

PEPA FAAOPOOPO A:

**REPORT ON PUBLIC BODIES
PERFORMANCE**

**FOR THE QUARTER
JANUARY- MARCH 2019**

**Ministry for Public Enterprises
September 2019**

Acronyms

KPIs	- Key Performance Indicators
n/a	- Not Available
MESC	- Ministry of Education, Sports and Culture
MOF	- Ministry of Finance
MPE	- Ministry for Public Enterprises
MS	- Mutual Societies
NPAT	- Net Profit After Tax
NPBT	- Net Profit Before Tax
PBA 2001	- Public Bodies (Performance & Accountability) Act 2001
PB	- Public Bodies
PTB	- Public Trading Bodies
PBB	- Public Beneficial Bodies
ROA	- Return on Assets
QR	- Quarterly Report
ROE	- Return on Equity
YTD	- Year to Date

A. INTRODUCTION

A.1 Purpose

The purpose of this report is to provide an overview of the performance of all PBs for the quarter ended 31st March 2019. The content of the report includes the following:

1. Overview of PB performance by Portfolio (Section B):
 - i. Public Trading Bodies (PTB)
 - ii. Mutual Societies (MS)
 - iii. Public Beneficial Bodies (PBB)
2. Overview of PB performance by Consolidation (Section C)
3. Fiscal Risk and Dividend Analysis (Sections D & E)
4. Overview of PB Compliance with QRs requirements (Section F)
5. Recommendations for PB Performance Improvements (Section G)

A.2 Public Bodies Included in this Report:

26 Public Bodies listed below have submitted their quarterly reports and are included in this Overall Analysis report except for Polynesian Limited (PAL). MOU is yet to be finalized between MPE and PAL in relation to safeguarding information shared.

Public Trading Bodies (PTB)

1. Development Bank of Samoa (DBS)
2. Electric Power Corporation (EPC)
3. Gambling Control Authority (GCA)
4. Land Transport Authority (LTA)
5. Public Trust Office
6. Samoa Airport Authority (SAA)
7. Samoa Housing Corporation (SHC)
8. Samoa Land Corporation (SLC)
9. Samoa Post Limited (SPL)
10. Samoa Ports Authority (SPA)
11. Samoa Shipping Services (SSS)
12. Samoa Shipping Corporation (SSC)
13. Samoa Water Authority (SWA)
14. Unit Trust of Samoa (UTOS)
15. Samoa Trust Estate Corporation (STEC)

Mutual Societies (MS)

16. Accident Compensation Corporation (ACC)
17. Samoa National Provident Fund (SNPF)
18. Samoa Life Assurance Corporation (SLAC)

Public Beneficial Bodies (PBB)

19. National Kidney Foundation Samoa (NKFS)
20. National University of Samoa (NUS)
21. Samoa International Finance Authority
22. Samoa Fire and Emergency Services Authority (SFESA)
23. Samoa Qualification Authority (SQA)

- 24. Scientific Research Organization of Samoa (SROS)
- 25. Samoa Sports Facilities Authority (SSFA)
- 26. Samoa Tourism Authority (STA)

Compliance to mandated deadline (one month after the end of every quarter) is vital to ensure the timeliness of report and review for Shareholding Ministers has significantly improved in the reporting period. SPA, SSC, PTO, SLAC and NUS delayed submission of their reports within a week after the due date and STEC and GCA submitted their reports in June which is two months delayed.

