

2. Current Revenue and Profitability
SELECTED PUBLIC SECTOR ENTITIES -
FINANCING PLAN FOR 1989/90

The 1989/90 Financing Plan (comprising estimates of revenue, expenditure and cash flow) of 18 Selected Enterprises for the financial year 1989/90 is now presented to the Honourable House of Parliament.

Since 1986/87 it has become the practice to present these estimates to the Honourable House because of the impact of the performance of the public enterprises on the economy. The Public Enterprises Division of the Ministry of Finance and the Public Service continues to perform the monitoring role and it is hoped that with expanded and improved facilities, the cooperation between these entities and this Ministry will be enhanced.

Incorporated in this presentation is the Financing Plan for the 18 Selected Public Sector Entities listed below:

1. Air Jamaica Limited
2. Airports Authority of Jamaica
3. Jamaica Broadcasting Corporation
4. Jamaica Commodity Trading Company Limited
5. Jamaica Mortgage Bank
6. Jamaica Public Service Company Limited
7. Jamaica Railway Corporation
8. Jamaica Sugar Holdings Limited
9. National Investment Bank of Jamaica
10. National Hotels & Properties
11. National Housing Trust
12. National Housing Corporation
13. National Water Commission
14. Petroleum Corporation of Jamaica
15. Petrojam Limited
16. The Port Authority of Jamaica
17. Sugar Industry Authority
18. Urban Development Corporation

2. Current Revenue and Profitability

In 1988/89 Government disposed of 13% of the shareholding in Telecommunications of Jamaica Limited (TOJ Ltd) - the Holding Company of Jamaica Telephone Company Limited and Jamaica International Telecommunications Limited. This affected the consolidated revenues of the Selected Public Enterprises. Government's shareholding fell below 50%. Consequently the financial operations of TOJ Limited were no longer consolidated with the other Selected Public Enterprises.

In 1988/89 the revenues of the enterprises were adversely affected by the Hurricane Gilbert, occasioning a downward revision in the estimates of the Public Sector entities. The original estimates for 1988/89 excluding TOJ Limited projected current revenue of \$6,323.79m but this has been revised to \$6,214.79m which is \$100.18m above 1987/88. After deducting current expenses, finance charges, taxes and dividends and other appropriations the net current surplus is projected at \$44.65m for 1988/89, an amount of \$180.31m below that for 1987/88. The borrowing programme for 1988/89 resulted in a deficit of \$601m compared to a programme target of an overall surplus of \$205m.

For 1989/90 current revenue of the enterprises is projected at \$7,224.27m which shows an increase of \$1,009.03m or 16.2% over the preliminary results for 1988/89. After taking into account expenses, finance charges, taxes, dividends and other appropriations, a surplus of \$225.70m is projected for 1989/90, representing an improvement of \$181.05m over 1988/89.

For 1987/88 the actual results revealed that (after finance charges, etc.) 12 enterprises generated surpluses ranging from \$1.17m to \$80.72m. Five entities incurred net deficits ranging from \$1.69m to \$23.73m.

The latest revised estimates for 1988/89 show that 9 enterprises will generate surpluses ranging from \$92.40m to \$3.02m and 9 will incur deficits ranging from \$3.70m to \$69.54m.

Projections for 1989/90 are that 14 of the 18 selected enterprises will generate surpluses of \$284.94m as shown below:

	<u>J\$M</u>
1. National Housing Trust	100.91
2. Petrojam Limited	45.67
3. Urban Development Corporation	28.48
4. Jamaica Commodity Trading Company	24.80
5. Jamaica Public Service Company Ltd	20.92
6. Port Authority of Jamaica Limited	16.83
7. National Investment Bank of Jamaica	11.43
8. Jamaica Sugar Holdings Limited	9.30
9. National Housing Corporation	6.18
10. National Water Commission	5.26
11. Jamaica Railway Corporation	4.98
12. Airports Authority of Jamaica	4.32
13. Petroleum Corporation of Jamaica	6.63
14. Sugar Industry Authority Authority	2.23

The remaining 4 enterprises are projected to incur deficits as shown below:

	<u>J\$M</u>
1. Jamaica Broadcasting Corporation	.26
2. Jamaica Mortgage Bank	5.34
3. Air Jamaica Limited	20.01
4. National Hotels and Properties Ltd	33.64

3. Surplus/Deficit on Operations

After excluding depreciation and other non-tax items the latest revised² estimates for 1988/89 show that total surplus from operations will be \$420.94m. This is \$168.33m less than the actual of \$589.27m for 1987/88. For 1989/90 total surplus from operations is projected to be \$689.60m or \$268.66m more than the revised estimates of \$420.94m for 1988/89.

4. Capital Revenue

Capital revenue for 1988/89 is revised at \$364.12m which is \$202.8m less than the actual of \$566.92m for 1987/88. The original estimates for 1988/89 projected capital revenue of \$699.18m but because of the unavoidable delays in divesting the Government-owned hotels, there has been a shortfall of \$335.06m. Projected insurance flows from Hurricane Gilbert also fell short of the original targeted levels.

