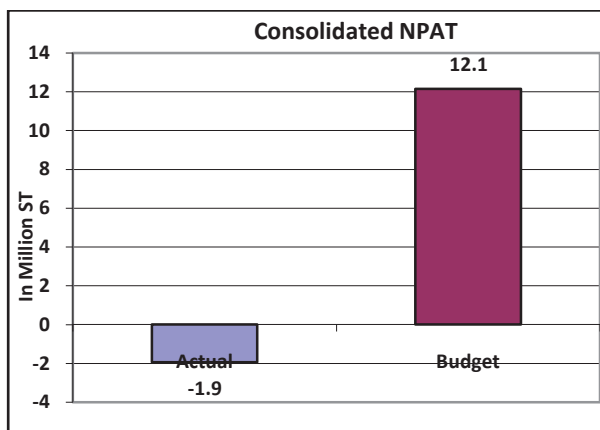
ii. Consolidated Expenses (YTD):



Overall PBs expenses exceeded budget by 13% mainly due to the 17% increase in expenses by PTBs and 6% by PBBS.

MSs on the other hand incurred expenses below budget by 14%.

iii. Consolidated NPAT (YTD):



Despite the increase in consolidated revenue compared to budget, the consolidated expenses are also higher than budget by 13% which outweighed revenue collection and resulted in the negative consolidated NPAT in comparison with budget of \$12 million.

2. COMPLIANCE WITH THE PUBLIC BODIES ACT 2001

96% of PBS submitted their reports in compliance with the required deadline (one month from the end of each quarter). Despite delay in submission of a few reports, 25 SOEs managed to submit their reports in time for compiling of this overall report.

In general, the 25 PBs submitted QRs are complied with the required format. There are some minor concerns varied from quarters to quarters such as not providing parts of required budget figures so that the reporting actual figures can be effectively compared against budgets during analysis and errors in calculations of KPIs, but in overall they have complied. These minor issues are mostly resolved during the process. Despite fluctuations from these minor concerns, we can identify a huge improvement compared to the past years. The Public Body who is not included in this overall report due to delays, is also expected to change in next quarter.

3. COMPARISON OF KPIs

The following is a brief report on the performance of the 25 Public Bodies that submitted their quarterly reports for the quarter July-September 2014. All amounts are in Samoan Tala (ST).

PUBLIC TRADING BODIES' PERFORMANCE (YTD⁴ JULY – SEPTEMBER 2014)

PUBLIC TRADING BODIES		REVENUES			EXPENSES			NPAT		ROE	
		2014	2013	Variance	2014	2013	Variance	2014	2013	2014	2013
1	Development Bank of Samoa	2.71	1.55	75%	3.20	2.7	17%	(0.5)	(1.2)	-1%	-2.3%
2	Electric Power Corporation	34.45	28.71	20%	32.01	26.3	22%	2.4	2.4	1%	1.3%
3	Land Transport Authority	9.53	11.37	-16%	8.84	11.2	-21%	0.7	0.2	23%	5.2%
4	Polynesian Airlines Limited	4.86	4.05	20%	4.10	3.6	14%	0.8	0.5	3%	2.2%
5	Public Trust Office	0.09	0.13	-25%	0.24	0.2	13%	(0.1)	(0.1)	-4%	-3.1%
6	Samoa Airport Authority	3.74	3.56	5%	3.29	3.1	8%	0.4	0.5	1%	0.9%
7	Samoa Housing Corporation	1.23	1.10	12%	0.75	0.7	10%	0.5	0.4	2%	1.6%
8	Samoa Land Corporation	2.01	1.48	36%	1.91	2.8	-32%	0.1	(1.3)	0%	-2.8%
9	Samoa Post Limited	0.53	0.51	3%	0.42	0.4	0%	0.1	0.1	4%	4.2%
10	Samoa Ports Authority	3.47	3.66	-5%	17.74	2.9	522%	(14.3)	0.8	-80%	0.8%
11	Samoa Shipping Corporation	0.00	5.51	-100%	-	4.4	-100%	0.0	0.8	0%	3.8%
12	Samoa Shipping Services	3.05	2.72	0.00%	6.08	-	0.00%	(3.0)	0.0	42%	0.0%
13	Samoa Trust Estate Corporation	0.10	0.08	29%	0.53	0.7	-19%	(0.4)	(0.6)	-1%	-1.3%
14	Samoa Water Authority	4.19	4.72	-11%	6.04	6.0	2%	(1.9)	(1.2)	-3%	-1.8%
15	Unit Trust of Samoa (Management) Ltd	0.39	0.27	43%	0.16	0.2	1%	0.2	0.1	12%	15.4%
	Total	70.35	68.02	3%	85.32	66.2	29%	(15.0)	1.5	-3%	0.2%

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.