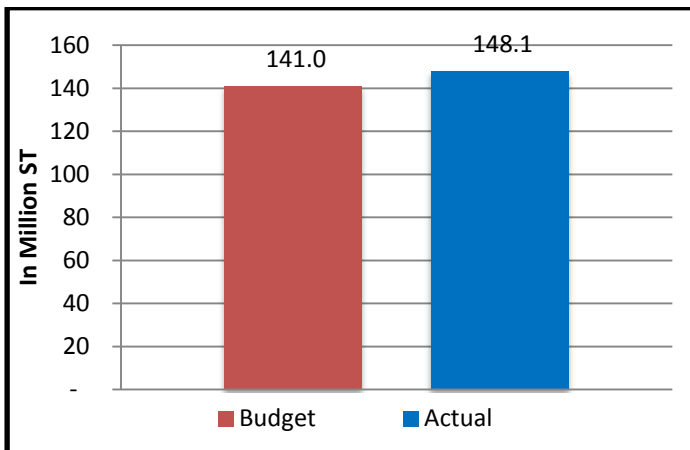
The above mentioned Public Bodies are advised to ensure the future quarterly reports are submitted on time for full compliance to reporting requirements in the Public Bodies (Performance & Accountability) Act 2001.

B. OVERVIEW OF PB PERFORMANCE BY PORTFOLIO

B.1. PUBLIC TRADING BODIES:

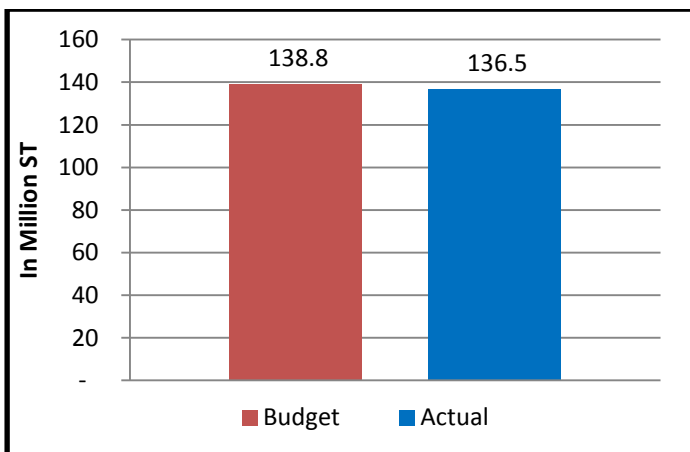
The PTB objective as mandated under Section 8 of the PBA 2001 is to “perform profitably and efficiently as comparable businesses that are not owned by the State”. Additionally, PTBs are required to achieve an improved ROE with the target of 7% to be met on a progressive basis. PTBs are also required to pay 35% of NPAT as dividends to Government subject to satisfying the solvency test.

i. PTB Revenue:



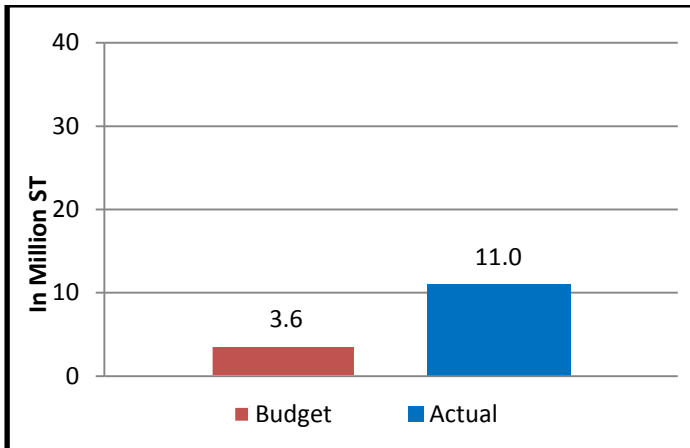
Revenue is above budget by 5%. STEC, SSS, PTO and SLC recorded substantial increase in revenue compared to budget while other trading bodies achieving below budget revenue.

ii. PTB Expenses:



Expenditure incurred is below budget by 2%. SPL, SSS, STEC and SWA spending exceeded budget with all other PTBs expenditure being below budget.

iii PTB NPAT:

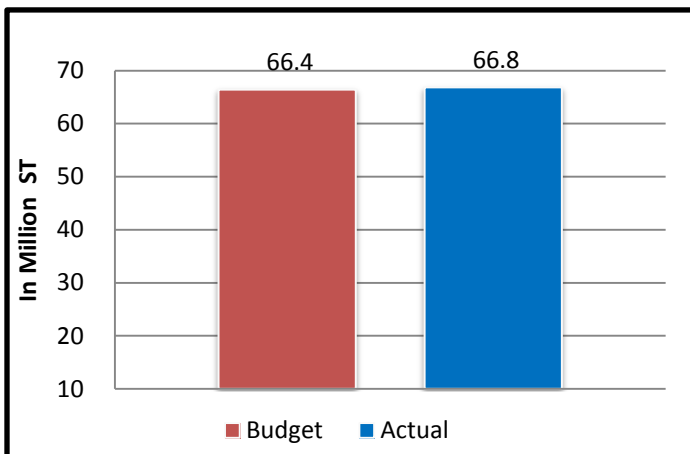


Following revenue and expenditure trend, NPAT is significantly above budget by 204%. Only DBS, PTO and SWA recorded net losses in the quarter under review.

B.2. MUTUAL SOCIETIES (MS):

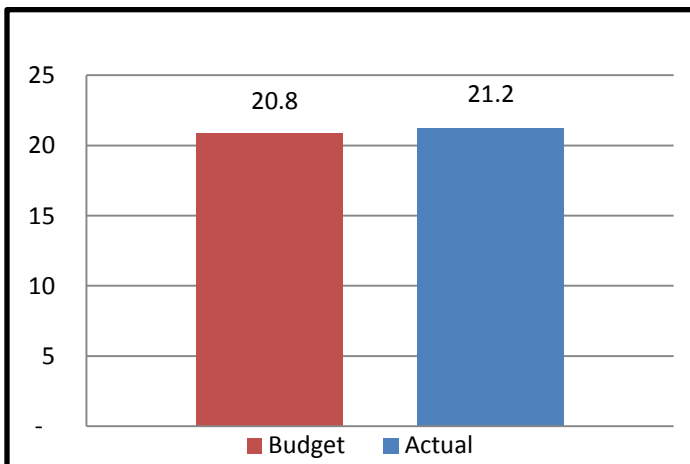
MS are required to be profitable under the PBA 2001 but are not required to pay dividends to Government. However, MSs returns to contributors and policy holders are to be maximised.

i. Mutual Revenue:



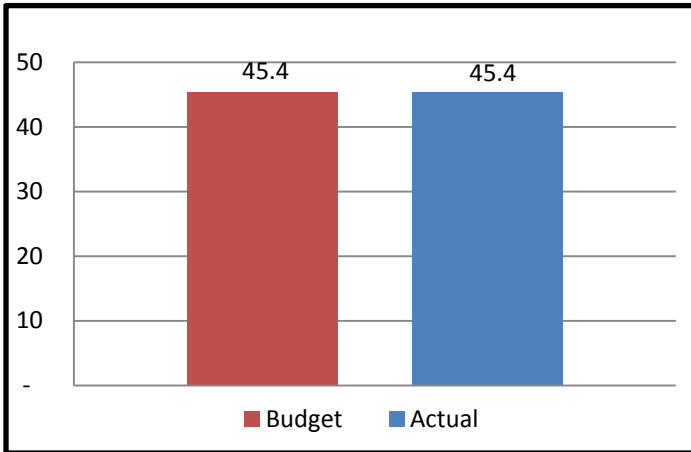
YTD revenue is slightly above budget due to increase in revenue by ACC and SNPF by 2% and 1% respectively. Revenue recorded by SLAC is below budget by 2%.

ii. Mutual Expenses:



YTD expenditure is above budget by 2% in due to increase spending by all 3 Mutual Bodies. ACC by 2%, SLAC by 4% and SNPF by 0.2%.

iii. Mutual NPAT:

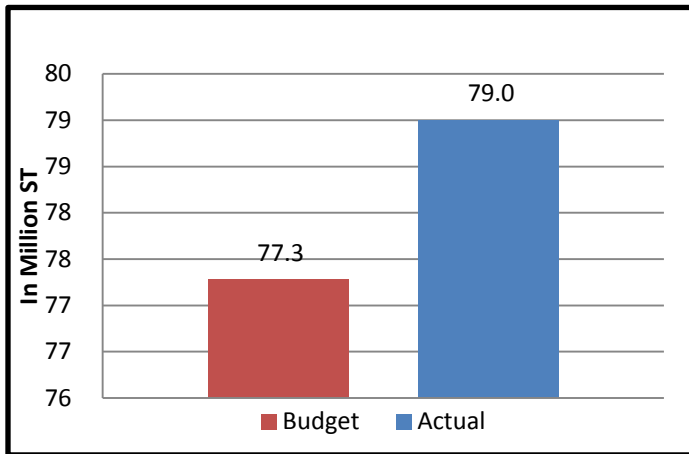


YTD NPAT is slightly above budget by 0.01% despite a net loss by SLAC.

B.3. PUBLIC BENEFICIAL BODIES:

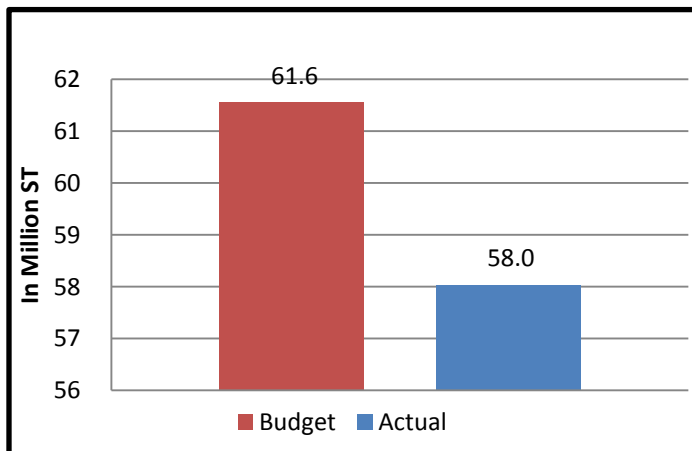
The key objective for PBB is to “provide excellent service to its users; the people of Samoa and operate efficiently and effectively like businesses not owned by the State”.

i. PBB Revenue:



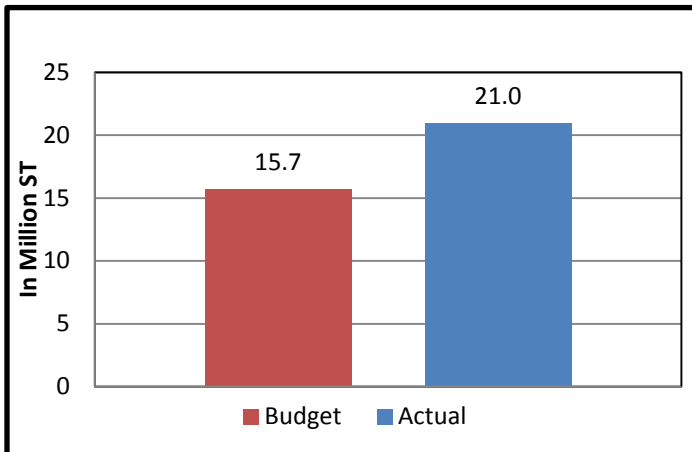
YTD revenue has increased by 2.2% mainly attributed by the increase in revenue collection by SIFA by 16%.

ii. PBB Expenses:



YTD expenditure is within budget limits by 5.7% due to controlled spending by all PBBs except for SROS and NKFS which are above budget by 32.9% and 1.1% respectively.

iii. PBB Surplus/Deficit:

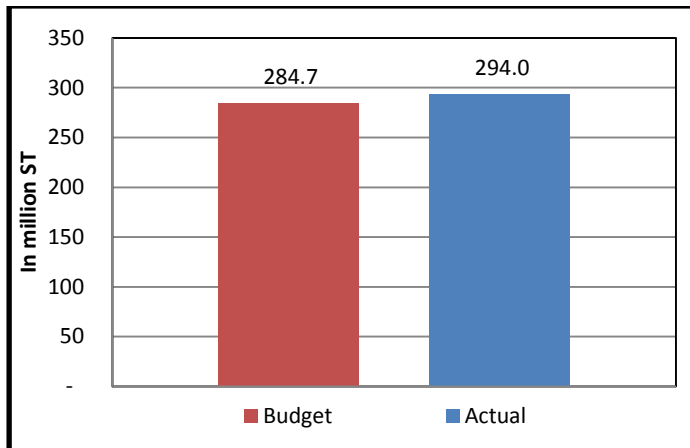


PBB YTD NPAT aggregates to 21million to date above budget by 33.3% following the increase in revenue collection and controlled spending by PBBs.

C. OVERVIEW OF PB PERFORMANCE BY CONSOLIDATION

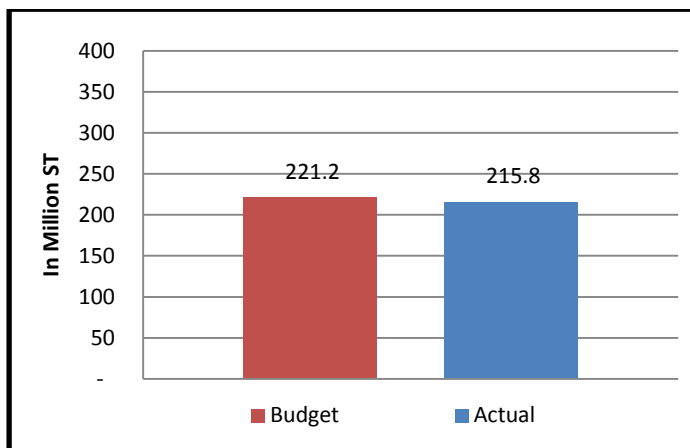
The following analysis is a consolidated performance result for the 25 PBs included in this report.

i. Consolidated Revenue:



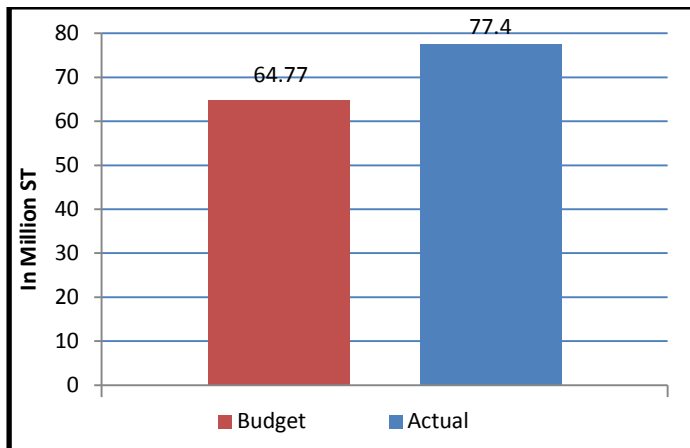
Overall revenue exceeds budget by 3.2% mainly driven by the increase in overall revenue from all Public Bodies.

ii. Consolidated Expenses:



Overall expenditure is below budget by 2.5% due to the decrease spending by public trading and public beneficial bodies by 2% and 0.1% respectively compared to budget.

