



BUSINESS PLAN
2013-2014
FINANCIAL YEAR

April 2013

Photographs

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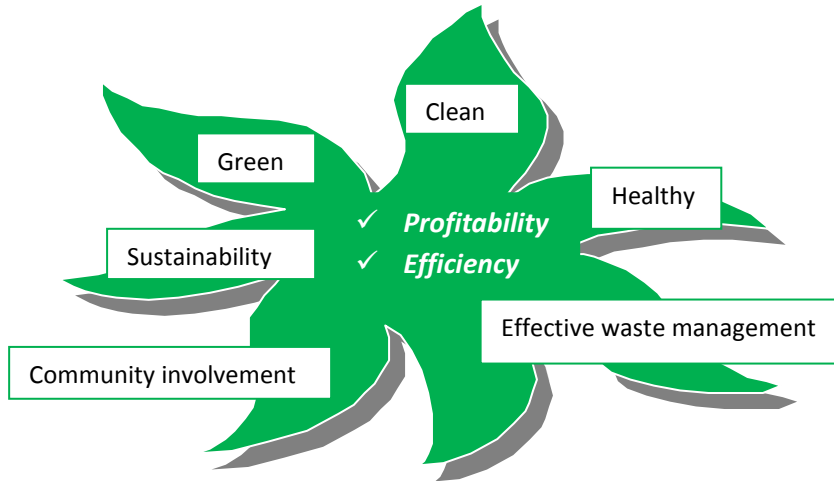
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Waste Authority Limited 's (WAL) **VISION:**

To enhance a **Clean, Green and Healthy Environment** for the country's well-being and to maintain an efficient waste management services.

The environment of our small island has fragile ecosystems that are vulnerable to the impacts of development and waste-related problems hence, the involvement of all sectors of the community in effective waste management should be compulsory.

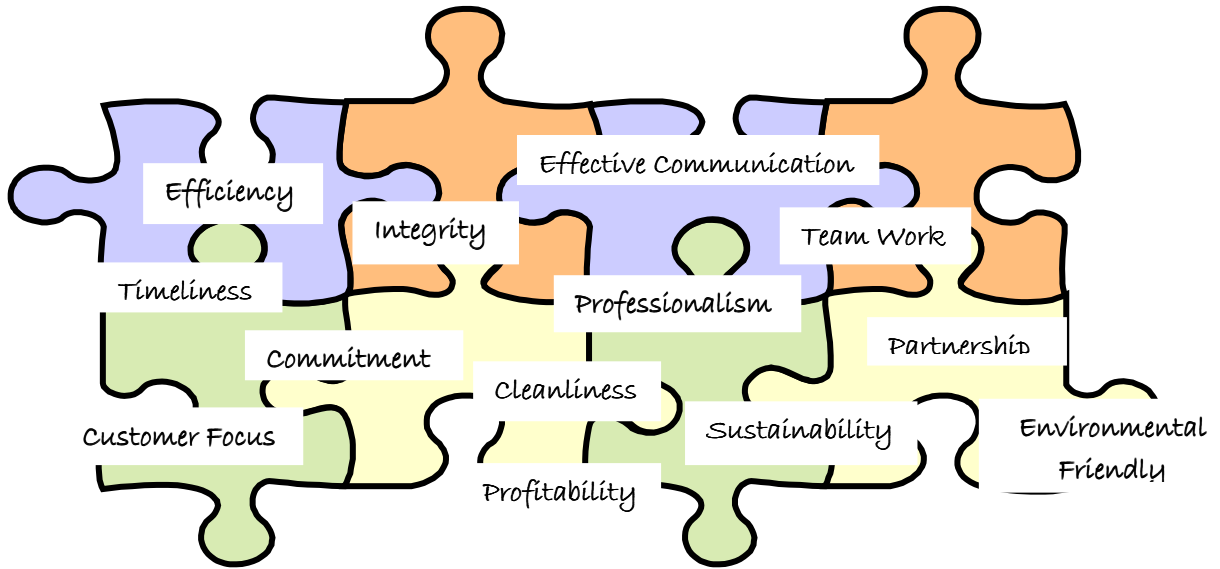


WAL's **MISSION:**

To **deliver Quality Services** with the objectives of attaining **profitability and efficiency** and to establish, improve, maintain, operate and manage the collection and disposal of all waste in the Kingdom including commercial, industrial and residential.



❖ **WAL's CORE VALUES :**



EXECUTIVE SUMMARY

- ❖ **Eight (8) categories for actions** have been identified. **Within each category are Strategies, Activities and Key Performance Targets** that are interlinked and collaborated to generate and monitor the desired outputs of this Business Plan.

