

# SOE Performance Report

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January-March 2013 YTD

SOE Monitoring Division, Ministry of Finance

October 2013

## **BACKGROUND**

There are 27 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 Public Body is owned by Shareholding Ministers 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 (PB) matters.

Directors are appointed to oversee the operation of each PB 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 PBs 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 by all PBs.

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 January-March 2013. All amounts are in Samoan Tala (ST).

**PUBLIC TRADING BODIES' PERFORMANCE (YTD<sup>4</sup> January-March 2013 & YTD January March 2012)**

PUBLIC TRADING BODIES:	REVENUE			EXPENSES			NPAT <sup>1</sup>		ROE <sup>2</sup>	
	2012	2013	Variance <sup>3</sup>	2012	2013	Variance	2012	2013	2012	2013
Agriculture Stores Corporation	1.24	3.1	150%	0.39	1.07	174%	0.85	2.03	2%	3%
Development Bank of Samoa	7.75	6.72	-13%	9.23	9.02	-2%	-1.48	-2.30	-3%	-4%
Electric Power Corporation	74.43	72.194	-3%	73.26	71.307	-3%	1.17	0.89	1%	1%
Land Transport Authority	24.5	32.33	32%	23.84	29.17	22%	0.66	3.16	2%	6%
Polynesian Airlines Limited	10.15	11.44	13%	9.32	10.07	8%	0.83	1.37	1%	7%
Public Trust Office	0.69	0.33	-52%	0.55	0.51	-7%	0.14	-0.18	1%	-1%
Samoa Airport Authority	7.11	9.75	37%	7.29	9.25	27%	-0.18	0.50	-0.3%	1%
Samoa Housing Corporation	2.58	2.75	7%	2	2.08	4%	0.58	0.67	4%	5%
Samoa Land Corporation	4.75	9.51	100%	5.11	8.36	64%	-0.36	1.15	0.2%	7%
Samoa Post Limited	1.8	1.8	0%	1.31	1.4	7%	0.49	0.40	27%	18%
Samoa Ports Authority	8.54	8.74	2%	10.4	10.06	-3%	-1.86	-1.32	-2%	-8%
Samoa Shipping Corporation	17.52	17.4	-1%	15.44	15.11	-2%	1.52	2.29	8%	7%
Samoa Shipping Services	4.8	7.3	52%	4.88	7.7	58%	-0.08	-0.40	-2%	-7%
Samoa Trust Estate Corporation	0.325	0.216	-34%	1.628	1.37	-16%	-1.30	-1.15	-3%	-3%
Samoa Water Authority	15.8	12.83	-19%	15.9	19.17	21%	-0.10	-6.34	0.2%	-9%
UTOS (Mngt) Ltd	0.041	0.36	778%	0.4	0.455	14%	-0.36	-0.10	-20%	-10%
<b>Total</b>	<b>182.025</b>	<b>196.77</b>	<b>8%</b>	<b>180.947</b>	<b>196.1</b>	<b>8%</b>	<b>0.519</b>	<b>0.668</b>	<b>15%</b>	<b>13%</b>

**Key:**

<sup>1</sup>NPAT – Net Profit after tax

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

<sup>2</sup>ROE – Return on Equity

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

<sup>3</sup>Variance – This represents the percentage change in comparison to the similar quarter for the previous year.

<sup>4</sup>YTD – Year to date. This includes sum of all quarters for FY July 12 to March 13.

## **ANALYSIS OF SOE PERFORMANCE:**

### 1. Agriculture Stores Corporation (ASC)

- Privatization program is ongoing with completion expected later this year.
- Sales of agricultural products and diversification of hardware sales have resulted in a 5% increase in revenue during the quarter.
- High level of stock on hand continues to be a major issue impacting the Corporation.

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

- Loan approvals with a total value of \$23.689m have been recorded for the Year to Date. This has resulted in a total portfolio of \$100.9m.
- The Bank continues to be affected by a reduction in interest income as a result of interest suspension on major tourism and industrial accounts.
- Total staff employed by the Bank is 93.

### 3. Electric Power Corporation (EPC)

- A total of 27.155kwh was generated during the quarter (Hydro = 39%, Diesel = 60% and solar = 0.01%). The assessment for wind energy capacity is still ongoing for both Upolu and Savaii.
- Total number of consumers stands at 34,457 with 82% on prepaid meters. Installation of prepaid meters for all Government Ministries is in progress.
- Works under the Power Sector Expansion Programme is in progress with completion of the Fiaga Power Plant earmarked for April this year.
- Electricity sales and surcharge account for 89%; with other income contributing 11% of total revenue.
- Fuel costs are by far the largest expenses of the Corporation accounting for 62.6% of total expenditure followed by payroll costs at 6.07%.
- Total staff employed by the Corporation is 536.