5. Funding of Amortization, Investment and Capital Expenditure

The combined surplus from operations and capital revenue, supports the obligations for amortization, investment and capital expenditure as shown below:

	<u>1987/88</u> <u>J\$M</u>	<u>1988/89</u> <u>J\$M</u>	<u>1989/90</u> <u>J\$M</u>
i) Surplus from Operations	589.27	420.94	689.60
ii) Capital Revenue	<u>566.92</u>	<u>364.12</u>	<u>566.17</u>
iii) Less Amortization (Excluding GOJ)	1,156.19 <u>422.41</u>	784.82 <u>249.73</u>	1,255.77 <u>246.95</u>
iv) Balance available for capital expenditure and investment	733.78	535.09	1,008.82
v) Capital Expenditure & Inv.	750.74	997.07	920.00
vi) Amount financed by Surplus at (iv)	733.78	535.09	935.48
vii) Percentage financed by surplus	97.8%	53.67%	100%
viii) Balance after capital expenditure/investment	(16.96)	(461.98)	73.34

Financed by:

Foreign Loans	242.07	314.45	327.39
Domestic Loans	157.42	63.35	81.17
GOJ Loans	109.52	79.98	115.27
Grants	11.13	116.97	16.00
Equity	<u>42.50</u>	<u>76.09</u>	<u>51.50</u>
TOTAL	562.64	650.84	591.33
BALANCE	545.68	236.10	664.67

Used for:

GOJ repayment	57.12	110.76	180.07
Working Capital	488.56	125.34	484.60

6. Capital Expenditure

The revised consolidated capital expenditure and investment programmes for 1988/89 is \$997.07m, which is \$246.33m or 32.8% in excess of 1987/88. Significant components of capital expenditure and investment programmes for 1988/89 were:

	<u>J\$M</u>
Jamaica Public Service Company Limited	293.89
National Hotels and Properties Limited	73.46
National Investment Bank of Jamaica Limited	272.02
Port Authority of Jamaica Limited	89.00
National Water Commission	64.52
Air Jamaica Limited	52.00
Jamaica Broadcasting Corporation	26.15

The 1989/90 capital expenditure investment programme is estimated at a total of \$873 million which is \$86 million above the revised amount for 1988/89. Significant components of the 1989/90 programmes are:

	<u>J\$M</u>
Jamaica Public Service Company Limited	323.92
National Housing Trust	199.66
National Water Commission	55.34
Port Authority of Jamaica	80.27
Airports Authority of Jamaica	41.00
Air Jamaica Limited	88.83

7. Capital Outflows

Amortization is being fully met from the resources of the enterprises as shown in paragraph 5 above.

8. Corporation Tax

In 1988/89 Corporation Tax from the entities was projected at \$215.76m, but had to be drastically reduced to \$87.91m because of the exclusion of the Jamaica Telephone Company Limited and the Jamaica International Telecommunications Limited from the Selected Enterprises, and also because of the impact of Hurricane Gilbert on the revenue flows of some of the enterprises. For 1989/90, Corporation Tax is projected at \$74.21m.

9. Effects of Hurricane Gilbert

Hurricane Gilbert caused extensive damage to plant and equipment of many of the enterprises resulting in dislocation in their operations. Additional funding had to be obtained in some cases to restore the damaged assets to operational levels. Some enterprises also suffered severe revenue loss. The restoration costs and

anticipated recoveries from insurance claims are shown below:

	<u>Cost</u>	<u>Insurance Recoveries</u>
Air Jamaica Limited	3.94	2.26
Airports Authority	15.00	10.13
Jamaica Broadcasting Corporation	12.76	12.76
Jamaica Public Service Company Ltd	347.00	170.00
Jamaica Railway Corporation	8.00	2.01
Jamaica Sugar Holdings Limited	8.01	6.01
National Hotels & Properties	112.40	112.40
National Investment Bank of Jamaica	5.70	3.80
National Water Commission	60.00	-
Port Authority of Jamaica	17.13	11.40
Revenue losses projected were:		
Air Jamaica Limited	110.67	-
Airports Authority of Jamaica	9.51	-
Jamaica Public Service Company Ltd	171.64	35.00
Jamaica Railway Corporation	3.91	-
National Hotels & Properties Ltd	24.78	24.78
National Water Commission	45.47	-

From the foregoing it will be observed that a number of the entities are under-insured in respect of plant and equipment e.g. Jamaica Public Service Company, Jamaica Railway Corporation and National Water Commission. Insurance for consequential revenue losses are also inadequate or just not present at all in some of the enterprises. The entities will be expected to address this problem in 1989/90.

10. Divestment of Hotels

Approval has already been given for 11 hotels to be divested. Offers are now being renegotiated and the projected flows from this source is \$314.60m.

11. The Honourable House is hereby assured that Government will continue to monitor all the Public Entities, not only to ensure their continued viability, but also to ensure that the overall path to growth and development is an integrated and coordinated one incorporating Central Government and all statutory bodies and Corporations and other Public Enterprises.

Seymour Mullings
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Public Service

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