The categories are;

1. Revenue
 - 1.1 Debt Collection
 - 1.2 Plastics Levy
 2. Expenditure
 - 2.1 Operational
 - 2.2 Capital
 3. Waste Collection & Customer Service
 4. Disposal Service
 5. Human Resource
 6. Asset Management
 7. Community Education and Awareness
 8. Statutory Requirements
-
- ❖ Free dumping of waste and littering, and a messy-state looking Kingdom are not only detrimental to our well-being and environment but a disadvantage to tourist attractions and the tourism industry as a whole. It is hoped that the Community Education and Awareness strategy and activities will initiate a shift from traditional attitude to new behaviours that will ;
 - (i) REDUCE, RE-USE , RECYCLE waste
 - (ii) Utilise WAL's waste collection and disposal service which is the only legitimate form of disposal besides composting and recycling, and the only environmental- friendly, engineered sanitary landfill in the Kingdom.

 - ❖ **WAL is fully committed to the coordination and implementation of Activities** devised in this Business Plan. It will continue to pursue and move forward to accomplish its vision of a clean, green and healthy Tonga.

1.0 Scope of Activities & Key Performance Indicators

Table 1:

Categories	Strategy	Actions/Activities	Key Performance Indicators
1. Revenue	<ul style="list-style-type: none"> Improve revenue through increasing participation. 	<ul style="list-style-type: none"> (i) Continue Joint Billing with TWB for Nuku'alofa districts. (ii) Begin Joint Billing with TPL for rural areas. (iii) Community lead approach to register all households and raise fund for community's waste charge. (iv) Develop regulations on enforcement of proper disposal of waste. 	<ul style="list-style-type: none"> (i) Increase of existing customers participation by $\geq 10\%$. (ii) "Spot Fining" Regulations.
1.1 Debt Collection	<ul style="list-style-type: none"> Improve revenue through effective debt collection. 	<ul style="list-style-type: none"> (i) Timely data input, invoicing & distribution of customers' invoices. (ii) Regular and consistent following up of customer's payments. (iii) Review tariff for Commercial Customers. 	<ul style="list-style-type: none"> (iii) Increase revenue from debt collection by $\geq 10\%$
1.2 WAL's Plastic Levy (Cabinet Decision #344; 19/4/13)	<ul style="list-style-type: none"> Improve revenue through collection of 10c levy on all plastic bags & containers imported to Tonga. 	<ul style="list-style-type: none"> (i) Set up payment station at point of importation. (ii) Collect plastic levy at point of importation. (iii) Set up separate account for Plastic Levy. 	<ul style="list-style-type: none"> (iii) Increase other revenue $\geq 10\%$
2. Operational Expenditure	<ul style="list-style-type: none"> Control expenditure through prioritizing needs. 	<ul style="list-style-type: none"> (i) Keeping in line with budget. 	<ul style="list-style-type: none"> (i) Not exceeding allocated votes.
2.1 Capital Expenditure	<ul style="list-style-type: none"> Control expenditure through complying with repair & maintenance manual. 	<ul style="list-style-type: none"> (i) Regular repair & maintenance of machineries and vehicle. (ii) Timely ordering of spare parts. 	<ul style="list-style-type: none"> (ii) Not exceeding allocated votes (iii) More reliable & efficient machineries & vehicle and reduce number of sudden break downs.
3. Waste Collection & Customer Service	<ul style="list-style-type: none"> Improve service delivery. 	<ul style="list-style-type: none"> (i) Provision of 2-new waste collection/compactor trucks. (ii) Punctual & Keeping to waste collection schedule (iii) Quarterly Customer Satisfaction Survey 	<ul style="list-style-type: none"> (i) Increasing access to collection services. (ii) Regular & timely waste collection service. (iii) Increasing participation.