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

⁴YTD – Year to Date.

MUTUAL AND BENEFICIAL BODIES PERFORMANCE (YTD JULY - SEPTEMBER 2014)

Mutual and Beneficial Bodies		REVENUES			EXPENSES			NPAT	
		2014	2013	Var	2014	2013	Var	2014	2013
<u>Mutual Societies</u>									
1	Accident Compensation Corporation	3.8	3.8	0%	1.13	1.04	9%	2.7	2.7
2	Samoa Life Assurance Corporation	2.3	2.1	9%	2.12	2.22	-4%	0.1	(0.2)
3	Samoa National Provident Fund	10.2	10.1	2%	2.28	2.32	-2%	8.0	7.7
	TOTAL	16.3	15.9	2%	5.53	5.58	-1%	10.7	10.3
<u>PUBLIC BENEFICIAL BODIES</u>									
1	National Health Services of Samoa	18.2	12.3	48%	15.18	16.52	-8%	3.1	(4.2)
2	National Health Kidney Foundation of Samoa	1.5	1.4	7%	1.82	1.17	56%	(0.4)	0.2
3	National University of Samoa	6.2	6.2	0%	5.52	5.52	0%	0.7	0.7
4	Samoa Qualifications Authority	0.8	0.6	22%	0.74	0.49	52%	0.0	0.1
5	Scientific Research of Samoa	1.0	0.9	7%	1.01	0.93	8%	(0.0)	(0.0)
6	Samoa Sports Facilities Authority	0.7	1.4	-48%	1.07	1.28	-16%	(0.3)	0.1
7	Samoa Fire and Emergency Service Authority	1.2	1.0	16%	1.03	0.92	12%	0.2	0.1
8	Samoa Tourism Authority	2.8	2.9	-6%	3.56	3.56	0%	(0.8)	(0.6)
	TOTAL	32.3	20.6	57%	29.94	24.88	20%	2.4	(4.3)

Key:

¹NPAT – Net Profit after tax

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

³Var = Variance – This represents the percentage change in comparison to the similar quarter for the previous year.

⁴YTD – Year to Date

3a. SUMMARY OF ANALYSIS OF PUBLIC TRADING BODIES PERFORMANCES

1. Development Bank of Samoa (DBS)

- Revenue is above budget by 16% mainly due to the increase in loan processing fees by 20% and interest by 18% compared to budget.
- Expenditure is below budget by 12% mainly due to the reduction in interest on borrowings by 22%.
- DBS continues to incur losses as a result of lower revenue earned compared to expenses.
- At the end of the quarter, DBS reaches:
 - ✓ 123 loan applications valued at \$20.2million were approved compared to budget of \$3.4million.
 - ✓ \$3.9 million loan collections, which represents a decrease of 13% compared to budget of \$4.5million.
 - ✓ \$148 million total gross portfolio which remains similar to budget of \$149million.

2. Electric Power Corporation (EPC)

- Revenue is slightly above budget by 0.7% and it is recorded as the highest revenue ever achieved. This is due to strong growth in total electricity sales which account for 84% of total revenue.
- Expenditure for the quarter is 0.9% below budget mainly due to fuel and operating costs.
- EPC recorded a Net Profit for the quarter of \$2.4 million. The record profit plus the higher than budget revenue output was the reason for the high net profit.

3. Land Transport Authority (LTA)

- LTA continues to commit in implementing its major activities such as roads rehabilitation and management systems for roads users.
- Revenue for the quarter is above budget by 7.6% due to the increase in motor vehicle registration and drivers license compared to budget.
- Expenditure is above budget by 6% but has decreased by 21% compared to the previous quarter.

4. Polynesian Airlines (PAL)

- Revenue is above budget by 12% as a result of the high number of passengers travelling compared to budget.
- Expenditure for the quarter exceeds budget by 20% mainly due to the increase in sales & marketing by 25%, aircraft and handling expenses by 19% and engineering expenses by 13% compared to budget.
- PAL recorded a profit for the quarter which is 54% above budget reflecting the increase in revenue.

5. Public Trust Office (PTO)

- Revenue for the quarter is below budget by 47% reflecting the decrease in administration fees and commission earned by 91% and 83% correspondingly.
- Expenditure is below budget by 26% reflecting a decrease in unbudgeted spending.
- Ten new estates files were opened plus seven new wills were written and registered during the quarter.

