

PLANT AND VEHICLE UNIT

"Driven to Serve, Powered to Perform!"

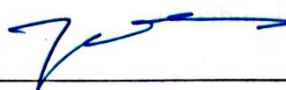


STATEMENT OF INTENT

CONFIDENTIAL

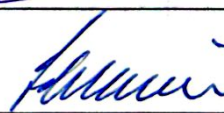
FOR THE 3-YEAR PERIOD FY2026 TO FY 2028

AUTHORISATION

DRAFT SOI	NAME	SIGNATURE	DATE
APPROVED BY THE STEERING COMMITTEE	Sec. Dr. Farran Redfern		5/01/26
TO SOEMAU	Tekiateake Boli		27/01/26

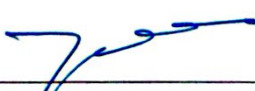
Draft SOI to be submitted to SOEMAU

SOEMAU undertakes assessment

DRAFT SOI	NAME	SIGNATURE	DATE
SOEMAU TO RESPONSIBLE MINISTERS	Ms. Lisa. Igam Moaniba		28/01/26
REVIEW BY MINISTER	Hon. Vice President Dr. Teuea Toatu		20/04/24
REVIEW BY MINISTER	Hon. Mr Tekeewa Tarati		27/1/26.

SOEMAU assessment and SOI to be reviewed by Responsible Ministers

Comments from Responsible Ministers to be considered by Board

FINAL SOI	NAME	SIGNATURE	DATE
APPROVED BY THE BOARD/ SPECIAL COMMITTEE	Sec. Dr. Farran Redfern		05/01/26
TO SOEMAU	Tekiateake Boli		27/1/26.

Final SOI submitted to SOEMAU and Responsible Ministers on the 5 January 2026

1 EXECUTIVE SUMMARY

Conforming to the requirements of the *State-Owned Enterprise Act, 2013 (as amended)*, Section 19, PLANT & VEHICLE UNIT (referred as PVU or The Unit) hereby submits Statement of Intent, for the period FY2026 to FY2028.

PVU was established under the *Special fund Act (1979)* and *Public Finance Act, (Control and Audit) 1976*. Since its establishment as a Special Fund, PVU has been operating as an SOE and is mandated under the *State-Owned Enterprises Act, 2013 (as amended)*, and responsible wholly to the Government of Kiribati (Gok) through the Ministry of Infrastructure & Sustainable Energy (MISE).

PVU operates under the *Special Fund Act (1979)* for the procurement, provision, maintenance and operation of the Government plant and vehicles services and this Statement of Intent (SOI) indicates how PVU has reviewed its operating environment and key challenges and derived the following planning period objectives, activities, performance measures and financial forecasts towards achieving its principal objectives.

1.1 THE OBJECTIVES OF PVU

The Plant Vehicle Unit (PVU) has served as a cornerstone of government service delivery for over 44 years, ensuring the reliable operation of essential fleet assets—including transport vehicles, heavy machinery, police cars, fire trucks, and ambulances. With a reputation built on reliability, professionalism, and technical excellence, PVU continues to strive and exceed the expectations of its key stakeholders: government ministries, Island Councils, Non-Government Organisations (NGOs), and the people of Kiribati. As PVU enters the 2026–2028 planning period, it reaffirms its commitment to operational efficiency, safety, sustainability, and innovation through a renewed set of strategic objectives.

These objectives are summarized in Table 1 below;

Table 1. Main Key Objectives of PVU over the planned period (2026-2028)

Key Objective	Comments/ Justification
1. Improve and Strengthen Governance	Governance plays a vital role in underpinning the integrity and efficiency of financial markets. Poor governance weakens the PVU's potential and at worst can pave the way for financial difficulties and even fraud. PVU respects the purport of the laws and regulations formulated by GoK and, while working to build a good relationship with stakeholder, including customers, suppliers, local community and employees, the Unit strives to sustain growth and enhance its corporate value over the short and long term through transparent, fair, prompt and decisive decision making and to continue to enhance its corporate governance.

2. Improve Financial Performance

PVU's sole shareholder- the Government of Kiribati- has high expectations of PVU to be sustainable through its operational activities.

Thus, a healthy financial position and management plays a vital role in improving business performance. By properly managing PVU finances, the Unit can ensure that it have the necessary funds available to invest in growth opportunities, meet their obligations, and weather any financial challenges that may arise.

1. Improve relationship with customers and key stakeholders

PVU understands the importance of having a strategic customer & key stakeholder engagement plan, not forgetting about the value of building relationships with customer & key stakeholder and how they can contribute to your organization's success. Negative customer & stakeholder relationships can result in loss of trust, loss of potential investment & revenue and can even negatively impact the PVU's reputation.

By focusing on building positive customer & stakeholder relationships, it can result in a better reputation and helps towards the success of PVU

2. Strengthen technical and operational capacity

PVU will continue endeavouring to resolve issues regarding its operational and technical by accelerating initiatives based on the technologies and activities that PVU have cultivated thus far.

- need for IT personnel- media
- marketing section
- explore volunteer technical expertise/training

3. Expand and diversify PVU service portfolio

Expanding and diversifying PVU's service portfolio is essential to ensure long-term sustainability, operational resilience, and broader national impact. As demand for specialized vehicle and machinery services grows across sectors—including NGOs, private contractors, and community organizations—PVU must evolve beyond its traditional government clientele.

Diversification will enable PVU to tap into new revenue streams, reduce dependency on limited public budgets, and respond more effectively to emerging needs such as emergency response, heavy equipment servicing, and remote island support. By broadening its offerings, PVU strengthens its role as a dynamic public enterprise, capable of adapting to market shifts, enhancing service equity, and contributing more meaningfully to Kiribati's development agenda.

4. Promoting environmental sustainability and compliance

Promoting environmental sustainability and compliance is a strategic imperative for PVU, given Kiribati's heightened vulnerability to climate change and ecological degradation. As a major operator of fleet assets and heavy machinery, PVU has a direct responsibility to minimize its environmental footprint through cleaner technologies, responsible waste management, and adherence to national and international environmental standards.

Transitioning to low-emission vehicles, implementing recycling protocols, and ensuring safe disposal of hazardous materials will not only reduce pollution but also align PVU's operations with the Government's climate commitments. By embedding sustainability into its service delivery, PVU enhances its credibility, safeguards public health, and contributes to the long-term resilience of Kiribati's infrastructure and communities.

1.2 THE NATURE AND SCOPE OF THE ACTIVITY TO BE UNDERTAKEN

The Plant and Vehicle Unit (PVU) remains committed to executing its core business activities with the goal of enhancing operational efficiency, driving increased earnings, and delivering superior performance. In alignment with the principal objectives outlined under Section 5 of the SOE Act, 2013; the Special Fund Act, 1979; and the Public Finance Act, 1976, PVU strives to support government operations through a range of strategic and value-added services.

The key activities undertaken by PVU include:

- Procuring government vehicles and heavy machinery to ensure the fleet's modernity and reliability
- Providing permanent hire services to government ministries for their operational needs
- Offering rental services for heavy machinery and light vehicles to government departments, State Own Enterprises (SOEs), and the public sector
- Delivering comprehensive backup support services, including spare parts sales, maintenance, and repair services for government vehicles and equipment
- Ensuring timely replacement of plant and vehicles to maintain operational readiness and safety standards

Through these activities, PVU aims to bolster government capacity, optimize resource utilization, and contribute to the sustainable development of public sector transportation and equipment management.

1.3 THE PERFORMANCE TARGETS AND OTHER MEASURES

The Plant Vehicle Unit's Statement of Intent (SOI) for 2026–2028 sets forth a clear and purposeful strategic direction, outlining both short-term priorities and long-term aspirations aimed at securing PVU's financial sustainability and operational excellence. This plan serves as a guiding framework for the Unit's transformation, performance improvement, and service delivery over the next three years.

The SOI also reinforces PVU's commitment to a series of strategic actions and initiatives—each tailored to enhance governance, financial performance, stakeholder engagement, and technical capacity. These actions are detailed in the following sections (as in Table 2 below) and reflect PVU's determination to evolve into a modern, responsive, and self-sustaining enterprise.

Plant & Vehicle Unit

Table 2. Projected Performance Targets and Measures for next 3 years (2026-2028)

Key Objective No. 1. Measure	When
Strengthened Governance and Institutional Oversight	
Strategic Action 1: Formalize Joint Venture (JV)	
Identify and evaluate potential JV partners	JV partner identified Feb 2026
Secure cabinet approval on JV partner.	Cabinet approval Mar 2026
Formalize JV agreements and governance structures	JV formalized & Operational May & Jun 2026
Strategic Action 2: Strengthen PVU's Internal Governance Framework	
Review and update PVU's internal policies, procedures, and compliance manuals	At least two internal policies reviewed June 2026 (annually)
Conduct annual management performance evaluations	Completion rate of management evaluations Dec 26
Align PVU's governance practices with SOE Act requirements and MISE directives	Number of compliance gaps identified and resolved Jun 26 (Annually)
Strategic Action 3: Enhance Institutional Oversight and Reporting Mechanisms	
Submit half year and annual performance reports to MISE and the SOEMAU	Reports submitted on time to oversight bodies Jun and Dec 2026 (Annually)
Develop internal audit schedules and reporting protocols	% of audit recommendations implemented within 6 months Jul 26 (Annually)

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Ensure timely submission of Statement of Intent (SOI), Annual Reports, and Financial Statements

Reports submitted ahead of deadline

Dec 26 (Annually)

Strategic Action 4: Improve Transparency and Stakeholder Engagement

Develop feedback mechanisms for clients and partners

% of client feedback addressed within 30 days

Quarterly (2026-2028)

Host governance briefings for PVU staff and stakeholders

Number of governance briefings conducted
% of service users aware of PVU's governance and reporting obligations

Half Yearly (2026-2028)

Strategic Action 5: Institutionalize Risk Management and Compliance Culture

Develop and implement a PVU Risk Management Framework

Number of risk assessments conducted annually

Half Yearly (2026-2028)

Conduct risk assessments for fleet operations, financial exposure, and service delivery

% of staff trained in compliance and ethics

Train staff on compliance, ethics, and anti-corruption measures

Number of compliance breaches reported and resolved

Annually (2026-2028)

Ensure timely provision of uniforms and PPE to all relevant personnel.