Category	Strategy	Actions / Activities	Key Performance Indicators
	<ul style="list-style-type: none"> ▪ Strengthen capacity in Customer Service. 	<ul style="list-style-type: none"> (iii) Training on mechanisms of customer service. Iv) Implementing an effective complaints recording and response procedure. 	<ul style="list-style-type: none"> (ii) Customer Satisfaction $\geq 80\%$
4. Disposal Service	<ul style="list-style-type: none"> • Improve environmentally sound waste disposal operations at Tapuhia solid waste management facility. 	<ul style="list-style-type: none"> (i) Construction of Cell # 2. (ii) Procuring a loader. (iii) Building of a concrete slab with standing wall for drying of septage waste. (iv) Engaging an international technical assistance on a 1-year period to train local staff. (v) Procuring 2-new pumps for the treatment plant. (vi) Purchasing of water testing equipment & re-institution of the groundwater monitoring program. (vii) Monitor checklist records and provide timely feedback. 	<ul style="list-style-type: none"> (i) Extended life span of landfill for another 50 years. (ii) Improved site operating efficiencies. (iii) Attaining a revenue-generating source from dried septage waste as organic fertilizers. (iii) Compliance with environmental standards set in the EMP and site Operations Manual.
5. Human Resource	<ul style="list-style-type: none"> ▪ Strengthen capacity in Human Resources to improve service standards and commitment to best practice in waste management. 	<ul style="list-style-type: none"> (i) 1st Team building, reaffirming vision, objectives and action planning Workshop. (ii) 2nd Team Building Workshop on performance appraisal and tools for achieving WAL objectives. (iii) 3rd Team Building Workshop on reviewing of progress. (iv) Developing a culture of responsive and service-focused Training. (v) Address complaints/ respond to customers within 4hrs. 	<ul style="list-style-type: none"> (i) Improved standard and practice in waste management. (ii) Reduced Customers' Complaints by $\geq 50\%$. (iii) Customer Satisfaction $\geq 80\%$
6. Asset Management	<ul style="list-style-type: none"> ▪ Maximizing value of assets through maintenance and care for machineries, vehicle and properties. 	<ul style="list-style-type: none"> (i) Landfill construction Training (during construction of Cell 2 contract). (ii) Truck Drivers & Machinery Operators Training. (iii) Set up of an Asset Replacement Account. 	<ul style="list-style-type: none"> (i) Reduced frequency of broken down machineries/vehicle due to carelessness of drivers. (ii) \leq TOP 5000 deposited to open the Asset Replacement Account.

Categories	Strategy	Actions / Activities	Key Performance Indicators
7.Community Education and Awareness	<ul style="list-style-type: none"> ▪ Raising community awareness on household responsibilities for managing solid waste and public health benefit of safe waste handling and disposal. 	<p>(i)Waste Audit Training for Community leaders.</p> <p>(ii)Community Workshops on legal and safe waste handling and disposal.</p> <p>(iii)School promotions on classifying waste.</p> <p>(iv)Continue TV programmes and radio talkbacks on topical waste services and issues</p> <p>(v)Link to community clean up days and competitions.</p> <p>(vi)Incentivize “clean” communities .</p>	<p>(i) Increase participation from the public in the service by $\geq 10\%$.</p> <p>(ii) Cleaner, greener and healthier communities and environment.</p> <p>(iii) Broader public knowledge on types of waste that are suitable for Tapuhia landfill.</p>
8.Statutory Requirements	<ul style="list-style-type: none"> ▪ Improve timely compliance with statutory requirements. 	<p>(i) Preparation of Half Year and Annual Reports.</p> <p>(ii)Preparation of the Business Plan.</p> <p>(iii)Preparation of the Budget</p> <p>(iv) Preparation of annual financial accounts for Auditing.</p>	<p>(i) Timely submission of Half and Annual Reports to the Board prior forwarding to MoPE. to meet dates stated in the Act.</p> <p>(ii) Timely submission of Business Plan to Board prior forwarding to MoPE to comply with dates stated in the Act.</p> <p>(iii) Timely submission of the Budget to Board for approval before the end of the Financial Year.</p> <p>(iv) Meeting of Target revenue and expenses set out by the Budget.</p> <p>(v) Completion of audited financial accounts in time with the Annual Report prior submission to MoPE.</p>

2.0 Forecasted Statement of Financial Performance

The main contributing factors relevant in considering the Authority's financial performance include revenue generated from waste collection and disposal fees, Plastics Levy, and use of these resources for covering the operational costs. For the Financial Year 2013-2014, it is a great relief that Cabinet has approved the Authority's submission to impose a levy on plastic items imported into the Kingdom, and it is also expected that revenue collection by WAL will increase progressively throughout the financial year, with the planned community meetings with outer villages and the expectation of a joint billing venture with Tonga Power Limited. Table 2 summarises the details related to the financial performance.

Table 2: Forecasted Financial Performance for FY 2013-2014

Source of Income	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
Revenue (T\$000)	66	68	69	72	73	71	74	73	75	78	79	80	878
Plastics Levy (T\$000)	0	0	30	30	30	30	30	30	30	30	30	30	300
Total (T\$000)	66	68	99	102	103	101	104	103	105	108	109	110	1,178

In terms of expenditure, Table 3 provides the projected operational cost of WAL for the financial year 2013-2014 up to 2015-2016, based on the Budget for the FY 2013-2014, and allowing for inflation and other contingencies.