6. Samoa Airport Authority (SAA)

- Total Revenue is below budget by 2% due to the reduction in interest on term deposits by 73% compared to budget.
- Total Expenditure is above budget by 2% but has decreased by 7% compared to last quarter due to the decrease in operating expenses by 10%.
- The construction of the new VIP Building and refurbishment of the old VIP building was completed as preparations for the SIDS conference.

7. Samoa Housing Corporation (SHC)

- Total Revenue is above budget by 8% mainly due to the increase in interest on loans by 7%.
- Total Expenditure for the quarter is below budget by 5% as a result of the zero balance of other staff costs compared to budget of \$38,309.
- Loan approvals recorded a total of 245 by number and \$4,711,705 by value.
- Collections have decreased by 4% and disbursements are higher compared to last quarter by 5%.

8. Samoa Land Corporation (SLC)

- Revenue is below budget by 21% as a result of income from land leases and sales being below budget by 17%.
- Expenditure is below budget by 3% mainly due to 46% below budget in remuneration costs which includes salaries and wages.
- SLC continues to provide lands to assist with farming which contributes to enhancing Samoa's food security as part of the government strategies in the SDS.
- The relocation of SLC's office from Tuanaimato to Vaitele Market.

9. Samoa Post Limited (SPL)

- Total Revenue is above budget by 4% mainly as a result of the decrease in internet services by 44%, postal revenue by 19% and retail services by 4% compared to budget.
- Total Expenditure is below budget by 12% and has increased by 6% compared to last quarter due to the increase in financial costs by 30% and material & services by 13%.
- The renovation of Salailua, Tuasivi and Fagamalo District Post Offices was completed during the period. SPL's focus for consistent upgrade is the strengthening of the postal network for potential business partnerships for Savaii.

10. Samoa Ports Authority (SPA)

- Total Revenue is above budget by 19% mainly attributes to incomes from port charges and dues, wharfage and other operating incomes by 22%, 20% and 17% respectively.
- Total Expenditure is substantially above budget by more than 500% mainly as a result of the unbudgeted \$1.4million loss on disposal of fixed assets.
- SPA recorded a loss and a negative ROE for this period as a direct impact of the disposal of its domestic ports.

11. Samoa Shipping Services (SSS)

- Total Revenue is above budget by 5% as a result of the increase in other income by 37% compared to budget.
- Total Expenditure is slightly above budget by 0.8% due to the increase in crew travelling expenses.
- The numbers of seafarers have slightly increased compared to the previous quarter.

12. Samoa Trust Estate Corporation (STEC)

- 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.
- Negotiations are currently underway with foreign developers/investors for proposed hotel developments on STEC lands adjacent to the Mulifanua wharf.
- While progressing with its main developments, STEC continues to perform coconut harvesting for copra production for local markets, cattle grazing, weeding paddocks to improve pasture and repair barbed wire fence.

13. Samoa Water Authority (SWA)

- Revenue for the quarter is below budget by 23.6% mainly due to the overestimation of CSO and grants.
- Expenditure is below budget by 8% mainly due to the decrease in personnel costs and other personnel related expenses.
- The Authority's performance is unsatisfactory for this quarter producing a loss of \$1,856,372.
- SWA continues to record losses mainly attributes to the above budget of expenses and revenue which are still not enough to cover spending.

14. Unit Trust Of Samoa Ltd (UTOS Management)

- UTOS Management company continues to achieve a profit which mainly driven by its management fee.
- New unit holders continues to increase every quarter indicating effective marketing strategies and awareness on top of good result in last year in terms of dividends provided to unit holders.
- UTOS also continues to assist Government through its SOEs by way of issuing capital notes to SOEs. This has been assisting SOEs in terms of low interest rates compare to other local financial institutions.

4. FISCAL RISK

TOTAL LOANS GUARANTEED BY GOVERNMENT AND ONLENDING

The total loans by SOEs guaranteed by Government as at 30th September 2014 amounts to **\$162,023,552** where DBS holds 70%, and 30% is divided amongst the other 7 SOEs that have loans namely SHC (8%), SLC(6%), PAL (6%), UTOS (6%), STEC (2%), SSC (1%) and SSS (1%). 51% of these loans are SOE loans with the Central Bank o Samoa. The other 49% of total loans guaranteed by Government are from other local and international financial institutions.

Onlending to SOEs amounts to \$218,967,409 with EPC holding 93.8%, UTOS 3.6% and DBS 2.6%. The EPC onlending includes the Power sector expansion project (PSEP).

MOF is working together with the SOEs in controlling of these contingent liabilities in relation to the Government Debt situation as well as Debt Servicing by Government.