iii. **Consolidated NPAT:**

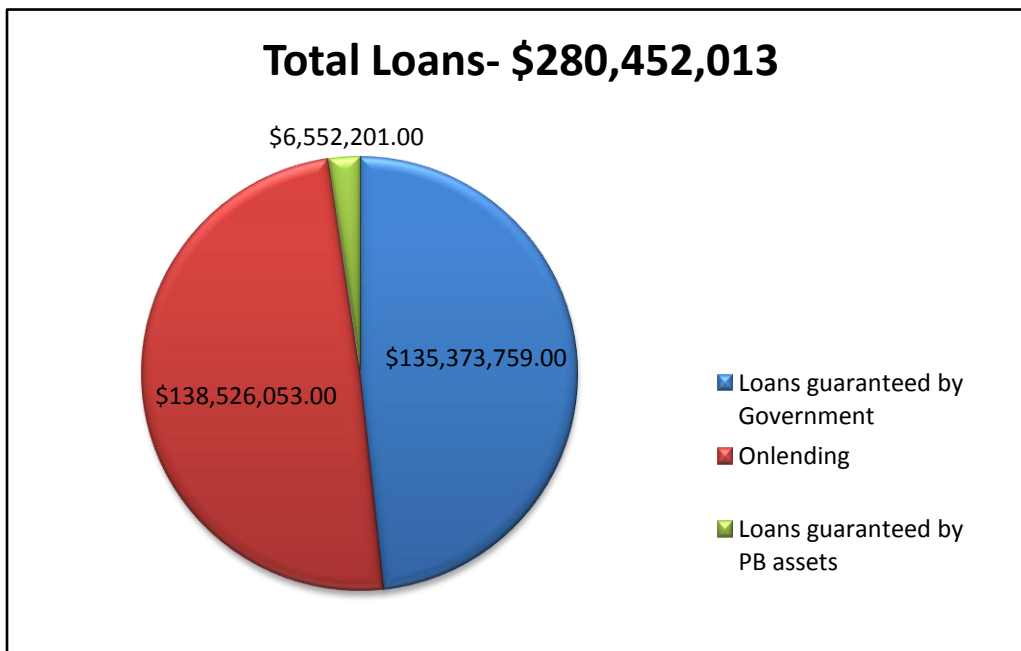


Overall NPAT is above budget by 20% following the increase in NPAT for all Public Bodies. The PTB portfolio recorded an increased aggregate NPAT.

D. FISCAL RISK

D.1 PUBLIC TRADING BODIES - TOTAL LOANS

1. GOVERNMENT GUARANTEED LOANS- 31ST MARCH 2019

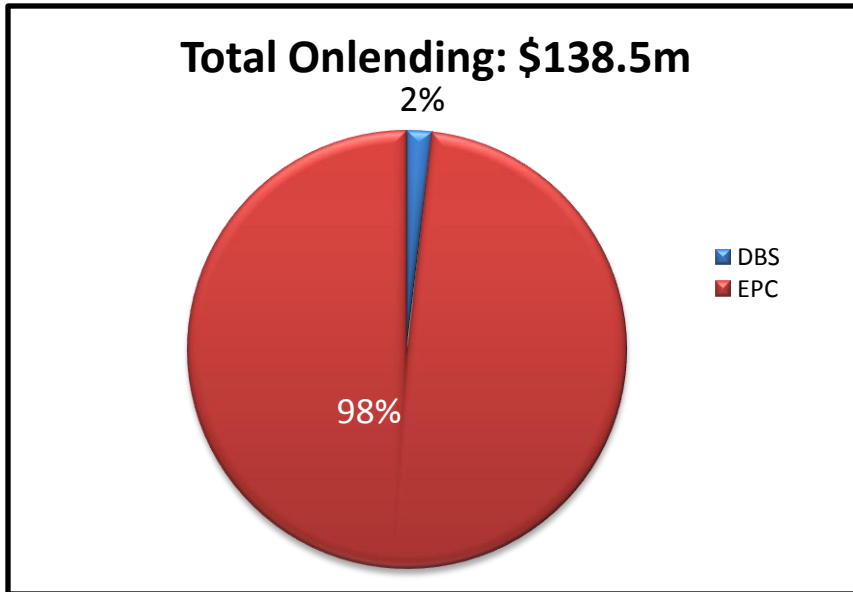


Total interest bearing debts amount to \$280,452,013 as at 31st March 2019. 48% are Government guaranteed loans, 49% are on lending and the remaining are loans guaranteed by PB assets.

