

SOE Performance Report

April-June 2012 YTD

SOE Monitoring Division, Ministry of Finance

May 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 April – June 2012. All amounts are in Samoan Tala (ST).

PUBLIC TRADING BODIES' PERFORMANCE (YTD⁴ April-June 2011 & YTD April- June 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	4.32	3.67	(15)%	4.65	1.80	(61)%	(0.34)	(0.26)	(5)%	(4)%
Development Bank of Samoa	9.44	10.42	10%	9.66	11.62	20%	(0.22)	(1.20)	(0.4)%	(2)%
Electric Power Corporation	95.19	100.31	5%	92.96	97.49	5%	2.23	2.82	1%	1%
Land Transport Authority	41.42	33.87	(18)%	38.78	37.69	(3)%	1.91	(4.35)	23%	(169)%
Polynesian Airlines Limited	15.51			12.88			2.63		17.8%	
Public Trust Office	0.56	0.90	61%	0.87	0.74	(15)%	(0.31)	0.16	(13)%	3%
Samoa Airport Authority	9.64	9.50	(1)%	11.19	10.32	(8)%	(1.54)	(0.82)	(5.7)%	(1)%
Samoa Housing Corporation	3.11	3.46	11%	2.71	2.93	8%	0.40	0.53	2.6%	5%
Samoa Land Corporation	9.26	5.17	(44)%	8.43	5.19	(38)%	0.83	(0.02)	1.2%	(0.03)%
Samoa Post Limited	2.17	2.39	10%	1.74	1.86	7%	0.43	0.38	29.3%	43%
Samoa Ports Authority	14.96	12.01	(20)%	14.73	14.37	(2)%	0.23	(2.36)	0.6%	(2)%
Samoa Shipping Corporation	19.87	23.77	20%	16.36	21.47	31%	3.38	1.68	18.2%	2%
Samoa Shipping Services	7.68	7.22	(6)%	6.37	7.23	14%	1.31	(0.018)	52.9%	(1)%
Samoa Trust Estate Corporation	0.75	0.45	(40)%	1.51	2.02	34%	(0.76)	(1.56)	(1.6)%	(3)%
Samoa Water Authority	16.26	22.20	37%	20.34	22.45	10%	(4.08)	(0.25)	(5.1)%	(0.1)%
UTOS (Mngt) Ltd	0.0062	0.063	916%	0.54	0.58	7%	(0.54)	(0.52)	(325.2)%	(36)%
TOTAL	250.15	235.40	(6)%	243.72	237.76	(2)%	5.45	(3.02)		

■ 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 SOE PERFORMANCE:

1. Agriculture Stores Corporation (ASC)

- ASC is one of the SOEs approved for privatization and is currently undergoing.
- Major revenue for ASC is sales income from selling agricultural products. High level of stock on hand has remained an issue impacting revenue for the Corporation.
- Salaries and wages continue to represent the highest percent of total expenses, also depreciation and interest costs contribute a lot to total expenses.

2. Development Bank of Samoa (DBS)

- The significant factor affecting DBS's overall performance is the reduction in interest income as a result of interest suspension on major tourism and industrial accounts in response to the adverse impact of the global financial crisis.
- The Bank continues to review and restructure the poor performing accounts to allow reasonable terms to ensure that loan repayments are being met.

3. Electric Power Corporation (EPC)

- Total year to date capital expenditure and CSO project costs for the financial year ending 30 June 2012 is \$6.87m.
- Increase in electricity sales and surcharge has resulted in the increase in revenue for 2012 which has significantly impacted the increase in profits.

4. Land Transport Authority (LTA)

- LTA remains committed to the implementation of major activities including roads rehabilitation and management systems for road users.
- Government grant is the major source of revenue for the Authority. The reduction of this grant by 29% has impacted the 2012 revenue for the Authority. Recent increase in charges and fees of vehicles registration and driver licensing will assist the Authority in boosting its revenue.
- Asset management expense is the significant expenditure of the Authority. This includes road routine maintenance. The 3% reduction in expenses as shown above is mainly due to the decrease in routine expenses.

5. Public Trust Office (PTO)

- PTO continued to seek financial assistance to obtain a network system to improve the efficiency of its service delivery to the public
- Revenue for the office is mainly derived from administration fees and the increase in such fees has contributed to the overall increase in revenue compared to 2011
- Spending has reduced which overall improves NPAT compared to the loss in 2011.

6. Samoa Airport Authority (SAA)

- SAA has requested the Office of the Attorney General for a review of its obligations under a number of legislations to prioritise safety over profitability. This review might device future strategies for the Board and Management. The completion of the terminal building upgrade and UHF link between Faleolo, Mt Fiamoe and Mt Vaea was also noted.

- The major factor affecting the overall performance of the Authority is its high expense level mainly on depreciation and operating expenses.
- Main sources of income for the Authority are Departure tax and Landing fees while major expenditure items were Directors fees and Operating expenses

7. Samoa Housing Corporation (SHC)

- SHC continued to offer attractive interest rates to the public for its lending.
- Increase in revenue is mainly due to the increase in lending fees.
- Expenses also increase as a result of the increase in administrative costs.