Table 3: Details of Operational Cost (excluding depreciation)

Item	FY2011-2012 Estimate in T\$	FY2011-2012 Actual in T\$	FY2012-2013 Estimate in T\$	FY2013-2014 Estimate in T\$	FY2014-2015 Estimate in T\$	FY2015-2016 Estimate in T\$
Board Expenses	41,520	48,150	74,490	75,000	82,000	86,100
Head Office	376,800	512,436	382,836	391,913	442,200	464,310
Operations & Collection	378,600	236,255	272,125	315,929	314,300	330,015
Landfill	437,801	187,052	241,597	254,813	279,000	292,950
Total	T\$1,234,721	T\$983,893	T\$971,048	T\$1,049,051	T\$1,117,500	T\$1,173,375

Table 4: Profit (Loss)

Item	FY 2011-2012 Actual in T\$	FY 2012-2013 Estimate in T\$	FY 2013-2014 Estimate in T\$	FY 2014-2015 Estimate in T\$	FY 2015-2016 Estimate in T\$
Income (incl. Subsidy / Levy)	547,203	1,148,725	1,178,339	1,265,909	1,314,480
Expenses (excl. depn)	983,893	971,048	1,037,655	1,117,500	1,173,375
<i>Profit (Loss)</i>	<i>(436,690)</i>	<i>177,647</i>	<i>140,684</i>	<i>148,409</i>	<i>141,105</i>

3.0 Forecasted Statement of Financial Position

Item	FY 2011-2012 Actual in T\$	FY 2012-2013 Estimate in T\$	FY 2013-2014 Estimate in T\$	FY 2014-2015 Estimate in T\$	FY 2015-2016 Estimate in T\$
CURRENT ASSETS	1,509,903	1,303,780	1,567,173	1,817,384	1,453,907
FIXED ASSETS	1,383,332	1,082,765	1,980,415	1,678,065	1,375,715
CURRENT LIABILITIES	390,413	330,413	247,809	210,382	179,043
LONG TERM LIABILITIES	500,000	500,000	356,000	212,000	144,000
EQUITY	2,002,822	1,556,132	2,943,779	3,073,067	2,506,579

4.0 Anticipated Borrowing

WAL is no longer in the Public Enterprises Act as a public enterprise. This is pursuant to the Public Enterprises (Amendment) Act 2010, which came into force on 13 October 2010.

Despite the above, the new directors of WAL appointed on 8 April 2011, were appointed on conditions that they are subjected to the relevant provisions of the Public Enterprises Act. Those appointments, were made on the premise that the sole shareholder of WAL is the Government of the Kingdom of Tonga, and therefore operating under the authority of the Minister for Public Enterprises.

The significance of WAL's situation is that while it tries to conform with most provisions of the Public Enterprises Act, WAL cannot comply at this stage with section 17. That provision sets out the scope of the financial assistance that government may provide to the public enterprises but does not include direct subsidy.

As WAL's financial situation requires the Government to continue with an annual subsidy, WAL will continue to seek Government's approval of other funding alternatives, such as, the granting of zero-rating CT. WAL is grateful to the approval of the Plastics Levy by Ministers' Cabinet, and the revenue generated from this exercise will help stabilize WAL's financial position. It is anticipated that Government subsidy will eventually phase out presumably during the plan period.

In terms of anticipated borrowing, it is not envisaged that it will happen during the plan period however, WAL was assisted financially by Ports Authority through an in-house arrangement of which it will be paid back during an agreed period of time with a very modest and fixed interest rate.

There is commitment to settling all WAL's financial obligations in this plan period.

5.0 Determination of Dividend

WAL's financial situation is envisaged to change during the plan period FY 2013-2014 and given that this is realised, the WAL Board in consultation with the Minister pursuant to section 21 of the Public Enterprises Act, will make the necessary decision in terms of determination of dividend. The strategies and activities that are proposed in this Business Plan are designed to make possible the necessary improvements.

6.0 Compensation for Government Policy Obligations

Section 4A of the Public Enterprises (Amendment) Act 2010 makes provision for a public enterprise to undertake government policy obligation and to be paid by the government for the goods or services delivered.

