

SOE Performance Report

July-September 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 July – September 2012. All amounts are in Samoan Tala (ST).

PUBLIC TRADING BODIES' PERFORMANCE (YTD⁴ July-September 2011 & YTD July-September 2012)

All amounts are in SAT\$ (million)

PUBLIC TRADING BODIES:	REVENUE			EXPENSES			NPAT ¹		ROE ²	
	2011	2012	Variance ³	2011	2012	Variance	2011	2012	2011	2012
Agriculture Stores Corporation	0.36	0.31	(15)%	0.46	0.38	(16)%	(0.09)	(0.08)	(5.6)%	(4.7)%
Development Bank of Samoa	3.03	2.43	(20)%	2.99	2.81	(6)%	0.04	(0.38)	0.3%	(2.8)%
Electric Power Corporation	24.98	25.44	2%	27.61	24.39	(12)%	(2.64)	1.05	(6.4)%	2.4%
Land Transport Authority	7.80	11.97	53%	7.00	12.33	76%	0.80	(0.36)	35.3%	(73.3)%
Polynesian Airlines Limited	3.24	3.82	18%	2.94	3.31	12%	0.30	0.51	7.4%	11.0%
Public Trust Office	0.16	-	-	0.17	-	-	(0.02)	-	(2.5)%	-
Samoa Airport Authority	2.52	3.67	46%	2.52	2.92	16%	0.00	0.75	0.0%	5.4%
Samoa Housing Corporation	0.85	0.92	7%	0.62	0.63	1%	0.23	0.28	5.9%	7.1%
Samoa Land Corporation	2.40	2.05	(15)%	2.87	2.65	(8)%	(0.46)	(0.59)	(2.7)%	(2.4)%
Samoa Post Limited	0.62	0.62	0%	0.48	0.54	14%	0.11	0.06	8.6%	16.5%
Samoa Ports Authority	3.57	2.95	(17)%	3.57	3.42	(4)%	(0.00)	(0.47)	0.0%	(1.5)%
Samoa Shipping Corporation	5.47	6.45	18%	4.02	4.47	11%	1.06	1.44	22.2%	27.3%
Samoa Shipping Services	1.56	2.49	60%	1.46	2.58	77%	0.09	(0.09)	(16.9)%	6.7%
Samoa Trust Estate Corporation	0.18	0.10	(43)%	0.61	0.50	(19)%	(0.43)	(0.39)	(3.8)%	(3.5)%
Samoa Water Authority	4.90	4.88	0%	5.15	5.77	12%	(0.25)	(0.89)	(1.3)%	(4.7)%
UTOS (Mngt) Ltd	0.01	0.06	502%	0.11	0.16	46%	(0.10)	(0.10)	(106.8)%	(58.4)%
TOTAL	61.66	68.15	11%	62.58	66.86	7%	(1.36)	0.74	(1.0)%	0.4%

■ 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 July-September 2012 Quarterly Reports.

ANALYSIS OF SOE PERFORMANCE:

1. Agriculture Stores Corporation (ASC)

- ASC is one of the SOEs approved for privatization and this initiative is currently underway.
- Major revenue for ASC is sales income from selling agricultural products. High level of stock on hand continues to be a major issue impacting its bottom line.
- Salaries and wages continue to represent the highest percent of total expenses, along with depreciation and interest costs.

2. Development Bank of Samoa (DBS)

- 269 loan applications with a total value of \$5.54 million approved during the quarter. This represents a 6% reduction from the same period last year.
- The Bank continues to be affected by the reduction in interest income as a result of interest suspension on major tourism and industrial accounts.
- Total staff employed by the Bank is 99.