8. Samoa Land Corporation (SLC)

- SLC continued repairs and maintenance of market buildings both in Upolu and Savaii. Subdivision of 30 acres at Falelauniu Phase 3 has completed.
- Land sale and lease rental income are major contributors to revenue. The big drop in revenue is the result of decreased revenue collected from land leases.
- Financial costs due to the corporation's borrowings have become the key contributing factor to expenses.

9. Samoa Post Limited (SPL)

- SPL has signed a contract with Samoa National Provident Fund for pension payments directly from Samoa Post outlets. It has also launched a SPL's special stamp to commemorate the celebration of the 50th Years of independence. The office is currently working with National Bank of Samoa to extend its services to rural districts of Salailua, Fagamalo and Tuasivi in Savaii. The office was also granted three mail vans from the Universal Postal Union.
- Postal revenue was notably high as a result of outward mail for postings for the NZ Quota Scheme alongside with the increasing commission received from Australasian Mail services. Internet service revenue also increased due to new internet services opened at Salelologa, Fagamalo and Tuasivi.
- 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.

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.
- The unprofitable result is mainly due to costs increase from time to time while its revenue base remains largely stagnant.

11. Samoa Shipping Corporation(SSC)

- SSC continued to be the dominant provider of sea transportation in Samoa and recently received global recognition at the presentation of 2012 International Quality Awards in New York for the outstanding service it provides.
- Vessel revenues from domestic routes (Mulifanua/Salelologa), International routes (Pago) and charter services are the main source of income. The positive result for the domestic service is consistent with its operational success. The increase in international service was mainly due to the increase in traffic between Samoa and American Samoa.
- Vessel operating costs rose compared to 2011 mainly as a result of increased depreciation for the vessels.
- Despite the improvement in revenue, the significant increase in depreciation means a reduction in NPAT by 18.2%.

12. Samoa Shipping Services (SSS)

- Number of seafarers continued to increase as a result of high demand from MSC (what does this stand for???)
- SSS recorded a US\$0.56 million revenue from its crewing services, which benefit seafarer's parents and families in Samoa. There is forecast for an increase in the future based on the expected rise in the number of seafarers.
- SSS continued to generate negative financial results. Unprofitable result for 2012 is a direct impact of the Forum Samoa II operations. The vessel does not generate sufficient revenues to match the increased expenses.

13. Samoa Trust Estate Corporation (STEC)

- The major set-back preventing STEC's development, particularly property development, is the dispute over land which has caused delay in finalizing lease agreements with potential businesses.
- Farm productivity has remained stagnant as the market for coconuts continues to fluctuate during the period.

14. Samoa Water Authority (SWA)


- Strong focus on Non-revenue water reduction is crucial for SWA's improved performance.
- The Authority continues to implement capital works mainly in Savaii with installation of water supply networks and other works approved under the EU Water Sector Support Program.
- Authority is committed to driving and implementing major activities in the Investment plan.
- The main revenue source is water sale. Government pays SWA Community Service Obligations for the non-commercial activities provided by SWA.
- Operation & Maintenance of system and non-system assets continued to be the major expenses for the Authority representing 27% of total expenses.

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

- Unitholders as at 30th June 2012 totaled 516. UTOS issues capital notes to finance a number of SOE investments.
- 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 which has significantly boosted the Company's revenue base.

ANNEX 1: MUTUAL AND BENEFICIAL BODIES PERFORMANCE (YTD April-June 2011 & YTD April-June 2012)

MUTUAL BODIES :	REVENUE			EXPENSES			NPAT ¹	
	2011	2012	Variance ³	2011	2012	Variance	2011	2012
Accident Compensation Corporation	13.59	14.07	4%	4.73	7.41	57%	8.87	6.66
Samoa Life Assurance Corporation	9.29	10.65	15%	7.50	8.47	13%	1.58	2.13
Samoa National Provident Fund	35.13	36.57	4%	12.06	8.58	(29)%	23.06	27.98
Total	58.01	61.29	6%	24.29	24.46	1%	33.51	36.77
PUBLIC BENEFICIAL BODIES								
National Health Services of Samoa	61.17	61.69	1%	64.31	116.32	81%	(3.15)	(5.36)
National Health Kidney Foundation of Samoa	4.81	5.31	10%	4.48	5.86	31%	0.32	(0.55)
National University of Samoa	19.33			18.10			1.24	
Samoa Qualifications Authority	1.70	1.83	8%	1.44	1.88	31%	0.26	(0.046)
Scientific Research of Samoa	3.40	2.69	(21)%	3.55	1.84	(48)%	(0.15)	0.85
Samoa Sports Facilities Authority	3.53	3.79	7%	7.08	5.33	(25)%	(3.55)	(1.53)
Samoa Fire and Emergency Service Authority	2.71	3.08	13.7%	2.95	3.13	6%	(0.3)	(0.47)
Samoa Tourism Authority	11.19	11.97	7%	10.16	9.74	(4)%	1.03	6.76
Total	105.13	87.28	(17)%	109.12	140.97	29%	(4)	0.12

 Data unavailable