

SOE Performance Report

October-December 2012 YTD

SOE Monitoring Division, Ministry of Finance

June 2013

BACKGROUND

There are 27 state-owned enterprises (SOE) also referred to as Public Bodies, providing various services for the benefit of the people of Samoa. 16 are Public Trading Bodies, 3 Mutual Bodies and 8 Public Beneficial bodies. For the purpose of this report only the 16 Public Trading Bodies are covered. The Mutual and Beneficial bodies' financial performance are attached as Annex 1.

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 SOE matters.

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.

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).

In line with Section 23 of the Public Bodies Act (Performance and Accountability) Act 2001 (The Act), all SOEs are required to submit financial reports on a quarterly and annual basis to the Ministry of Finance. The template for reporting was developed by the Ministry of Finance and agreed to by all SOEs.

MOF in accordance with Section 26 of The Act provides Cabinet with the overall performance review on a quarterly and annual basis.

The following is a brief report on the performance of each Public Trading Body for the quarter October – December 2012. All amounts are in Samoan Tala (ST).

PUBLIC TRADING BODIES' PERFORMANCE (YTD⁴ Oct-Dec 2011 & YTD Oct-Dec 2012) (ST\$m)

PUBLIC TRADING BODIES:	REVENUE			EXPENSES			NPAT ¹		ROE ²	
	2011	2012	Variance ³	2011	2012	Variance	2011	2012	2011	2012
Agriculture Stores Corporation	1.89	2.05	8%	0.96	0.74	(23)%	(0.27)	(0.066)	(2)%	(4)%
Development Bank of Samoa	5.61	5.00	(11)%	6.37	5.87	(8)%	(0.56)	(0.87)	(1)%	(2)%
Electric Power Corporation	49.83	49.10	(1)%	52.33	49.40	(6)%	(2.49)	(0.30)	(2)%	(0.2)%
Land Transport Authority	15.20	21.82	44%	14.68	21.46	46%	0.52	0.36	7%	13%
Polynesian Airlines Limited	6.84			6.18			0.66		4%	
Public Trust Office	0.60			0.40			0.20		7%	
Samoa Airport Authority	4.86	7.01	44%	4.75	6.16	30%	0.096	0.85	0.4%	2%
Samoa Housing Corporation	1.76	1.83	4%	1.30	1.37	5%	0.46	0.46	3%	3%
Samoa Land Corporation	4.38	4.79	9%	5.37	5.62	5%	(0.99)	(0.83)	(1)%	(1)%
Samoa Post Limited	1.24	1.21	(2)%	0.92	0.94	2%	0.23	0.27	19%	16%
Samoa Ports Authority	5.44			3.55			(0.38)		(1)%	
Samoa Shipping Corporation	10.77	12.24	14%	8.38	12.22	46%	1.75	2.39	9%	3%
Samoa Shipping Services	3.10	4.81	55%	3.10	5.01	62%	0.0039	(0.20)	(0.2)%	(3.6)%
Samoa Trust Estate Corporation	0.25	0.93	272%	1.17	1.16	(1)%	(0.93)	(0.94)	(2)%	(2)%
Samoa Water Authority	4.90	8.93	82%	5.15	10.78	109%	(0.25)	(2.89)	(0.3)%	(4)%
UTOS (Mngt) Ltd	0.24	0.19	(21)%	0.27	0.33	22%	(0.25)	(0.13)	(114)%	(21)%
TOTAL	116.91	119.91	3%	114.88	121.06	5%	(2.20)	(1.9)		

■ Data Unavailable

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 in comparison to the similar quarter for the previous year.

⁴YTD – Year to date.

This includes sum of all quarters for FY July 11 to June 12. These figures are aggregated in April-June 2012 Quarterly Reports.

ANALYSIS OF SOEs PERFORMANCE:

1. Agriculture Stores Corporation (ASC)
 - ASC is one of the SOEs approved for privatization. This transaction is currently underway.
 - Major revenue for ASC was derived directly from the gain on sale of the Fugalei property and the delivery truck but normal operations have less material significance to the revenue generated.
 - Salaries and wages continue to represent the highest percent of total expenses, as well as depreciation and interest costs.

2. Development Bank of Samoa (DBS)
 - DBS continues to see reduction in interest income as a result of interest suspension on major tourism and industrial accounts as part of the government's stimulus package.
 - The Bank anticipates slow recovery as a result of the stimulus package.

3. Electric Power Corporation (EPC)
 - Total year to date capital expenditure and CSO costs for the financial year ending 30 June 2012 is \$2.35m.
 - Decrease in electricity sales and surcharge has resulted in the drop in revenue for 2012 which has adversely affected profits.

4. Land Transport Authority (LTA)
 - LTA remains committed to the implementation of major activities including roads rehabilitation and management systems for road users. There were also recovery works carried out immediately after Cyclone Evan by 20 contractors who were engaged to do the cleaning around the most affected areas.
 - Overall increase of revenue over the two periods is due to high government grants which is the major source of income for the Authority as well as the increase in fees and levies collected from the services provided.
 - High expenses are mainly due to capital works approved and claimed over the reporting periods as reflected in the increase in asset management and road safety expenses.

5. Public Trust Office (PTO)
 - Not Submitted.

6. Samoa Airport Authority (SAA)
 - Major works completed include civil works around the new Cargo Building to improve drainage and provide additional parking area as well as new improved baggage trolleys for the arrival area.
 - Major expenditure items affecting the overall performance are depreciation and operating expenses.
 - Main sources of income are departure tax and landing fees.

7. Samoa Housing Corporation (SHC)
 - The major concerns with the corporation's overall performance are the continuing negative cash flow balance and the decreasing current ratio.