Uniform & Personal Protective Equipment (PPE) provided and worn

Annually (2026-2028)

Monitor adherence to procurement, financial, and operational standards

% adherence to procurement and financial protocols

Annually (2026-2028)

Key Objective No. 2. Optimize Financial Performance and Cost Recovery

Strategic Action 6: Enhance Debt Recovery and Financial Management

Implement a Centralized Debt Management System

System fully operational and integrated with existing Enterprise Resource Planning (ERP)

Dec 2026

Conduct Monthly Debt Reconciliation and Aging Analysis

Monthly reconciliation reports generated

Monthly (2026-2028)

Establish Clear Debt Collection Protocols and Escalation Procedures

Protocols documented and staff trained

Mar 2026

Develop Customer Segmentation for Tailored Debt Recovery

Segmentation categories established

Jun 2026

Set Monthly Debt Recovery Targets and Monitor Progress

Monthly recovery rate (target: ≥95%)

Monthly, ongoing

Introduce Incentives for Early Payments

Incentive scheme approved and communicated

Jun 2026

Strengthen Legal Action Mechanisms/ Policy for Defaulters

Legal notices issued and actions taken

Every two months (2026-2028)

Conduct Debt Recovery Training for Staff

Staff trained on debt collection best practices

Annually (2026-2028)

Recruit Marketing/ Trade Officer

Marketing/ Trade Officer recruited

2027

Strategic Action 7: Diversify Revenue Streams & Optimize Pricing

Conduct Market Analysis for New Revenue Opportunities

Market reports submitted

Jul 2026

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<i>Develop and Pilot New Revenue Streams</i>	Pilot programs launched (e.g., maintenance contracts, leasing services)	Sep 2026
<i>Standardize and Review Pricing Models Regularly</i>	Quarterly review meetings held	Ongoing, quarterly
<i>Launch Promotional Campaigns for New & Existing Services</i>	Campaigns conducted, customer inquiries increased	Aug 2026
<i>Expand into Renewable & Green Technologies</i>	Number of eco-friendly vehicle services or products offered	Dec 2026
<i>Establish Strategic Partnerships for Revenue Growth</i>	Number of partnerships formed	Dec 2026
<i>Track Revenue Contributions from New Streams</i>	Revenue from new streams (target: ≥10% increase)	Dec 2026

Strategic Action 8: Cost Optimization & Expenditure Control

<i>Conduct Comprehensive Cost-Benefit Analysis for Major Expenditure Areas</i>	Reports approved for key expenditure areas	Jun 2026
<i>Implement Energy and Resource Saving Initiatives</i>	Reduction in utility costs (% decrease)	Dec 2026
<i>Negotiate Better Terms with Suppliers and Service Providers</i>	Cost savings achieved (% reduction in procurement costs)	Ongoing, quarterly
<i>Establish a Procurement Review Committee</i>	Committee operational and quarterly reviews conducted	Mar 2026
<i>Introduce Performance-Based Incentives for Cost Savings</i>	Incentive scheme developed and implemented	Jul 2026
<i>Regular Monitoring of Budget Variance</i>	Monthly variance reports	Ongoing, monthly

Strategic Action 9: Strengthen Relationships with Development Partners for Financial Support

<i>Develop a Partnership Engagement Plan</i>	Engagement plan approved	2026
<i>Identify and Approach New Potential Donors & Partners</i>	At least 3 new partners approached	2026
<i>Submit Funding Proposals for Specific Projects</i>	Number of successful proposals secured	Ongoing, quarterly
<i>Organize Bi-Annual Donor/Partner Review Meetings</i>	Meetings held and reports produced	Jun & Dec (Annually)
<i>Explore Co-Funding Opportunities for Major Capital Projects</i>	Co-funding agreements signed	Dec 2026

Key Objective No. 3. Deepen Stakeholder Engagement and Service Responsiveness**Strategic Action 10: Institutionalize Stakeholder Feedback Mechanisms**

<i>Design and circulate quarterly feedback surveys to ministries.</i>	Stakeholder feedback response rate $\geq 75\%$	Quarterly (2026-2028)
<i>Host biannual stakeholder roundtables to discuss service gaps and reform priorities.</i>	Satisfaction score from ministries $\geq 80\%$	Annual (2026-2028)
<i>Create a feedback log and resolution tracker</i>	Percentage of issues resolved within 7 days $\geq 85\%$	Monthly (2026-2028)

Strategic Action 11: Launch PVU Service Charter and Communication Protocols

<i>Draft and publish PVU Service Charter outlining commitments and standards.</i>	Service Charter compliance rate $\geq 90\%$	Quarterly (2026-2028)
<i>Train PVU staff on communication protocols and escalation procedures.</i>	Number of staff trained on protocols $\geq 100\%$ of PVU team	Annual (2026-2028)

Display service standards visibly at PVU offices and in official correspondence	Number of escalated cases resolved = 100%	Monthly (2026-2028)
Strategic Action 12: Establish Inter-Ministerial Coordination Forum		
Convene quarterly coordination meetings with ministry representatives.	Number of coordination meetings held ≥ 4	Annually (2026-2028)
Develop joint action plans for fleet scheduling, cost recovery, and reform implementation.	Number of joint action plans developed ≥ 3	Annually (2026-2028)
Strategic Action 13: Deploy Digital Engagement Tools		
Build and launch a PVU service portal with request tracking and feedback forms.	Digital portal usage rate $\geq 60\%$ of ministries	Dec 2027 (Quarterly)
Enable SMS/email alerts for service updates and invoice status.	Number of service requests submitted online $\geq 50\%$ of total	
Integrate dashboard for internal monitoring of service metrics.	System uptime $\geq 98\%$	Dec 2027 (Monthly)
Recruit IT Officer	IT Officer recruited	2027
Strategic Action 14: Monitor and Report on Service Responsiveness		
Define service responsiveness indicators (e.g., response time, resolution rate).	Average service request turnaround time ≤ 3 days	Jun 2026 (Monthly)
Provide quarterly performance reports to stakeholders.	Transparency score (based on published reports) $\geq 90\%$ (Annual)	Quarterly (2026-2028)

Key Objective No. 4. Advance Technical and Operational Capabilities**Strategic Action 15: Enhance Technical Skills through Continuous Professional Development**

<i>Develop a Continuous Learning and Certification Program</i>	Program Developed and Launched	Mar 2026
<i>Facilitate Specialized Technical Training (Mechanical, Electrical etc)</i>	Number of Staff trained; Certificate obtained	Ongoing, quarterly
<i>Established partnerships with Technical Institute for apprenticeships</i>	Number of apprentices engaged	Jun 2026
<i>Organize regular technical workshop and knowledge sharing sessions</i>	Workshop held half yearly	Jun 2026 onwards
<i>Monitor and Evaluate Training Effectiveness</i>	Post-training assessments showing $\geq 80\%$ competency improvement	Ongoing, after each session

Strategic Action 16: Update and Modernize Maintenance and Asset Management Systems

<i>Implement an Asset Maintenance Management Software</i>	Software operational and assets tracked digitally	Sep 2026
<i>Develop Preventive Maintenance Schedules for Critical Equipment</i>	Schedule developed and adhered to	Dec 2026
<i>Conduct Regular Asset Condition Assessments</i>	Assessment reports with recommended actions	Bi-annual (Jun & Dec 2026)
<i>Train Staff on Asset Management & Maintenance Procedures</i>	100% relevant staff trained	Aug 2026
<i>Establish Asset Lifecycle Management Plan</i>	Plan documented and implemented	Nov 2026

Strategic Action 17: Strengthen Data and Knowledge Management

<i>Develop a Centralized Digital Knowledge Repository</i>	Repository operational and accessible	Apr 2026
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Digitize Operational Documents and Records	Critical Documents	Percentage of documents digitized	Jun 2026
Conduct Management & Security Training	Data & Data	Staff trained in data handling & security	May 2026
Establish Data Quality and Validation Protocols	Quality	Protocols documented and enforced	Jul 2026
Regular Data Audits and Reporting	Audits and Reporting	Audit reports showing data accuracy	Quarterly from Jun 2026
Strategic Action 18: Foster Innovation and Technology Adoption			
Identify Technologies in Automotive & Maintenance Sectors	Emerging in	Technology scan completed	Sep 2026
Pilot New Technologies (e.g., diagnostic tools, automation)		Number of pilots launched	Dec 2026
Evaluate and Report on Technology Impact		Impact assessments conducted	Dec 2026
Strategic Action 19: Strengthen Collaboration with External Technical Experts			
Arrange Attachments and Secondments for Staff	Technical and	Number of staff seconded/attached	Ongoing, bi-annual
Conduct Technical Audits & Reviews	External Audits &	Audit reports with actionable recommendations	Nov 2026
Organize Knowledge Exchange Visits with Peer Organizations	Knowledge	Visits conducted; learnings documented	Jun 2026 & Dec 2026

Key Objective No. 5. Expand and diversify PVU service portfolio.**Strategic Action 20: Introduce Specialized Transport Services for Government Events and Emergency**

<i>Develop a dedicated fleet schedule for national events, official visits, and emergency deployments</i>	Number of specialized deployments completed annually	Jul 2027 (As requested, annually)
<i>Coordinate with MELAD, MOH, and other agencies to identify recurring transport needs</i>	Stakeholder satisfaction ratings for event and emergency services	Annually (2026-2028)

Strategic Action 21: Launch Fee-Based Maintenance and Repair Services for Non-PVU Government Vehicles

<i>Open PVU Auto-Repair Shop services to ministries using privately procured vehicles</i>	Number of non-PVU vehicles serviced annually Revenue generated from fee-based repair services	Monthly (2026-2028)
<i>Develop service packages with transparent pricing for diagnostics, repairs, and preventive maintenance</i>	% increase in workshop utilization rate	Mar 2026 (Monthly (2026-2028))
<i>Train technical staff to handle diverse vehicle models and systems</i>	Client satisfaction scores for repair turnaround and quality	Jun 2026 (Annually)

Strategic Action 22: Establish PVU Driver Training and Certification Program

<i>Design curriculum for defensive driving, fuel efficiency, and vehicle care</i>	Number of drivers trained and certified annually	
<i>Partner with MELAD and Police for certification standards</i>	Reduction in PVU vehicle incidents linked to driver error	