### 4. Land Transport Authority (LTA)

- Routine Maintenance for 12 zones in Upolu and 10 zones in Savaii are ongoing.
- The Capital works for Lelepa Road, Faala and Iva Access Roads have been completed while the Fagaloa Bay Road and Leusoalii Road are near completion.
- 76% of Total revenue is sourced from Government grants with the remaining balance from registrations, licenses and fines.
- 86% of total expenditure is accounted for Asset management expense including road routine maintenance.

### 5. Polynesian Airlines

- Loading factor is consistent at around 75% with the total YTD passengers carried of 39,756 at 11.94 passengers per flight.
- The airline and ground handling operations accounts for 82.3% of total revenue.
- Staff expenses accounts 30% of total expenditure followed by Engineering (15.8%) and Aircraft Fuel (13.5).
- The Company recorded at profit before tax of \$1.38m with a ROE of 7.43%

6. Public Trust Office

- Regulations affixing the interest payable on the Common Fund are currently in progress. The regulations are anticipated to come into effect by the end of this financial year.
- A total of 15 wills have been written during the quarter while 14 estates were recorded in the management portfolio of the Trust.
- Interests from term deposits amounts to 62% of total revenue, 33% of revenue is generated from administration fees and commission with balance from other income.
- Salary constitutes 57% of total expenditure and the Trust recorded a loss of \$181,724 for year to date.

7. Samoa Airport Authority (SAA)

- Repair works to the Terminal has been completed as part of the Cyclone Evan's recovery program.
- The civil works around the new Cargo Building to improve drainage and additional parking area have been completed.
- Both passenger arrivals and departures are lower than previous quarters by 26% and 11% respectively.
- Main sources of income for the Authority are Departure tax (54%) and Landing fees (25%) which account for 79% of total revenue. Major expenditure items are Depreciation and Operating expenses

8. Samoa Housing Corporation (SHC)

- A total of 258 loan applications with a total value of \$4.79 million were approved during the quarter.
- Interest income is the Corporation's main revenue accounting for 82% of total revenue. Salary and wages is the main expenditure item accounting for 37% of total expenditure.

9. Samoa Land Corporation (SLC)

- Revenue has slightly decreased compared to last quarter mainly due to fewer leases due within the reporting quarter.
- Land compensation close to \$500,000 was made to Sogi residents for relocation.
- Major capital expenditure in the quarter included completion of repair works for the Faleata Golf Course and the construction of new roads for subdivision at Falelauniu 3.

10. Samoa Post Limited (SPL)

- Partnership with Australasian Mail Services (AMS) has been extended for another 12 months with the extension of markets to Great Britain and Japan.
- The partnership with the National Sports Lotto is progressing well awaiting hardware for extension of this service in SP branches in Savaii.
- The volumes for inward, outward and domestic mails have been decreased compared to last quarter and same period last year. This is a worldwide trend and the Company is looking at all alternatives to boost revenue.
- Total staff employed by the Company is 25 (22 full-time and 3 casuals).

#### 11. Samoa Ports Authority(SPA)

- SPA continues to implement its regular schedules for maintenance of its assets and monitoring of its liabilities.
- A total of 17,831 containers has been handled by the Ports as of to date with total tonnage of 365,983.
- Port charges and wharfage accounts for 67.72% of total revenue. Salary and financial costs are major expenses of the Authority which respectively accounts for 34.4% and 22.93% of total expenses.
- Containers handled during the period are 6,369. Total tonnage is 144,842.
- Total staff employed by the Authority is 173.

#### 12. Samoa Shipping Corporation (SSC)

- SSC took ownership of the MV Tokelau in January 2013. The vessel will be used as a training vessel for the Company's Maritime School at Vaitele.
- The Samoa Shipping Maritime Academy commenced with its academic programs in February 2013. Works have been in progress for final accreditation of the institution from Maritime obligations and requirements.
- There was a 2% increase in the number of passengers travelling as well as vehicles transported between Salelologa and Mulifanua compared to the same period last year. Travel on the International (Pago) Service was 20% higher than the same period last year.
- Use of the Charter Service was down 26% compared to last year mainly due to a reduction in charters for the Tokelau Office now that they have charters provided by the Government of New Zealand.
- Revenue has increased both in Domestic and International services, and with expenses reduced compared to budget, the Company has recorded a Year to Date Net Profit After Tax of \$2.204m
- Total staff employed by the Corporation is 159.