- Unbudgeted staff costs, office expenses and directors fees are the main contributing expenditure items affecting the overall performance of the Corporation.
- Slight increase in revenue compared to previous year due to new loans approved during the reporting period.

8. Samoa Land Corporation (SLC)

- New roads at Nuu Subdivision have been completed and negotiations continues with SWA for the provision of water for Falelauniu residents.
- Rebuilding & repair works continue for buildings demolished by Cyclone Evan.
- Reduction in revenue is the result of low revenue collection from market operations in Salelologa and Vaitele.
- Capital expenditures have always been the highest contributing factor to expenses.

9. Samoa Post Limited (SPL)

- The company has signed a partnership deal with the Philatelic Collectors of which the Post will be its exclusive producer. There is also potential partnership with Sports/National Lotto to utilize all their outlets for lotto ticket sale.
- A contract was also signed between SPL and Express Money in Australia on a partnership deal for Money Transfer Business.
- The result shows a slight decrease in revenue mainly due to the decrease of Postal, Retail and Agency Services revenue.
- Overall expenses in 2012 are within the Company's revenue capacity which resulted in a net profit recorded for the period under review.

10. Samoa Ports Authority (SPA)

- Not submitted

11. Samoa Shipping Corporation (SSC)

- Vessel revenue from Domestic Services (Mulifanua/Salelologa) and International Services (Apia/Pago Pago) are the main contributing factors to the increase in overall revenue.
- SSC's Head Office and the engineering shop were heavily flooded during Cyclone Evan where most of the furniture, machinery and equipments were damaged.
- Despite the increase of expenditures over the corresponding quarter of 2011 due to high vessel operating expenses, SSC still managed to produce a net profit in 2012 which is 9% higher than the previous year.

12. Samoa Shipping Services (SSS)

- The number of Samoans seafarers recruiting on MSC cargo vessel reported in the quarter has increased from previous quarter.
- SSS recorded a US\$0.95 million of foreign exchange on its crewing services which benefited the seafarers' families in Samoa.
- The work of SSS Ltd Taskforce Committee is still in progress to complete documentation process and financial arrangement for MV Forum Samoa II sale deal.

13. Samoa Trust Estate Corporation (STEC)

- Negotiations with Foreign Developers/Investors to build the proposed Hotel Development on STEC's land adjacent to Mulifanua Wharf are still ongoing.
- One of the strategies proposed by management to raise additional capital for its operations and to pay-off its long outstanding debts is to develop its properties for leases to own arrangements.
- Losses continue as a result of insufficient revenue as a result of low harvest of coconuts and lack of short term crops for income generation.

14. Samoa Water Authority (SWA)

- Cyclone Evan caused significant disruption to SWA's normal operations and has driven the Authority to channel all resources to emergency relief and recovery activities.
- The cyclone caused major destruction of SWA assets with damages to Water Supply and Wastewater assets amounting to about SAT\$3.2m. Financial Losses at approximately SAT\$1.6m further increased the gap in the net loss acquired over the past periods. The drop in revenues was the result of only a few customers billed prior to the natural disaster.

15. Unit Trust Of Samoa (Mngt) Ltd (UTOS(Mngt)Ltd)

- Manager's service fee in place charged on all capital and Promissory Notes financed by the Trust.
- UTOS is continuously assisting SOEs by issuing capital notes as debt instruments. To date, a total value of \$18.8m has been issued to SOEs under a government guarantee arrangement.
- Company still operates at a net loss as a result of the insufficient revenue to cover for its expenses despite the recent increase in management fee to 4% as well as the introduction of manager's service fee on the Company's investment projects.

ANNEX 1: MUTUAL AND BENEFICIAL BODIES PERFORMANCE (YTD Oct-Dec 2011 & YTD Oct-Dec 2012)

MUTUAL BODIES :	REVENUE			EXPENSES			NPAT ¹		ROE ²	
	2011	2012	Variance ³	2011	2012	Variance	2011	2012	2011	2012
Accident Compensation Corporation	6.90	6.47	(6)%	2.32	2.14	(8)%	4.58	4.32	5%	2%
Samoa Life Assurance Corporation	5.33	5.17	(3)%	4.16	4.33	4%	1.18	0.72	3%	2%
Samoa National Provident Fund	18.45	17.91	(3)%	4.08	3.18	(22)%	14.36	14.72	3%	3%
Total	30.68	29.55	(4)%	10.56	9.65	(9)%	20.12	19.76		
PUBLIC BENEFICIAL BODIES										
National Health Services of Samoa	29.80	30.71	3%	30.00	33.56	12%	(0.21)	(2.85)	(1)%	(13)%
National Health Kidney Foundation of Samoa	2.59	2.66	3%	2.54	2.27	(11)%	0.053	0.39	1%	8%
National University of Samoa	9.09			9.03			0.070		0.3%	
Samoa Qualifications Authority	0.91	1.18	30%	0.98	0.99	1%	(0.069)	0.19	(5)%	12%
Scientific Research of Samoa	2.69	1.82	(32)%	1.84	2.08	13%	0.85	(0.26)	20%	(8)%
Samoa Sports Facilities Authority	1.79	1.83	2%	2.62	2.53	(3)%	(0.83)	(0.70)	(2)%	(2)%
Samoa Fire and Emergency Service Authority	1.37	1.83	34%	1.50	1.66	11%	(0.13)	0.17		9%
Samoa Tourism Authority	6.65	5.89	(11)%	5.09	6.45	27%	1.57	(0.56)	88%	151%
Total	54.89	45.92	(16)%	(53.60)	49.54	(192)%	1.30	(3.62)		

■ Data unavailable