Plant & Vehicle Unit

<i>Offer quarterly training sessions for government drivers</i>	% of ministries participating in training programs Feedback scores from training participants	Quarterly (2026-2028)
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Strategic Action 23: Develop PVU Equipment Leasing Services for Infrastructure Projects

<i>Create a catalogue of heavy machinery available for short-term lease (e.g., excavators, tipper trucks)</i>	Number of equipment lease/ hired contracts issued annually Revenue generated from machinery leasing	Dec 2026
<i>Establish lease terms and maintenance support packages</i>	% utilization rate of heavy equipment fleet	Half Yearly (2026-2028)
<i>Promote services to Ministries, private and local councils</i>	Number of infrastructure projects supported	Quarterly (2026-2028)

Strategic Action 24: Pilot Sustainable Transport Solutions (e.g., Electric Vehicles, Solar-Powered Units)

<i>Conduct feasibility study on EVs and solar-powered transport options</i>	Number of sustainable transport units deployed % reduction in fuel consumption across pilot fleet	Mar 2028
<i>Procure pilot units for testing in urban and outer island settings</i>	Stakeholder feedback on pilot performance	Dec 2028
<i>Monitor performance, cost savings, and environmental impact</i>	Cost-benefit ratio of sustainable transport investment	Dec 2028

Key Objective No. 6. Promoting environmental sustainability and compliance**Strategic Action 25: Transition to Cleaner and More Efficient Fleet Operations**

<i>Conduct fleet audit to identify high-emission and obsolete vehicles</i>	% of fleet replaced with fuel-efficient or hybrid vehicles annually	Jan 2028
<i>Develop phased replacement plan prioritizing fuel-efficient and hybrid models</i>	Reduction in average fuel consumption per vehicle (litres/km)	Jun 2027
<i>Introduce eco-driving training for PVU drivers and operators</i>	Number of drivers trained in eco-driving practices	Dec 2027
<i>Monitor fuel consumption and emissions per vehicle</i>	Annual reduction in fleet carbon emissions (tons CO ₂ equivalent)	Dec 2027

Strategic Action 26: Implement Sustainable Workshop Practices

<i>Introduce proper disposal protocols for used oil, filters, batteries, and tires</i>	% of hazardous waste disposed through certified channels	Monthly (2026-2028)
<i>Install spill containment systems and waste segregation bins</i>	Number of environmental compliance trainings conducted	Mar 2026
<i>Procure environmentally friendly lubricants and cleaning agents</i>	% of workshop materials sourced from eco-certified suppliers	Monthly (2026-2028)
<i>Train workshop staff on environmental compliance standards</i>	Number of environmental incidents reported and resolved	Quarterly (2026-2028)

Strategic Action 27: Promote Green Procurement and Supply Chain Practices

<i>Prioritize suppliers offering sustainable parts and packaging</i>	% of procurement contracts with environmental clauses	Jan 2026, ongoing
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Include environmental criteria in procurement evaluations

% of suppliers meeting sustainability criteria

Jan 2026, ongoing

Strategic Action 28: Strengthen Compliance with National Environmental Regulations

Conduct annual internal audits of PVU operations against environmental standards

% of PVU operations compliant with national environmental regulations

Quarterly (2026-2028)

Collaborate with MELAD and MISE on compliance reporting

Number of successful external audits or inspections

Annually (2026-2028)

Maintain updated records of environmental permits and inspections

Time taken to resolve non-compliance issues

Annually (2026-2028)

Address non-compliance findings through corrective action plans

Number of environmental permits renewed on schedule

Annually (2026-2028)

Strategic Action 29: Raise Environmental Awareness Among PVU Clients and Stakeholders

Include sustainability briefings in client onboarding and lease agreements

% of clients acknowledging sustainability clauses in lease agreements

Annually (2026-2028)

1.4 A STATEMENT OF FINANCIAL PERFORMANCE

The following table (Table 3) provides a project Profit and Loss Statement for PVU for the next planned period (2026-2028).

Table 3. Projected Profit and Loss Statement for PVU (2026-2028)

Government of Kiribati Plant and Vehicle Unit Statement of Financial Performance For Years Ended December 2026 to 2028					
	AUDITED 2024	Forecast Dec-25	FORECAST 2026	FORECAST 2027	FORECAST 2028
REVENUE	\$	\$	\$	\$	\$
Sale of Technical Stores	38,409.90	33,493.45	60,000.00	60,000.00	60,000.00
Maintenance Income - external	48,406.73	42,764.70	60,000.00	60,000.00	60,000.00
Total Sales for Spares	86,816.63	76,258.15	120,000.00	120,000.00	120,000.00
Opening Inventory 1/1/21	1,173,145.34	1,127,855.61	1,356,976.42	1,289,128.00	1,200,000.00
+ Purchases of Spares					
Purchase of Spare Parts	111,182.52	85,512.68	90,000.00	90,000.00	90,000.00
Purchase of tyres & tubes	3,916.95	827.68	5,000.00	5,000.00	5,000.00
Batteries & Acid	2,357.60	6,243.32	7,000.00	7,000.00	7,000.00
Total Purchase of Spares	117,457.07	92,583.68	102,000.00	102,000.00	102,000.00
	1,290,602.41	1,220,439.29	1,458,976.42	1,391,128.00	1,302,000.00
Closing Stock	1,205,602.85	1,210,994.16	1,407,553.64	1,339,705.00	1,204,007.72
Cost of Spares	84,999.56	9,445.13	51,422.78	51,423.00	97,992.28
Gross Profit/(Loss)	1,817.07	66,813.02	68,577.22	68,577.00	22,007.72
PLUS MAJOR REVENUE					
Permanent hire income	753,678.97	594,590.00	786,212.50	786,212.50	786,212.50
Rental Income	446,134.91	99,891.00	100,000.00	120,000.00	130,000.00
Vehicle-to-own Sale	51,861.06	20,000.00	30,000.00	30,000.00	30,000.00
Miscellaneous Revenue	13,454.27	4,811.82			
	1,266,946.28	786,105.84	984,789.72	1,004,789.50	968,220.22
OPERATING EXPENSES					
Employees' Expenses	385,555.07	426,779.95	584,750.80	577,843.80	577,843.80
Electricity and Water	21,434.00	37,540.04	20,000.00	20,000.00	20,000.00
Consumable Stores	311.00	397.35	1,000.00	1,000.00	1,000.00
Transport Cost	4,702.86	4,297.80	4,000.00	4,000.00	4,000.00
Fuel	22,999.50	19,028.73	25,000.00	25,000.00	25,000.00
Maintenance and repairs	1,847.79	5,720.68	10,000.00	10,000.00	10,000.00
Office Supplies and Sundries	12,462.73	11,588.25	10,000.00	10,000.00	10,000.00
Industries gases	5,040.62	4,454.50	5,000.00	5,000.00	5,000.00
Workshop expenses	7,864.15	6,948.88	7,000.00	7,000.00	7,000.00
Lube oils	21,088.53	20,302.03	20,000.00	20,000.00	20,000.00
Overseas Travelling Expenses	14,276.36				
Telephone Charges	2,897.91	1,845.87	2,500.00	2,500.00	2,500.00
MYOB monthly rental	-	160.00	2,000.00	2,000.00	2,000.00
Sundry expenses	36,895.56	61,808.59	83,200.00	83,200.00	83,200.00
Depreciation	176,975.37	146,500.00	170,000.00	175,000.00	180,000.00
	714,351.45	747,372.67	944,450.80	942,543.80	947,543.80
OPERATING PROFIT/(LOSS)	552,594.83	38,733.17	40,338.92	62,245.70	20,676.42
OTHER INCOME/(EXPENSES)					
Deferred Income Aid (Amortised)	10,253.32	3,641.18	3,467.79	3,294.40	3,121.01
Doubtful Debt					
Sale of Fixed Asset	- 209,333.35				
Total Other Income	- 199,080.03	3,641.18	3,467.79	3,294.40	3,121.01
Net Profit/(Loss)	353,514.80	42,374.35	43,806.71	65,540.10	23,797.43

1.5 A STATEMENT OF FINANCIAL POSITION

Table 4 provides a project Profit and Loss Statement for PVU for the next planned period (2026-2028).

Table 4. Projected Balance Sheet for PVU during the planning years (2026-2028)

Government of Kiribati Plant and Vehicle Unit Statement of Financial Position For Year-Ended 31 December 2026 to 2028					
	AUDITED	Forecast	FORECAST 2026	FORECAST 2027	FORECAST 2028
	2024	Dec-25			
	\$	\$	\$	\$	\$
CURRENT ASSETS					
Cash Account	268,986.41	53,335.84	484,268.91	440,142.02	441,946.20
Advance	- 1,300.12		5,050.24	4,545.22	4,000.00
Trade Debtors	4,786,051.45	4,679,862.91	4,594,711.97	4,364,976.37	4,128,478.73
Stock	767,114.08	771,064.09	782,435.52	821,557.30	965,518.95
Sundry Debtors	70,606.46		69,131.93	62,218.74	50,000.00
Prepayments	133,605.01	54,809.68	43,750.00	39,375.00	25,000.00
Tax Receivable	12,011.46	12,011.46		34,259.00	
Payroll clearing actn	218,105.40	218,105.40			
Total Current Assets	6,255,180.15	5,789,189.38	5,979,348.57	5,767,073.65	5,614,943.88
CURRENT LIABILITIES					
Sundry Creditors	24,503.00	24,503.00	95,263.71	57,158.23	30,000.00
Total Current Liabilities	24,503.00	24,503.00	95,263.71	57,158.23	30,000.00
WORKING CAPITAL	6,230,677.15	5,764,686.38	5,884,084.86	5,709,915.42	5,584,943.88
ADD: Non Current Asset	2,191,189.72	2,711,475.03	2,450,185.73	2,796,895.27	3,052,664.24
	8,421,866.87	8,476,161.41	8,334,270.59	8,506,810.69	8,637,608.12
REPRESENTED BY:					
Capital Reserve	588,802.00	588,802.00	588,802.00	588,802.00	588,802.00
Retained Earnings	7,567,637.39	7,621,931.93	7,500,589.28	7,673,129.38	7,803,926.81
Deferred Income Aid	265,427.48	265,427.48	244,879.31	244,879.31	244,879.31
PPI					
	8,421,866.87	8,476,161.41	8,334,270.59	8,506,810.69	8,637,608.12

1.6 A STATEMENT OF ANTICIPATED BORROWING

PVU does not anticipate any borrowing during the 2026–2028 planning period. All future procurement of replacement vehicles and plant equipment has been fully provisioned through PVU's dedicated capital reserve fund. This reserve has been strategically allocated to support asset renewal and ensure continuity of service without incurring debt or external financial exposure.