#### 13. Samoa Shipping Services (SSS)

- Total number of seafarers employed by Mediterranean Shipping Company (MSC) as of March 2013 is 217 plus 6 on board the MV Forum Samoa.
- SSS recorded \$2.27 million revenue from its crewing services, which benefit seafarer's parents and families in Samoa. Income from crewing services account for 88% of total revenue.
- SSS's market share in imported cargo business maintained at 1.4% for the quarter.
- Personal costs are SSS largest expense making up 87% of total expenditure.
- Total staff employed by the Company is 18.

#### 14. Samoa Trust Estate Corporation (STEC)

- Negotiations are currently underway with foreign development/investors for proposed hotel development on STEC lands adjacent to the Mulifanua wharf.
- Salary and wages remains to be the main expense item accounting for 19% of total expenditure.
- Total staff employed by the Corporation is 67 (11 full-time and 56 casual).

#### 15. Samoa Water Authority (SWA)

- Damages to the water supply and waste water assets as a result of the Cyclone Evans has been assessed to a total of \$4.8m (\$3.2m – system assets, \$1.6 financial losses)
- The Non Revenue Water reduction program is continuing for all urban service areas as well as the Fuluasou EU system.
- The Vaitele Treatment Plant is work in progress and is planned to be completed in June 2013.
- Both the Corporate Plan and the Statement of Corporate Objectives (SCO) were appreciated by Cabinet in March 2013. The SCO is planned to be tabled with Parliament in its next session.
- Water sales accounted for 53% of total revenue and CSO funding is the second substantial revenue item at 20%.
- Maintenance of system assets, Deprecation and Personal costs are the Authority's major expenses representing 66.6% of total expenses.
- Government pays SWA Community Service Obligations (CSO) for the non-commercial activities provided by SWA. SWA's total CSO budget for the 2012-13 financial year is \$4.41 million. Around \$1m has been committed for the CSO works this quarter.
- Total staff employed by the Authority is 227.

#### 16. Unit Trust Of Samoa (Mngt) Ltd (UTOS(Mngt)Ltd)

- Unitholders as of the 30<sup>th</sup> March 2013 totaled 718. Individual and joint investors make up 96% of all unitholders.
- UTOS currently issuing capital notes to 5 SOEs with a total value of \$23.5 million. There are Agriculture Store Corporation, Samoa Shipping Services, Samoa Land Corporation, Samoa Trust Estates Corporation and Samoa Fire & Emergency Services.
- Revenue for the Management Company is made up of interest income and entry and exit fees. A management fee is charged on the trust's net assets. Fee was previously 1% this quarter was the first time the management company charged the new 4% rate significantly boosting the Company's revenue.
- Revenue from late and penalty fees for Capital notes was also included as Management revenue for the first time this quarter. Previously these fees were paid to the Trust Company.

**ANNEX 1: MUTUAL AND BENEFICIAL BODIES PERFORMANCE (YTD January-March 2012 & YTD January-March 2013)**

	REVENUE			EXPENSES			NPAT <sup>1</sup>	
	2012	2013	Variance <sup>3</sup>	2012	2013	Variance	2012	2013
<b>MUTUAL BODIES :</b>								
Accident Compensation Corporation	10.51	10.4	-1%	3.52	3.22	-9%	6.99	7.18
Samoa Life Assurance Corporation	7.7	2.75	-64%	6.2	2.46	-60%	1.5	0.29
Samoa National Provident Fund	27.3	28.67	5%	6.1	6.4	5%	21.2	22.27
<b>PUBLIC BENEFICIAL BODIES</b>								
National Health Services of Samoa	44.69	52.04	16%	45.26	47.2	4%	-0.57	4.84
National Health Kidney Foundation of Samoa	1.24	3.99	222%	1.32	3.98	202%	-0.08	0.01
National University of Samoa	15.3		-100%	14.6		-100%	0.7	-
Samoa Qualifications Authority	1.37	1.72	26%	1.38	1.53	11%	-0.01	0.19
Scientific Research of Samoa	3.69	2.53	-32%	3.02	3.07	2%	0.67	- 0.54
Samoa Sports Facilities Authority	5.7	2.73	-52%	15.9	3.82	-76%	-10.2	- 1.09
Samoa Fire and Emergency Service Authority	1.98	2.71	37%	2.11	2.64	25%	-0.13	0.07
Samoa Tourism Authority	9.4	8.97	-5%	7.2	8.94	24%	2.2	0.03
<b>Total</b>	<b>128.877</b>	<b>116.51</b>		<b>106.607</b>	<b>83.256</b>			

■ Data unavailable