3. Electric Power Corporation (EPC)

- The Corporation's approved CSO budget for the financial year ending 30 June 2013 is \$5.11m.
- Total number of electricity customers is 34,023 of which 79.6% are on prepaid meters (Cash Power) with the remaining 20.4% on postpaid metering.
- Installation of cash power meters for all Government Ministries has been approved by Cabinet. Work for this project will commence in the next quarter.
- Power Purchase Agreements (PPA) with Solar Samoa Limited and BioGen 3 Limited are in place for production and sale of renewable energy to EPC.
- Electricity sales account for 71% of total revenue with the fuel surcharge (19%) and other income (10%) making up the remaining 29%.
- Fuel costs are by far the largest expense item accounting for 65.7% of total expenditure followed by payroll costs at 11.9%.
- Total staff employed by the Corporation is 547.

4. Land Transport Authority (LTA)

- Government grant is the major source of revenue for the Authority accounting for 49% of total revenue. Recent increases to charges and fees for vehicles registration and driver licenses have helped boost the Authority's revenue. Vehicle registrations account for 19% of revenue with the Fuel levy providing 17%.
- Major road works completed during the quarter are Falealili St, Ifiifi St, Fugalei, Fonofou St, Saleufi, Savalalo and Togafuafua.
- Asset management expense is the significant expenditure of the Authority accounting for 91% of expenditure. This includes road routine maintenance.

5. Polynesian Airlines Limited (PAL)

- PAL had a passenger load factor (PLF) of 78% which shows the amount of utilization of the total available capacity of the airline. If an airline with 100 seats flies a distance of 1000 kilometers, the available seat-kilometers are 100,000. If

78 passengers travel the entire distance, the passenger-kilometers travelled is 78,000 and the PLF is 0.78 or 78%.

- The average base fare for the quarter was \$122, which was \$7 more than the same time last year.
- Capital projects carried out during the quarter totaled \$0.24 million. The major two being an upgrade of the cargo facility (\$0.12m) and aircraft rotatable spare parts (\$0.05m).
- There was an increase in cargo handling costs in September 2012 to help meet increased costs of the new cargo facility.
- Airline operation (\$2.59m) and ground handling revenue (\$0.61m) are the two major revenue streams of the PAL accounting for 84% of total revenue.
- Staff (\$1.06m), aircraft fuel (\$0.44m) and depreciation (0.30m) are the three main expense items accounting for 55% of total expenditure.

6. Samoa Airport Authority (SAA)

- New seats for the departure lounge were installed and new baggage trolleys were purchased for the arrival area.
- Civil works began around the new cargo building to help improve drainage and provide additional parking areas.
- Passenger arrivals (4%) and departures (3%) as well as Aircraft movement (19%) increased this quarter compared to the same quarter last year.
- Main sources of income for the Authority are Departure tax (60.5%) and Landing fees (21.5%) which account for 82% of total revenue. Major expenditure items are Depreciation and Operating expenses

7. Samoa Housing Corporation (SHC)

- 180 loan applications with a total value of \$2.99 million approved during the quarter. Total loan portfolio is 1922 valued at \$27.15 million.
- 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.

8. Samoa Land Corporation (SLC)

- Land sale (52%) and lease rental income (12%) are major contributors to revenue account for 64% of total revenue.
- Depreciation (35%), Salary and Wages (23%) and Interest costs (11%) are the main expenses of the corporation.

9. Samoa Post Limited (SPL)

- Partnership with SNPF for the payment old citizen's pensions began in July 2012.
- 3 year contract signed with National Bank of Samoa (NBS) for provision of services at 4 district post offices in Savaii.
- Increased spending is due to the increase in administration costs and depreciation. This has resulted in the overall reduction in NPAT compared to previous year despite the increase in revenue.
- Total staff employed by the Company is 25 (22 full-time and 3 casuals).

10. Samoa Ports Authority (SPA)

- SPA continues to implement its regular schedules for maintenance of its assets and monitoring of its liabilities, and develop initiatives to reduce costs and improve revenues.
- Reduction in revenue is a direct result of reduced number of ships and cargo movements at the international wharf.
- Salary and wage costs are the major expense items accounting for 38% of total expenditure.
- Total number of ships and yachts handled during the period was 68. During this period 4 cruise ships visited.
- Containers handled during the period are 6,369. Total tonnage is 144,842.
- Total staff employed by the Authority is 172.