By maintaining a zero-borrowing stance, PVU reinforces its commitment to fiscal discipline, operational autonomy, and long-term sustainability. This approach not only safeguards the Unit's financial integrity but also aligns with Government expectations for prudent public asset management and cost-recovery performance.

1.7 THE ACCOUNTING POLICIES

PVU maintains its accounting records diligently in Kiribati and prepares comprehensive statutory condensed financial statements in English, fully aligned with International Financial Reporting Standards. These financial statements follow historical cost convention and International Accounting Standards.

- Revenue: From vehicle/equipment hire and workshop fees
- Depreciation: Straight-line method; rates range from 4% (buildings) to 20% (machinery)
- Grant-in-Aid: In-kind grants amortized at 14.40% annually
- Stock: Valued using FIFO at lower of cost or net realizable value

1.8 WHETHER PVU ANTICIPATES THAT IT WILL GENERATE A RETURN THAT COVERS THE COST OF CAPITAL, AND IF NOT, WHY NOT

Despite demonstrating a strong short-term liquidity position, the Plant and Vehicle Unit (PVU) faces significant challenges in profitability and asset utilization. Ratios like ROA and ROE remain exceptionally low—around 0.3% to 8.4%—indicating minimal profit generation relative to assets and equity. While a brief boost in 2027 hints at possible temporary improvements, underlying issues such as operational inefficiencies, excess capacity, or outdated equipment limit long-term growth prospects.

The PVU's robust liquidity reflects resilience and effective short-term financial management, but its ability to sustainably generate profits and optimize asset use is constrained. To unlock its full potential, strategic focus should be placed on enhancing operational efficiency, better leveraging assets, expanding revenue streams, and tightening cost controls. With targeted improvements, PVU can strengthen its foundation for sustainable growth and value creation in the future.

1.9 A STATEMENT OF THE PRINCIPLES TO BE ADOPTED IN DETERMINING ANY ANNUAL DIVIDEND

The Plant Vehicle Unit (PVU) is currently exempt from dividend declaration obligations under Section 66 of the Companies Ordinance Cap 10A due to its status as a Special Fund Unit, pending transition to a statutory enterprise.

Plant & Vehicle Unit

PVU's mandate is to procure and lease vehicles to government ministries. While long-term financial self-sufficiency is expected, persistent structural and financial challenges prevent dividend declarations during the current planning period.

PVU is also preparing for critical capital investments exceeding \$1 million to support operational renewal and service expansion.

Recommendations:

- Government to formally defer dividend expectations during PVU's transitional phase
- Operational surpluses to be reinvested into PVU for capital upgrades and sustainability

This approach will strengthen PVU's financial base and prepare it for future corporatization and dividend viability.

1.10 ANY ACTIVITY WHICH PVU REQUESTS OR HAS AGREED TO BE TREATED AS A CSO

PVU occasionally supports landfill operations and public events, often at reduced or break-even rates. While these reflect goodwill and national service, they strain PVU's cost-recovery framework—especially when engagements proceed without formal agreements, as seen in the Sycar project.

PVU holds no formal community service obligations. Its core mandate remains servicing government ministries under a sustainable model. Future support should follow clear terms, cost structures, and resource planning to protect operational viability.

1.11 ANY OTHER MATTER AS AGREED BY THE RESPONSIBLE MINISTERS AND THE BOARD

Apart from the major reform approved by Cabinet—currently underway—that aims to transition PVU from its status as a Special Fund to that of a statutory corporation.

2 MANDATE AND POLICIES GOVERNING THE DEVELOPMENT OF THE STATEMENT OF INTENT

2.1 OWNERSHIP GUIDELINES

Established under the *Special Fund (Plant and Vehicle) Act of 1979*, PVU operates in accordance with *Section 107 (2) and (3) of the Constitution*, as well as *Sections 12 and 13 of the Public Finance Act (Control and Audit) 1976*. As a statutory body, PVU's core mission is to supply, maintain, and manage a wide range of government vehicles and heavy plant equipment—serving vital functions across transport, emergency services, and special operational needs. These include police vehicles, fire trucks, ambulances, heavy machinery, and other specialized equipment essential for national development and safety.

From its inception, PVU was envisioned to operate as a self-financing entity—responsible for the procurement, provision, maintenance, and operation of all government-owned plants and vehicles. Over the past 33 years, PVU has steadfastly served government ministries, NGOs, and island councils, continuously striving to meet their evolving transport and equipment needs. PVU's success hinges on the unwavering support of its valued customers, and PVU's management, staff, and Steering Committee remain committed to maximizing customer satisfaction and operational excellence.

While primarily focused on supplying plants and vehicles to government entities through permanent and casual hire arrangements, PVU's services sometimes extend to the private sector, depending on availability and specific requirements. PVU also maintains, services, and repairs equipment throughout their operational life, ensuring optimal performance and safety. When assets reach the end of their economic life, PVU manages their replacement, contributing to efficient resource utilization. Additionally, island councils can acquire vehicles and spare parts directly from PVU, further supporting local development.

Although widely recognized as a key unit within the Ministry of Infrastructure and Sustainable Energy (MISE), PVU operates under the governance of the *Special Fund Act (1979)*, functioning as a State-Owned Enterprise (SOE) with a commercial focus. Its goal is to remain self-sustainable—delivering consistent, quality service while maintaining financial independence. With the enactment of the *SOE Act 2013*, PVU aligns with national policy, ensuring compliance and transparency in its operations.

PVU operates from two strategic locations: its main headquarters in Betio, situated opposite Kiribati Coconut Development Ltd, and a secondary premises in Bairiki. Currently, PVU employs 38 dedicated staff—23 permanent employees and 15 on annual contracts—who work tirelessly to support the nation's transport and infrastructure needs.

2.2 OBLIGATIONS UNDER THE KIRIBATI DEVELOPMENT PLAN/KDV OR SIMILAR

The Plant Vehicle Unit (PVU) plays a pivotal role in advancing Kiribati's infrastructure and public service delivery. Its operations are firmly aligned with the *Kiribati Development Plan (KDP) 2024–2027*, particularly **Key Policy Area 6: Infrastructure and Sustainable Energy**, and directly support the Government of Kiribati's 100-Day Priority to strengthen essential services and accelerate national development outcomes.

Under the stewardship of its parent ministry, the Ministry of Infrastructure and Sustainable Energy (MISE), PVU contributes to the national goal of “promoting inclusive and sustainable civil infrastructure that enhances disaster preparedness and climate resilience”, as articulated

in the Civil Engineering Division (CED) objectives within the *Ministry Strategic Plan (MSP) 2024–2027*.

PVU's operational reforms, fleet modernization, and service expansion are integral to delivering on these priorities—ensuring timely, reliable, and climate-resilient transport support across government and community sectors.

PVU's mission is deeply rooted in service to the Government and the people of Kiribati. It recognizes the indispensable role of its stakeholders—ministries, Island Councils, NGOs, and community partners—in enabling the Unit to fulfill its mandate. PVU extends sincere gratitude to its clients, Steering Committee members, management, and dedicated staff, whose continued support drives its pursuit of innovation, customer satisfaction, and operational excellence.

Despite global disruptions such as the COVID-19 pandemic, PVU has remained steadfast in its commitment to deliver essential machinery and transport solutions. Through strategic partnerships with overseas manufacturers and suppliers, PVU ensures the timely procurement and availability of critical equipment—supporting the Government's infrastructure agenda and enabling economic growth across the islands. The mobilization of heavy equipment and a reliable transport sector are foundational to building resilient communities and facilitating development.

PVU's responsibilities extend beyond procurement and logistics. It maintains a robust inventory of spare parts, oversees the servicing and repair of fleet assets, and cultivates a skilled workforce capable of sustaining operational standards. These efforts are complemented by PVU's active engagement in community initiatives, including clean-up campaigns and vocational training programs.

As a responsible corporate entity, PVU upholds principles of accountability, transparency, and community engagement. Its operations are guided by a relentless pursuit of excellence and a commitment to aligning with national priorities. Whether through infrastructure support, workforce development, or environmental stewardship, PVU remains a key contributor to Kiribati's vision of a resilient, inclusive, and prosperous future.

2.3 MANDATE

The Plant Vehicle Unit (PVU) operates under the legal mandate of the *Special (Plant and Vehicle) Fund Act (1979)*, which authorizes the Unit to procure and manage vehicular assets—including automotive vehicles, plant machinery, and associated support services—for Government ministries. This foundational legislation defines PVU's core responsibilities in supporting public service delivery through reliable transport and equipment solutions.

In addition to fulfilling its statutory mandate, PVU is actively enhancing its corporate governance framework. Key priorities include improving management transparency, streamlining decision-making processes, and reinforcing accountability across all operational levels. PVU is committed to being a responsible corporate entity, fully aligned with the broader legal and policy environment established by the Government of Kiribati.

PVU recognizes the importance of adhering to complementary laws and regulations that govern its operations and shape its institutional conduct. These include:

- **The Procurement Act (2019):** Regulates public procurement of goods, services, and works to ensure fairness, transparency, and value for money.

- **The Environment Act (Act 9 of 1999, amended in 2021):** Provides for the protection, improvement, and conservation of Kiribati's environment, supported by the Environment Regulations 2001 under Section 53.
- **Employment and Industrial Relations Code Act (2015):** Establishes provisions for employment contracts, industrial relations, and the resolution of workplace disputes.
- **Public Finance (Control and Audit) Act (1976):** Governs financial accountability, audit procedures, and the responsible management of public funds.
- **Occupational Health and Safety Act:** Ensures safe working conditions and promotes the welfare of employees across all PVU operations.

By aligning its practices with these legal instruments, PVU reinforces its commitment to ethical governance, regulatory compliance, and continuous improvement. This integrated approach ensures that PVU not only meets its operational obligations but also contributes meaningfully to national development goals and public sector reform.

2.4 PURPOSE OF THE STATE-OWNED ENTERPRISE

2.4.1 Vision

Driving trust and excellence through safe reliable and sustainable transportation solutions.

2.4.2 Mission

To deliver quality transport and mechanical services with integrity, innovation and care for the environment.