As applied to WAL, s. 7(1-2) of the Waste Management Act 2005 specifies the areas that WAL shall make contributions in terms of government policy obligations and the possibility for the government to pay compensation for the services delivered. Accordingly, WAL has committed to install waste receptacles in public areas and to manage these on a consistent basis since its establishment.

Given that the government is subsidising WAL's operation at present, it is not expected that payment will be sought by WAL for this service during the plan period. The anticipated change in the situation of WAL commencing in FY 2013-2014 will generate sufficient resources to ensure delivery of the service on a sustainable basis.

With the exception of a natural disaster circumstances with its massive scale of post-recovery costing and plans, WAL will be inclined to seek compensation from Government.

7.0 Projection of Cash Flow

Section 10 of the Public Enterprise (Amendment) Act 2010 requires projection of cash flow including explanation of the strategies and key assumptions upon which the projections are based. The cash flow projection is appended below, in Table 5, and the strategies are proposed in Part 4 of the Business Plan and also in the Executive Summary.

In terms of key assumptions, the following are considered relevant for the proposed cash flow projection:

- (I) The Government approves 0-rate CT.
- (II) Increase participation; volume of customers both commercially and domestically.
- (III) Review of commercial rates.
- (IV) Raising of awareness in communities relating to waste management practices and participation.

Table 5:

PROJECTED STATEMENT OF CASH FLOWS				
	2013	2014	2015	2016
	(TOP) \$	(TOP) \$	(TOP) \$	(TOP) \$
CASH FLOW FROM/(TO) OPERATING ACTIVITIES				
Cash Receipts from Customers	609,000	873,079	960,387	1,008,406
Cash from Other Income	7,860	5,259	5,522	6,074
Operating Expenses	<u>(971,048)</u>	<u>(1,037,655)</u>	<u>(1,117,500)</u>	<u>(1,134,549)</u>
Net Cash Flow from/(used in) Operations	<u>(354,188)</u>	<u>(159,317)</u>	<u>(151,591)</u>	<u>(120,068)</u>
CASH FLOW FROM/(TO) INVESTING ACTIVITIES				
Acquisition of Fixed Assets	<u>(70,000)</u>	<u>-</u>	<u>(60,000)</u>	<u>-</u>
Net Cash Flow from/(TO) Investing Activities	<u>(70,000)</u>	<u>-</u>	<u>(60,000)</u>	<u>-</u>
CASH FLOW FROM/(TO) FINANCING ACTIVITIES				
Government Subsidy	500,000			
Plastics Levy	-	300,000	300,000	300,000
Term Deposit			(100,000)	(100,000)
Loan Repayment		<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net Cash Flow from/(to) Financing Activities	<u>500,000</u>	<u>200,000</u>	<u>100,000</u>	<u>100,000</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	75,812	29,287	(111,591)	(58,835)
Cash and Cash Equivalents as at beginning of FY	144,569	220,381	261,064	149,473
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	<u>220,381</u>	<u>261,064</u>	<u>149,473</u>	<u>90,638</u>

2013 -2014 FINANCIAL YEAR BUDGET SUMMARY

- The Budget expects a Net Profit of \$140,684 (excluding depreciation). It is a positive projection of WAL's financial position and potential to start "Asset Replacement Reserves" and paying off its financial obligations in the very next financial year.
- Total "Operating Revenue" amounts to \$873,079 is based on the actual number of households that currently utilise WAL's service, with a projection of 20% increase in customers for the fiscal year. Revision of Business rates and their effects have been taken on board in this Budget. This is a development budget, on the basis that Government's financial assistance is temporary however, the gradual increase in the number of active households utilising WAL's service should eventually replace that source of fund in the long term.
- ADB/AUSAID project during this fiscal year, will strengthen management of asset, financial and billing, waste collection through provision of two (2) new compactor trucks and billing system both hardware and software. These components are expected to improve service and revenue collection.
- Total Expenses (excluding depreciation) is \$1,037,655 compared to \$971,048 in the current financial year. Although it has increased by \$66,607 from the current Budget, the followings were either introduced or revised upwards to cater for efficient operations of the Authority.
 1. Commission on collections on the Joint Billing Venture with Tonga Water Board.
 2. Repair and maintenance of collection trucks, loader and compactor.
 3. Provision for Legal Fees
 4. Increase in Compactor Trucks' fuel provision
 5. Accounting for the Septic Truck's fuel , repair and maintenance
 6. Loader and Compactor fuel's provision have increased.
- 63% of the total Expenses are with the Operations (Collection) and the Tapuhia Landfill.

The Budget for FY 2013-2014 is appended as **Appendix 1** and it reflects the challenge faced by Management.