Samoa Shipping Corporation (SSC)

- Confirmation of appointment of 4 Assistant Chief Executive Officers (ACEO) for Finance, Maritime, Engineering and Operations.
- SSC staff winning team award for Service Delivery Initiatives at PSC day recognizing their service for many years without major accidents. Also received "Excellence in Business" award in New York.
- 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 16% higher than the same period last year.
- Use of the Charter Service was down 20% compared to last year mainly due to a reduction in charters for the Tokelau Office.
- Despite the increases in expenses, the higher increase in revenue resulted in an increase in NPAT and ROE.
- Total staff employed by the Corporation is 156.

11. Samoa Shipping Services (SSS)

- Total number of seafarers employed by Mediterranean Shipping Company (MSC) as of September 2012 is 206 plus 7 on board the MV Forum Samoa.
- SSS recorded US\$1.02 million revenue from its crewing services, which benefit seafarer's parents and families in Samoa. Income from crewing services account for 92% of total revenue.
- SSS's market share in imported cargo business dropped to 1.4% for the quarter. This was due to the tough competition from the other shipping companies.
- Personal costs are SSS largest expense making up 87% of total expenditure.
- Total staff employed by the Company is 17.

12. 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 is the main expense item accounting for 36% of total expenditure.
- Total staff employed by the Corporation is 67 (11 full-time and 56 casual).

13. Samoa Water Authority (SWA)

- Reduction in Non-revenue water (NRW) ongoing priority of SWA. This quarter has seen a reduction in NRW from the previous quarter in both Upolu (2%) and Savaii (1%).
- Ongoing rehabilitation works at the main water treatment plants of Fuluasou, Malololelei, and Alaoa approximately 60% complete.
- Contract for the construction of the Vailele water treatment plant was awarded to King Construction. Site clearance, road improvement and ordering of materials currently underway.
- Contract for chlorination facility upgrade awarded to Kew Consult in association with SMEC.
- Water sales accounted for 61% of total revenue, waste water revenue is second at 19%.
- Depreciation and Personal costs are the Authority's major expenses representing 52% 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.
- Total staff employed by the Authority is 216.

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

- Unitholders as of the 30th September 2012 totaled 574. Individual and joint investors make up 96% of all unitholders.
- UTOS currently issuing capital notes to 5 SOEs with a total value of \$11.02 million. These 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 July-September 2011 & YTD July-September 2012)

MUTUAL BODIES :	REVENUE			EXPENSES			NPAT ¹	
	2011	2012	Variance ³	2011	2012	Variance	2011	2012
Accident Compensation Corporation	3.45	3.29	(5)%	1.14	2.29	101%	2.32	1.01
Samoa Life Assurance Corporation	2.47	2.30	(7)%	2.02	2.18	8%	0.40	0.12
Samoa National Provident Fund	9.09	8.31	(9)%	2.13	1.93	(9)%	6.97	6.37
Total	15.01	13.90	(7)%	5.28	6.40	21%	9.68	7.50
PUBLIC BENEFICIAL BODIES								
National Health Services of Samoa	13.16	16.22	23%	14.93	18.20	22%	(1.78)	(1.99)
National Health Kidney Foundation of Samoa	1.30	1.34	3%	1.20	0.74	(39)%	0.09	0.60
National University of Samoa	4.40	-	-	4.18	-	-	0.22	-
Samoa Qualifications Authority	0.45	0.92	102%	0.47	0.84	77%	(0.02)	(0.08)
Scientific Research of Samoa	1.51	0.54	(64)%	0.83	0.47	(43)%	0.68	0.70
Samoa Sports Facilities Authority	0.90	0.97	7%	1.35	1.25	(7)%	(0.45)	(0.29)
Samoa Fire and Emergency Service Authority	0.74	0.80	8%	0.77	0.95	24%	(0.03)	(0.15)
Samoa Tourism Authority	3.25	4.02	24%	2.77	2.76	(0)%	0.47	1.25
Total	25.70	24.80	(4)%	26.51	25.21	(5)%	(0.80)	(0.41)

■ Data unavailable