2.4.3 Values

The Plant and Vehicle Unit Mission and Vision are achieved through the following Core Values;

- Collaborative Teamwork
- Unwavering Integrity
- Accountability in Service
- Professional Dedication
- Honesty Communication

2.5 CORE BUSINESS

Procuring high-quality heavy machinery and specialized vehicles—such as police transports, ambulances, fire trucks, and more—at the most competitive prices is the core strength of PVU. This commitment to quality is supported by a network of reliable and renowned suppliers, including Mazda, Hyundai, and Nissan, ensuring customers receive value for their investment.

Complementing this core competency, PVU excels in providing comprehensive backup services, including sourcing genuine spare parts and delivering efficient repair and maintenance. Its large, well-equipped workshop, experienced mechanics, and a dedicated machine shop for fabricating specific spare parts significantly enhance its service capabilities.

The primary activities of PVU include:

- **Procurement of Government Vehicles and Heavy Machinery:** Acquiring and supplying vehicles and equipment for government use.
- **Permanent Hire:** Government ministries and departments lease PVU's plants and vehicles for their operational lifespan, paying a monthly fee. PVU's Accounts section invoices these rentals monthly for settlement through the Ministry of Finance and Economic Development.
- **Rental Services:** Government agencies, public enterprises, island councils, and private sector clients hire PVU's available machinery and vehicles on daily or hourly basis, including drivers and plant operators from the Transport section. Private sector clients are required to provide advance payments and issue Local Purchase Orders (LPOs).
- **Maintenance and Repair:** PVU's mechanical workshop offers maintenance, servicing, and repairs for government vehicles and equipment. The Technical Stores stock essential spare parts, and skilled staff operate the workshop. When workload permits, these services are also available to external customers on a cash basis, including the replacement of aging vehicles and parts.
- **Assets Management, Budgeting, and Reporting:** This involves vehicle and equipment replacement planning, scheduling, forecasting, and providing technical advice on vehicle specifications for tenders, maintenance, and services.

Currently, PVU is under review for reform, as its functions and services are primarily commercial in nature. The government and the public expect PVU to deliver efficient services and to achieve financial self-sustainability, aligning its operations with broader objectives of effectiveness and fiscal responsibility.

3 PLANNING INPUTS

3.1 PROFILE / OVERVIEW OF THE BUSINESS & ASSESSMENT OF RECENT RESULTS

PVU is a strategically positioned organization operating within the automotive, vehicle servicing, and related infrastructure sectors. The company's overarching mission is to deliver core services and products efficiently, leveraging technological innovation and government support to sustain operations and foster growth. Recognizing the importance of

organizational agility, PVU is actively implementing a comprehensive strategic initiative focused on structural reforms, cost reduction, and operational efficiency enhancements.

The organization emphasizes core competencies, key product lines, and essential technologies to optimize resource allocation, improve profitability, and strengthen its market position. PVU maintains a solid equity base, with over 99% of its assets financed through owner's equity, reflecting a stable financial foundation capable of supporting ongoing reform and strategic initiatives.

3.1.1 Recent Financial and Operational Performance (First Half FY 2025)

The first half of FY 2025 has been marked by significant challenges, primarily characterized by a notable decline in revenue, increased operational costs, and a shift from profitability to a net operating loss. Key financial highlights include:

- **Revenue Decline:** Total revenue for the period was AU\$381,177, representing approximately 42-44% reductions compared to both the previous year and the budgeted targets. The decline was primarily driven by reduced income in vehicle sales, spare parts, and service income, impacted by market demand, external economic pressures, and operational delays.
- **Profitability Deterioration:** The company recorded a net operating loss of AU\$66,130, a stark reversal from FY 2024's net profit of AU\$332,128. This downturn underscores the impact of declining revenue and rising expenses, coupled with delayed payments from government agencies and setbacks in strategic project execution.
- **Financial Ratios & Position:** PVU's return on equity (ROE) and return on assets (ROA) are modest at approximately 4.83% and 4.80%, respectively. The organization's net worth increased marginally to AU\$8,163,157, reflecting a resilient equity structure with minimal reliance on liabilities, which supports its capacity to sustain ongoing reforms and future investments.
- **Operational Efficiency:** Analysis of asset utilization ratios indicates significant underperformance, with asset turnover, receivable turnover, and inventory turnover ratios declining sharply. These metrics highlight inefficiencies in leveraging assets, collecting receivables, and managing inventories, which are critical areas for operational improvement.

3.1.2 Recent Strategic Initiatives & Operational Developments

PVU is actively executing a strategic reform program aimed at transforming its organizational structure and improving overall efficiency. The key objectives include:

- **Structural Reforms:** Simplifying processes, reducing redundancies, and establishing agile governance frameworks to respond swiftly to market and operational changes.
- **Cost Reductions:** Implementing targeted cost-control measures across departments to curtail operational expenses and improve margins.

- **Efficiency Enhancements:** Focusing on core capabilities, essential technologies, and key products while leveraging government support to reinforce these efforts.

Operationally, PVU's repair shop and fleet management activities have seen targeted improvements:

- Enhancing employee technical skills and workforce productivity through expanded training.
- Improving spare parts availability and supply chain responsiveness.
- Achieving full compliance with safety and environmental standards.
- Optimizing fleet utilization to reduce idle assets and maximize resource deployment.
- Improving processes for recovering and monetizing used parts.
- Strengthening governance and compliance with government policies.

Approximately 70% of key performance indicators for these initiatives are on track to meet year-end targets, indicating disciplined execution and steady progress.

3.1.3 Achievements & Challenges

Achievements:

- Effective cost management has kept expenses below budget.
- Maintenance schedules have improved asset reliability, minimizing downtime.
- Revenue collection and contract renewals have supported financial stability.
- Safety and environmental compliance have been achieved, reducing operational risks.
- Staff development initiatives have enhanced team performance and operational discipline.

Challenges & Areas for Improvement:

- Revenue targets remain unmet in vehicle-to-own sales, spare parts, and rentals due to external market conditions and operational delays.
- Several strategic projects, including fleet expansion and infrastructure upgrades, faced postponements, impacting growth initiatives.
- Some projects experienced lower profitability owing to inadequate cost recovery.
- Challenges in timely, accurate performance reporting hinder strategic decision-making.
- Minor lapses in safety and compliance increased operational risks.
- Higher staff turnover and incomplete training programs have impacted workforce stability and operational efficiency.

External Factors Impacting Business

PVU's performance and strategic progress are influenced by external factors including:

- Delays in government approvals and legislative processes affecting joint ventures.
- Market volatility and intense competition.
- Limited marketing and brand positioning capacities.
- Disruptions in supply chains and rising costs for vehicles and spare parts.
- Regulatory changes and compliance costs.
- Dependence on ICT infrastructure and cybersecurity risks.
- External disruptions such as fuel shortages, power outages, and labour unrest.

3.1.4 Assessment & Outlook

While PVU demonstrates resilience through its solid equity position and ongoing operational reforms, immediate focus remains on addressing inefficiencies, accelerating project implementation, and diversifying revenue streams to mitigate market pressures. The strategic initiatives aimed at structural reforms and cost reductions are vital to restoring profitability and positioning the company for sustainable growth.

The organization's capacity to adapt, coupled with disciplined execution of its reform agenda, will determine its ability to recover from current challenges and capitalize on emerging opportunities. Continued emphasis on operational excellence, stakeholder engagement, and external market responsiveness will be critical in achieving long-term sustainability and value creation.

3.2 CURRENT SITUATIONAL ANALYSIS

Since its establishment, PVU has held a privileged and strategic position within Kiribati's public service architecture. As the sole provider of plant and vehicle services to government ministries, departments, island councils, and select private entities, PVU has built a legacy of reliability, professionalism, and technical excellence. Its integrated service model—spanning fleet provision, heavy machinery, maintenance, and repairs—is supported by skilled personnel, modern facilities, and a robust spare parts inventory. This institutional strength has earned PVU consistent commendation and positioned it as a trusted enabler of national development.

3.2.1 Market Dynamics and Competitive Pressures

Despite its monopolistic origins, PVU now operates in a fragmented and increasingly competitive landscape. Numerous small-scale providers offer automotive repairs and equipment hire, often competing aggressively on price. This environment challenges PVU to differentiate itself not only through cost-efficiency but through service quality, responsiveness, and strategic innovation. To maintain its edge, PVU is adopting a phased approach: first consolidating its reputation through a low-cost, high-efficiency model, then transitioning toward premium, value-added services that reflect evolving client expectations.

3.2.2 Operational Challenges and Financial Strain

PVU's operational continuity is under pressure from aging fleet assets, rising maintenance costs, and inconsistent engagement from client ministries. Delays in payment recovery and incomplete project execution—often due to competing priorities—have led to revenue losses and reputational risks. These challenges underscore the need for robust financial protocols, including single invoicing, advance payment systems, and improved debt recovery mechanisms. Strategic reforms are underway to address these vulnerabilities and ensure PVU's long-term viability.

3.2.3 Risk Management and Strategic Opportunities

PVU is proactively strengthening its risk management framework, with particular focus on legal compliance, occupational safety, and environmental stewardship. As Kiribati faces mounting climate-related risks, PVU is aligning its operations with national sustainability goals. This includes transitioning to low-emission, fuel-efficient fleet assets, implementing waste reduction protocols, and exploring the importation of electric vehicles (EVs). These initiatives not only mitigate environmental risks but position PVU as a leader in sustainable transport solutions.

3.3.4 Environmental and Sustainability Imperatives

Kiribati's fragile ecosystem demands urgent and sustained environmental action. PVU is responding by embedding sustainability into its operational framework. Key environmental challenges include:

- Safe disposal of hazardous waste, chemicals, and used oils
- Pollution control and compliance with air and water quality regulations
- Reduction of metal scrap and workshop waste through recycling
- Minimizing carbon emissions via cleaner fuels and EV adoption

PVU's commitment to environmental responsibility is not only ethical—it is strategic. By aligning with global and national climate frameworks, PVU enhances its credibility, secures donor confidence, and contributes meaningfully to Kiribati's resilience agenda.