Loans guaranteed by PTB assets include direct borrowings by SAA, SHC and SSC and accounts for 3% of total loans. SAA has a term loan with SNPF and was fully drawn down in October 2004 and secured by 30 acres of land at Faleolo Parcel 782 and chattel over Instrument Landing System. Interest is charged at 11% per annum for a term of 20 years and the current loan repayment is \$22,297 per month. The loan is paid direct from income earned on airspace through Ministry of

Finance. SHC loan with SCB is secured over the property at Matafele with building, Lot 945, Plan 6399. The term of the loan is 9 years and 2 months at interest rate of 9% with monthly repayment of \$27,000. SSC loan was for the acquisition of Vessel MV SSC 40. The loan's monthly repayment is \$76,940 at an interest rate of 7% per annum, secured over assets at Vaitele and Matautu.

2. ONLENDING:



On-lending to PTB amounts to \$138.5m as at 31st March 2019. EPC continued to be the main recipient of on lending in line with Government major infrastructure development projects currently underway.

E. DIVIDENDS PAYABLE TO GOVERNMENT

- The ROE and Dividend Policy as per FK (18)25 mandates the new calculation for ROE and Dividend commencing FY ended 30th June 2018. The outstanding dividend calculated below includes Interim dividend calculated based on the 6 monthly results as at December 2018 for the current FY.
- The payment of dividend is subject to solvency test. Should the PTB passes its solvency test, payment of dividend is expected to be paid to Government.
- The loss making PTBs are advised to formulate reform plans to improve their performance, ROE and improve ability to pay dividend to Government.

PTBs		Outstanding Dividends as at June 2018	Interim Dividend (Dec 2018)	Outstanding Dividend + Interim Dividend
1	GCA	\$1,032,175.45	\$328,306.30	\$1,360,481.75
2	PAL	\$14,932,749.00		\$14,932,749.00
3	SPA	\$985,172.35	\$1,552,482.05	\$2,537,654.40
4	LTA		\$1,552,521.60	\$1,552,521.60
5	SLC		\$652,272.25	\$652,272.25
	Total	\$16,950,096.80	\$4,085,582.20	\$21,035,679

- MPE reviewed LTA, PTO and SLC solvency supporting documentation given.
- SPA is continued to make dividend payments in instalment as per agreement with the government.
- We also acknowledge receipt of interim dividend payments for the six months ended 31st December 2018 as well as outstanding dividends from previous financial years.

F. OVERVIEW OF PB COMPLIANCE WITH QR REQUIREMENTS

F.1 QR REQUIRED DEADLINE:

Out of the 26 submitted reports, 73% (19) of PBs submitted their quarterly reports within and by the required deadline (one month from the end of each quarter). This quarter records an improvement of compliance compared to previous quarter and the Ministry acknowledges the efforts with anticipation of 100% achievement in the remaining quarter of this Financial Year.

F.2 QR REQUIRED GUIDELINES:

The required guidelines for QR issued by MPE under the PBA 2001 for all PB to follow consist of the following main sections:

1. A signed CEO's Report
2. Analysis of KPIs
3. Full Financial Statements (including notes to accounts)

All PBs included in this Overall Report complied with the above required format. There are some minor concerns varied from quarter to quarter such as not providing budget figures so that actual amount can be compared for analysis, as well as errors in calculation of KPIs. These minor issues are mostly resolved during the review process.

STEC did not comply with reporting requirement as they submitted only profit and loss statement without providing full report. PAL's report wasn't on time due to delay in agreement signed to release full accountable report.

G. RECOMMENDATIONS FOR IMPROVEMENT

We respectfully request Cabinet to:

- 1) Endorse the Overall Quarterly Report for the quarter ending 31st March 2019.
- 2) Direct the Board and Management of STEC, GCA and PAL to ensure the reports are submitted on time to the Ministry of Public Enterprises.
- 3) Direct the Ministry of Public Enterprises to work with Public Trading Bodies in collecting all outstanding dividends within the forthcoming quarter.