3.3.5 Industry Trends and Future Positioning

The global automotive industry is undergoing rapid transformation, driven by digitalization, electrification, and sustainability. PVU is positioning itself to adapt to these trends by:

- Offering specialized repair services for high-demand sectors (e.g., emergency response, heavy machinery)
- Deploying mobile repair units to remote islands to reduce logistical delays
- Expanding its client base to include NGOs, private contractors, and community organizations
- Investing in advanced diagnostics, fleet management systems, and technician upskilling

This strategic pivot will enable PVU to evolve from a traditional service provider into a dynamic, future-ready enterprise.

3.3.6 Customer Focus and Service Excellence

Customer satisfaction remains central to PVU's mission. The Unit will implement rigorous quality assurance protocols, streamline service delivery, and introduce innovations that enhance the client experience. Building long-term relationships based on trust, transparency, and responsiveness will be key to expanding market share and reinforcing PVU's reputation.

PVU stands at a critical juncture—balancing its legacy advantages with the demands of a changing operational and environmental landscape. Through strategic reforms, environmental stewardship, and service innovation, PVU is charting a path toward resilience, relevance, and growth. Its 2026–2028 agenda reflects a commitment to excellence, sustainability, and national development—ensuring PVU remains a cornerstone of Kiribati's public service delivery and a model for future-oriented government enterprises.

3.3 SUMMARY, BUSINESS RISKS AND SWOT ANALYSIS

The automotive industry is a highly dynamic and fiercely competitive sector characterized by rapid technological innovations, ever-evolving regulatory frameworks, and shifting consumer preferences. Trends such as the increasing adoption of electric vehicles (EVs), advancements in sustainable and renewable energy technologies, and a move towards greater connectivity and shared mobility are transforming the landscape on a global scale. Navigating this complex environment requires strategic insight and agility, which can be effectively achieved through comprehensive analysis tools such as the SWOT analysis. This strategic framework enables companies like PVU to identify their internal strengths and weaknesses while recognizing external opportunities and threats, thereby informing better decision-making and positioning for sustainable growth.

PVU's internal strengths form a solid foundation that positions it as a leading automotive service provider within the country. Its longstanding presence in the industry, coupled with strong government support, provides stability and credibility. The organization boasts a robust asset base and a history of positive returns on capital investments, reflecting sound financial management. Its strategic relationships with reputable suppliers such as Mazda, Hyundai, and Nissan ensure a steady supply of quality parts and technical training, which in turn supports high service standards. Additionally, PVU benefits from a skilled workforce, with experienced mechanics and technical staff capable of delivering reliable and quality services.

Moreover, PVU's operational infrastructure is well-developed, featuring a fully equipped workshop, digitalized accounting systems like MYOB, and reliable internet connectivity that enhance efficiency. Its strategic location confers a cost advantage in serving customers, while a diverse product portfolio offers a range of services and offerings that are difficult for competitors to replicate. The organization's proactive asset management, including timely vehicle replacement and inventory control, further bolsters its operational resilience. These strengths, combined with strategic partnerships and a strong reputation built over years of service, give PVU a competitive edge in the industry.

However, despite these advantages, PVU faces several internal challenges that could hinder its growth and operational efficiency. One significant issue is the increasing bargaining power of customers, driven by the market's shift from demand-driven to supply-driven dynamics, with a proliferation of variants and alternatives. This situation pressures PVU to remain competitive on pricing and service quality. Employee turnover presents another challenge, with high attrition rates and difficulties in attracting and retaining highly qualified professionals, which can compromise service quality and innovation. Furthermore, the organization's limited focus on research and development restricts its ability to innovate and incorporate new technologies such as EVs and alternative fuels effectively.

Financial constraints also pose a concern. Past periods of low profitability, outstanding debts, and cash flow issues limit PVU's capacity to invest in new technologies, infrastructure, and staff development. Operational inefficiencies, including limited diagnostic tools, delays in spare parts procurement, and inadequate quality control measures, impact service delivery and customer satisfaction. Organizational culture issues, such as centralized decision-making and low employee morale, further reduce responsiveness and innovation. Infrastructure challenges, such as aging office facilities, manual record-keeping, and a lack of specialized IT personnel, hinder overall productivity. Additionally, PVU's lack of recent market research and weak marketing strategies restrict its ability to understand evolving customer needs and expand its market share.

Externally, PVU has numerous opportunities to capitalize on. The increasing penetration of the internet and the growth of e-commerce present avenues for digital transformation, enabling online sales, service bookings, and customer engagement. The rise of social media platforms like Facebook offers a cost-effective means for marketing and building brand loyalty. Technological advancements, such as automation and data analytics, can streamline operations, reduce costs, and enhance customer experiences. Economic growth and rising disposable incomes expand the target market, increasing demand for vehicle maintenance and related services. The expanding transport industry, including logistics and tourism sectors, also opens new service avenues. Additionally, the availability of a more skilled workforce, driven by improved education and vocational training, can help PVU reduce training costs and improve service quality.

Emerging niche markets, such as health-conscious consumers and environmentally sustainable products, further provide opportunities for PVU to diversify its offerings. Reduced trade barriers and government investments in infrastructure are additional external factors that can lower costs and facilitate expansion. Environmental initiatives like waste metal recycling align with PVU's mandate and sustainability goals, offering both economic and ecological benefits.

Nevertheless, external threats also loom. Rapid technological developments by competitors pose a significant risk, as new innovations can attract customers away from PVU. The bargaining power of suppliers has increased due to limited options, leading to higher input costs. The entry of new competitors and intensified industry rivalry threaten PVU's market share and margins, especially in a price-sensitive environment. Fluctuations in exchange rates impact the cost of imported spare parts and equipment, adding financial uncertainty. Political

interventions and changing government policies can impose additional compliance costs and operational constraints. Moreover, shifting consumer preferences towards alternative transportation modes and the availability of substitute products like shared mobility services threaten traditional automotive service providers.

In addition to these external threats, PVU faces internal vulnerabilities that require strategic attention. Its limited focus on research and development hampers innovation, while logistical challenges in sourcing spare parts and diagnostic tools affect service delivery. Weaknesses in quality control, outdated infrastructure, and manual processes reduce operational efficiency. The organization's organizational culture, characterized by centralization and low employee morale, diminishes responsiveness and innovation. Furthermore, the lag in marketing efforts, poor record-keeping, and a lack of comprehensive market understanding impede growth. Financial constraints, including delayed revenue payments from ministries and reliance on imports, exacerbate operational pressures.

PVU operates within a highly competitive and rapidly evolving industry landscape. While it benefits from a strong internal foundation and external opportunities, the organization must proactively address its internal weaknesses and external threats. Embracing technological innovation, enhancing operational efficiency, strengthening market research and marketing strategies, and fostering a motivated workforce are critical steps toward ensuring sustained growth and resilience. By strategically aligning its internal capabilities with external opportunities and effectively managing external threats, PVU can position itself to thrive in the future of the automotive industry.

A summary (Table 5) of the Plant Vehicle Unit's SWOT analysis is outlined in the table below.

Table 5. SWOT Analysis of PVU

STRENGTH	WEAKNESS
• Growing Industry Momentum: The automotive sector is expanding rapidly, driven by increasing mobility needs, technological innovations, and rising demand for vehicles that enhance quality of life. • Technological Advancement & Innovation: PVU actively benefits from industry shifts toward electric vehicles (EVs), alternative fuels like CNG and Shell gas, and renewable energy integration. Continuous R&D efforts are positioning PVU to adapt to these trends. • Government Support & Long-Established Presence: Strong	• Customer Power & Market Competition: An increasingly demand-supply shift grants customers greater bargaining power, resulting in price sensitivity and heightened competition. • Employee Turnover & Skill Gaps: High attrition rates and limited access to highly qualified professionals pose risks to service quality and innovation. • Limited R&D Focus: Insufficient investment in research and development hampers value

backing from government agencies and a longstanding reputation provide stability and credibility.

- **Reliable Supplier Network:** Established relationships with reputable suppliers such as Mazda, Hyundai, and Nissan facilitate consistent access to quality parts and technical training.
- **Asset Base & Financial Health:** A substantial asset portfolio enhances solvency, complemented by recent positive returns on capital investments.
- **Financial Liquidity:** A high current ratio indicates good short-term liquidity, although it warrants careful management to prevent potential inefficiencies.
- **Skilled Workforce:** Experienced mechanics and technical staff ensure high-quality service delivery.
- **Customer Base & Systematic Operations:** A diversified customer network, comprehensive policies, and well-structured procedures facilitate smooth operations.
- **Product Portfolio & Location Advantage:** Wide-ranging, quality offerings and strategic location provide cost efficiencies and competitive edge.
- **Established Infrastructure & Digital Capabilities:** Well-equipped workshops, digitalized accounting systems (e.g., MYOB), and reliable internet connectivity support operational excellence.
- **Strategic Partnerships:** Collaborations with

addition, innovation, and adaptation to emerging technologies.

- **Financial Constraints:** Past low profitability, outstanding debts, and cash flow issues restrict capacity for future capital investments.
- **Operational Challenges:** Limited diagnostic tools, delayed spare parts logistics, and inadequate quality control affect efficiency and service consistency.
- **Organizational Culture & Decision-Making:** Centralized decision-making processes and low employee morale hinder agility and innovation.
- **Infrastructure & Resource Limitations:** Old office facilities, manual record-keeping, and lack of specialized IT personnel reduce operational efficiency.
- **Market Understanding & Promotion:** Absence of recent market research and weak marketing strategies limit customer engagement and growth prospects.
- **Regulatory & Compliance Risks:** Evolving environmental and safety regulations increase compliance costs and operational complexity.
- **Supply Chain Vulnerabilities:** Heavy reliance on imported parts and limited supplier options expose PVU to logistical delays and cost fluctuations.
- **Reputation & Customer Trust:** Past issues with service consistency and communication have impacted PVU's image and customer loyalty.

suppliers and stakeholders strengthen supply chain resilience and resource sharing.

- **Proactive Asset Management:** Timely vehicle replacement and robust inventory management underpin operational reliability.

OPPORTUNITY

- **Digital Expansion & E-Commerce:** Growing internet penetration and online shopping trends enable PVU to establish digital platforms for sales, booking, and customer engagement.
- **Social media & Marketing:** Leveraging platforms like Facebook and Instagram can enhance brand visibility, customer interaction, and feedback collection.
- **Technological Innovations:** Adoption of automation, data analytics, and IoT can optimize operations, reduce costs, and improve customer experiences.
- **Economic Growth & Rising Disposable Income:** Higher household incomes lead to increased vehicle ownership and maintenance demand.
- **Transport Sector Growth:** Expanding logistics, tourism, and public transport sectors offer new service opportunities.
- **Skilled Workforce Availability:** Improved education and vocational training reduce costs associated with staff development.

THREAT

- **Rapid Technological Changes:** Competitors adopting advanced technologies may attract customers away from PVU.
- **Supplier Power & Cost Fluctuations:** Limited supplier options and rising import costs impact profitability.
- **Market Entry of New Competitors:** New players with innovative offerings threaten market share.
- **Price Competition & Industry Saturation:** Increased rivalry may lead to price wars, squeezing margins.
- **Currency Volatility:** Fluctuating exchange rates affect import costs and pricing strategies.
- **Regulatory & Policy Changes:** Stricter environmental laws, procurement policies, and SOE regulations can increase compliance burdens.
- **Changing Consumer Preferences:** Evolving tastes demand continuous product and service adaptation.
- **Substitute Technologies:** Alternatives like

- **Emerging Niche Markets:** Health-conscious consumers and environmentally sustainable products open avenues for specialized services and offerings.
- **Reduced Trade Barriers:** Lower import tariffs can decrease costs of spare parts and equipment.
- **Government Infrastructure Projects & Support:** Public investments and policy incentives facilitate expansion and modernization.
- **Recycling & Sustainability Initiatives:** Opportunities in waste metal recycling align with PVU's mandate and environmental commitments.

shared mobility and autonomous vehicles may reshape demand patterns.

- **Promotion & Awareness Challenges:** High competition in marketing reduces PVU's promotional impact especially in light vehicle.
- **Workforce & Knowledge Gaps:** Rapid technological evolution necessitates ongoing staff training; failure to keep pace risks obsolescence.
- **Logistical & Supply Chain Disruptions:** Delays in sourcing spare parts and diagnostic tools can impair service delivery.
- **Reputation Risks:** Negative perceptions or service inconsistencies threaten customer trust and loyalty.

3.4 SPECIFIC CHALLENGES AND FOCUS OF PLANNING PERIOD

The Statement of Intent (SOI) 2026–2028 marks PVU's fourth strategic plan in a continuing series of progress frameworks. It will guide efforts across all levels of the organization over the next three years, supporting PVU's growth aspirations and long-term vision.

Despite incremental progress, PVU acknowledges that the core challenges identified in the previous SOI 2025–2027 persist and continue to impede development. Accordingly, this strategic plan maintains a focused commitment to addressing the same priority areas:

1. High Competition in the Light Vehicle Sector

The rapid expansion of private operators in the light vehicle market has intensified competition, reducing PVU's market share and weakening its perceived value in the transport sector.

Priority Focus:

PVU will reposition its services to focus on high-impact public mandates such as government fleet management, emergency logistics, and remote island connectivity. A service differentiation strategy will be developed to emphasize PVU's reliability, safety standards, and accountability—qualities that distinguish it from commercial providers.

Summary Focus to Overcome:

- Define and promote PVU's public service niche
- Enhance service quality and responsiveness
- Build strategic partnerships with government agencies

2. Aging Assets and Equipment

Outdated vehicles and mechanical infrastructure have led to frequent breakdowns, high maintenance costs, and reduced service reliability.

Priority Focus:

PVU will implement a phased asset renewal program, prioritizing critical machinery and transport units. This will be supported by donor engagement and government investment, alongside the introduction of a digital asset management system to optimize lifecycle planning and maintenance.

Summary Focus to Overcome:

- Secure capital investment for asset replacement
- Digitize asset tracking and maintenance
- Prioritize climate-resilient and fuel-efficient upgrades

3. Financial Constraints

Limited revenue streams and delayed funding have constrained PVU's ability to invest, retain skilled staff, and meet service delivery expectations.

Priority Focus:

PVU will pursue financial reform through two key avenues: advocating for the repeal of the Special Fund Act to unlock operational flexibility, and diversifying revenue through cost-recovery services and strategic partnerships. Strengthened financial reporting and audit compliance will reinforce transparency and donor confidence.

Summary Focus to Overcome:

- Reform funding mechanisms and repeal restrictive legislation
- Diversify income sources and service models
- Strengthen financial governance and reporting

4. Restoring and Maintaining PVU's Reputation

Past service disruptions, audit delays, and limited public engagement have eroded trust in PVU's integrity and effectiveness.

Priority Focus:

PVU will launch a reputation rebuilding initiative grounded in transparency, performance, and stakeholder engagement. This includes timely audit completion, visible infrastructure improvements, and proactive communication of achievements through public channels.

Summary Focus to Overcome:

- Deliver visible and timely service improvements

- Complete and publish audit reports
- Engage stakeholders through transparent communication

5. Skill Gaps and Workforce Development

Technical and managerial skill shortages—especially in outer island councils—limit PVU's ability to deliver consistent, high-quality services.

Priority Focus:

PVU will roll out a national capacity-building program targeting mechanics, drivers, and administrative staff. Partnerships with vocational institutions and regional training providers will be pursued to build a sustainable talent pipeline, supported by internal mentorship and knowledge-sharing systems.

Summary Focus to Overcome:

- Invest in targeted training and certification
- Build partnerships for workforce development
- Institutionalize mentorship and knowledge transfer

PVU's 2026–2028 strategy is designed to transform adversity into opportunity. By focusing on these five priority areas with clear, actionable solutions, PVU will strengthen its operational foundation, restore public trust, and reaffirm its role as a vital enabler of national development. This roadmap reflects PVU's commitment to resilience, reform, and results.

4 PLANNING PERIOD OBJECTIVES

4.1 STATEMENT TO RECONCILE THE KEY CHALLENGES FROM SECTION 3.4

The Plant and Vehicle Unit (PVU) has identified a range of potential priority issues and challenges that require careful evaluation across social, environmental, legal, market, and resource dimensions. By systematically assessing these factors, PVU will be better equipped to reconcile conflicting issues, prioritize actions, and develop effective strategies to overcome obstacles. This holistic approach ensures that decisions are balanced, sustainable, and aligned with national development goals.

Key Challenges and Strategic Focus

The Plant and Vehicle Unit (PVU) has identified a range of potential priority issues and challenges that require careful evaluation across social, environmental, legal, market, and resource dimensions. By systematically assessing these factors, PVU will be better equipped to reconcile conflicting issues, prioritize actions, and develop effective strategies to overcome obstacles. This holistic approach ensures that decisions are balanced, sustainable, and aligned with national development goals.

Key Challenges and Strategic Focus

1. High Competition in the Light Vehicle Sector

The proliferation of private operators in the light vehicle market has intensified competition, particularly in urban centres and high-demand corridors. This trend has eroded PVU's market share and placed pressure on its ability to remain relevant and competitive. Unlike private entities, PVU operates under a public mandate, which includes servicing remote areas, supporting government fleets, and ensuring equitable access—functions that are not always commercially viable.

Strategic Implication:

PVU must redefine its value proposition by focusing on specialized, high-impact services that align with its public service role. This includes emergency transport, inter-island logistics, and government fleet support. A service differentiation strategy will be essential to highlight PVU's strengths in safety, reliability, and accountability.

2. Aging Assets and Equipment

PVU's fleet and mechanical infrastructure are significantly outdated, resulting in frequent breakdowns, high maintenance costs, and reduced operational efficiency. The lack of modern, climate-resilient equipment also limits PVU's ability to respond to emerging environmental challenges and deliver consistent service across all islands.

Strategic Implication:

A phased asset renewal program is urgently needed. This must be supported by capital investment from government and donor partners, and complemented by the introduction of a digital asset management system to monitor usage, schedule maintenance, and optimize lifecycle planning.

3. Financial Constraints

PVU's financial position remains fragile, with limited revenue streams and delayed access to operational funding. These constraints have hindered infrastructure investment, workforce development, and service delivery. The continued application of the Special Fund Act further restricts PVU's financial flexibility and responsiveness.

Strategic Implication:

PVU must pursue financial reform through two key avenues: advocating for the repeal of the Special Fund Act and diversifying revenue through cost-recovery services and strategic partnerships. Strengthened financial governance, audit compliance, and transparent reporting will be critical to restoring fiscal credibility and attracting external support.

4. Restoring and Maintaining PVU's Reputation

Historical service disruptions, audit delays, and limited public engagement have contributed to a decline in stakeholder confidence. PVU's reputation as a reliable and accountable institution has suffered, affecting its ability to mobilize support and drive reform.

Strategic Implication:

PVU must launch a reputation rebuilding initiative anchored in transparency, performance, and stakeholder engagement. This includes timely completion and publication of audit reports, visible infrastructure improvements, and proactive

communication of achievements. A refreshed brand identity and public outreach strategy will reinforce PVU's commitment to integrity and impact.

5. Skill Gaps and Workforce Development

Technical and managerial skill shortages—particularly within island councils—have undermined PVU's ability to deliver consistent, high-quality services. The absence of structured training programs and limited access to vocational development have further exacerbated this challenge.

Strategic Implication:

PVU must invest in a national capacity-building program targeting mechanics, drivers, and administrative staff. Partnerships with vocational institutions and regional training providers will be essential to build a sustainable talent pipeline. Internal mentorship and knowledge-sharing systems will help preserve institutional memory and foster continuous learning.

These five challenges represent both obstacles and opportunities. By addressing them through targeted reforms and strategic investment, PVU can reposition itself as a resilient, responsive, and results-driven institution. The 2026–2028 planning period will be a defining chapter in PVU's journey—one that restores public trust, strengthens operational capacity, and delivers lasting value to the people and government of Kiribati.

4.2 STATEMENT OF OBJECTIVES TO ACCOMPLISH BY THE END OF THE PLANNING PERIOD

To ensure the continued delivery of efficient maintenance services and timely replacement of government vehicles, it is essential to define clear objectives to be achieved by the end of the planning period. These objectives will guide the development of targeted strategies to address existing challenges, unlock new opportunities, and expand PVU's service base—ultimately enhancing its contribution to government operations and public service delivery.

The table (Table 6) below outlines the key objectives identified

Table 6. Identified Key Objectives of PVU over the next 3 years (2026-2028)

Key Objective	Comments/ Justification
5. Improve and Strengthen Governance	Governance plays a vital role in underpinning the integrity and transparency of financial management . Poor governance weakens the PVU's potential and at worst can pave the way for financial difficulties and even fraud. PVU respects the purport of the laws and regulations formulated by GoK and, while working to build a good relationship with stakeholder, including customers, suppliers, local community and employees, the Unit strives to sustain growth and enhance its corporate value over the short and long term through transparent, fair, prompt and

		decisive decision making and to continue to enhance its corporate governance.
6. Improve Performance & quality reporting	Financial	PVU's sole shareholder- the Government of Kiribati- has high expectations of PVU to be sustainable through its operational activities. Thus, a healthy financial position and management plays a vital role in improving business performance. By properly managing PVU finances, the Unit can ensure that it has the necessary funds available to invest in growth opportunities, meet their obligations and any financial challenges that may arise
7. Improve relationship with customers and key stakeholders		PVU understands the importance of having a strategic customer & key stakeholder engagement plan, not forgetting about the value of building relationships with customer & key stakeholder and how they can contribute to your organization's success. Negative customer & stakeholder relationships can result in loss of trust, loss of potential investment & revenue and can even negatively impact the PVU's reputation. By focusing on building positive customer & stakeholder relationships, it can result in a better reputation and helps towards the success of PVU
8. Strengthen technical and operational capacity		PVU will continue endeavouring to resolve issues regarding its operational and technical by accelerating initiatives based on the technologies and activities that PVU have cultivated thus far.
9. Expand and diversify PVU service portfolio		Expanding and diversifying PVU's service portfolio is essential to ensure long-term sustainability, operational resilience, and broader national impact. As demand for specialized vehicle and machinery services grows across sectors—including NGOs, private contractors, and community organizations—PVU must evolve beyond its traditional government clientele. Diversification will enable PVU to tap into new revenue streams, reduce dependency on limited public budgets, and respond more

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Plant & Vehicle Unit

10. Promoting environmental sustainability and compliance

effectively to emerging needs such as emergency response, heavy equipment servicing, and remote island support. By broadening its offerings, PVU strengthens its role as a dynamic public enterprise, capable of adapting to market shifts, enhancing service equity, and contributing more meaningfully to Kiribati's development agenda.

Promoting environmental sustainability and compliance is a strategic imperative for PVU, given Kiribati's heightened vulnerability to climate change and ecological degradation. As a major operator of fleet assets and heavy machinery, PVU has a direct responsibility to minimize its environmental footprint through cleaner technologies, responsible waste management, and adherence to national and international environmental standards.

Transitioning to low-emission vehicles, implementing recycling protocols, and ensuring safe disposal of hazardous materials will not only reduce pollution but also align PVU's operations with the Government's climate commitments. By embedding sustainability into its service delivery, PVU enhances its credibility, safeguards public health, and contributes to the long-term resilience of Kiribati's infrastructure and communities.

5 STRATEGIC ACTIONS TO SATISFY OBJECTIVES

5.1 KEY STRATEGIES

5.1.1 Strategic Development and Enhancement of PVU

The formulation of the PVU strategy is centred on elevating both efficiency and effectiveness in service delivery, guided by core principles of;

- i) simplicity,
- ii) flexibility,
- iii) progressiveness,
- iv) harmonization, and

- v) ownership enhancement. This strategic framework aims to streamline operations, foster innovation, and ensure that PVU remains responsive to evolving industry needs.

5.1.2 Operational Strengthening and Policy Integration

To foster sustainable growth within the automobile and auto mechanic sectors, PVU is committed to strengthening and rationalizing its operations through the adoption of forward-looking policies and strategies. These efforts are designed to create optimal conditions for expansion, aligning with the mandates of the Special (Plant and Vehicle) Fund Act (1979), while also expediting the possible reformation of PVU into a more autonomous and efficient entity. Integrating these efforts will enable PVU to assume its responsibilities with maximum efficiency and effectiveness.

5.1.3 Governance, Accountability, and Transparency

At the heart of good governance lies robust accountability and transparency. PVU recognizes the need to bolster existing mechanisms through the development of new policies, rigorous implementation, and ongoing monitoring and evaluation of organizational functions and capacities. Strengthening financial management systems, coupled with leadership accountability, will foster a culture of integrity and performance excellence.

5.1.4 Addressing Challenges Post-COVID-19

Despite the resilience shown during the COVID-19 pandemic, PVU faces ongoing operational and financial challenges. These include the necessity to review and adjust tariffs and charges, especially to address significant outstanding debts, ensuring the unit's profitability remains sustainable. Vigilance is required to prevent unnecessary expenditures; implementing strict control, disciplinary, and security measures—particularly within inventory management—is vital to safeguard assets.

5.1.5 Organizational Review and Digital Transformation

A comprehensive review of PVU's activities, including its role, financial viability, and operational efficiency, will be undertaken during the current planning period. To enhance productivity, PVU is also committed to implementing computerized recording systems, which will streamline processes and improve data accuracy.

5.1.6 Human Capital Development and Change Management

Recognizing that human resources are fundamental to success, PVU aims to develop and strengthen its workforce across both administrative and operational levels. Effective change management will be crucial, especially amid rapid technological advancements and increasing industry competition. PVU must actively lead change initiatives, ensuring employees are equipped, adaptable, and motivated to embrace transformation.

To this end, PVU is exploring opportunities for on-the-job training, mechanics' attachments, and overseas training programs to enhance skills. Additionally, a review of the current organizational structure will be conducted to optimize resource utilization, improve operational efficiency, and foster an inclusive environment where all employees feel valued. Initiatives such as reorganization, promoting diversity, and

establishing Employee Resource Groups (ERGs) will support a culture of inclusivity and innovation.

5.1.7 Organizational Reform and Financial Sustainability

Considering structural reforms, PVU is exploring the transition from a Special Fund to a State-Owned Enterprise (SOE), with a focus on transforming into a self-financing, commercially viable entity. This reformation aims to streamline operations, boost efficiency, and ensure long-term financial sustainability.

5.1.8 Enhancing Service Delivery and Customer Outreach

To further strengthen PVU's operational capacity, the establishment of comprehensive backup services—such as mobile towing, machining, and diagnostic tools—is essential. These additions will enhance overall service efficiency and customer satisfaction. Prioritizing workforce training, including partnerships with counterparts in critical technical areas, will ensure the unit remains at the forefront of industry standards.

PVU also aims to diversify its customer base by attracting new market segments. Through targeted market research and segmentation analysis, PVU plans to identify untapped opportunities and develop tailored marketing strategies. Offering a diverse range of vehicle models that cater to varying customer preferences will enable PVU to expand its reach, mitigate market risks, and diversify revenue streams.

By embracing these strategic initiatives, PVU is poised to strengthen its operational foundation, enhance financial performance, and deliver superior services. Through continuous innovation, organizational reform, and a focus on human capital development, PVU will position itself as a resilient, efficient, and customer-centric organization dedicated to sustainable growth.

The following table (Table 7) provides a summary of the Key objectives and strategic actions;

Table 7. Key Objectives and Strategies for next 3 Years (2026-2028)

Key Objective No. 1. Who (RO)	Resource (Staff/ Funds etc)
Strengthened Governance and Institutional Oversight	
Strategic Action 1: Formalize Joint Venture (JV)	
Identify and evaluate potential JV partners	Reform Taskforce/ IGM
Secure cabinet approval on JV partner.	Sitting Allowance
Formalize JV agreements and governance structures	Reform Taskforce
	Reform Taskforce/ Cabinet Paper
Strategic Action 2: Strengthen PVU's Internal Governance Framework	

<i>Review and update PVU's internal policies, procedures, and compliance manuals</i>	Management	Management
<i>Conduct annual management performance evaluations</i>	HODs/ IGM	HODs
<i>Align PVU's governance practices with SOE Act requirements and MISE directives</i>	Management	Management
Strategic Action 3: Enhance Institutional Oversight and Reporting Mechanisms		
<i>Submit half year and annual performance reports to MISE and the SOEMAU</i>	IGM	
<i>Develop internal audit schedules and reporting protocols</i>	FM/ HRM	Staffs
<i>Ensure timely submission of Statement of Intent (SOI), Annual Reports, and Financial Statements</i>	IGM/ FM	
Strategic Action 4: Improve Transparency and Stakeholder Engagement		
<i>Develop feedback mechanisms for clients and partners</i>	HRM	
<i>Host governance briefings for PVU staff and stakeholders</i>	HRM/IGM	
Strategic Action 5: Institutionalize Risk Management and Compliance Culture		

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<i>Develop and implement a PVU Risk Management Framework</i>	MS	
<i>Conduct risk assessments for fleet operations, financial exposure, and service delivery</i>	MS	Mechanics
<i>Train staff on compliance, ethics, and anti-corruption measures</i>	HRM	
<i>Ensure timely provision of uniforms and PPE to all relevant personnel.</i>	HRM/ IGM	\$10k
<i>Monitor adherence to procurement, financial, and operational standards</i>	FM/ HRM	

Key Objective No. 2. Optimize Financial Performance and Cost Recovery **Strategic Action 6: Enhance Debt Recovery and Financial Management**

<i>Implement a Centralized Debt Management System</i>	FM	\$5k
<i>Conduct Monthly Debt Reconciliation and Aging Analysis</i>	FM	Accounts Team
<i>Establish Clear Debt Collection Protocols and Escalation Procedures</i>	FM	Accounts Team
<i>Develop Customer Segmentation for Tailored Debt Recovery</i>	FM	Accounts Team
<i>Set Monthly Debt Recovery Targets and Monitor Progress</i>	FM	Accounts Team

<i>Introduce Incentives for Early Payments</i>	FM	
<i>Strengthen Legal Action Mechanisms/ Policy for Defaulters</i>	FM/ IGM	
<i>Conduct Debt Recovery Training for Staff</i>	FM/ IGM	Accounts Team
<i>Recruit Marketing/ Trade Officer</i>	Marketing Trade Officer recruited	\$1200
Strategic Action 7: Diversify Revenue Streams & Optimize Pricing		
<i>Conduct Market Analysis for New Revenue Opportunities</i>	FM/ IGM	
<i>Develop and Pilot New Revenue Streams</i>	Management	
<i>Standardize and Review Pricing Models Regularly</i>	Management/ Steering Committee	Accounts Team/ Transport Team
<i>Launch Promotional Campaigns for New & Existing Services</i>	FM	\$1500
<i>Expand into Renewable & Green Technologies</i>	FM/ IGM	
<i>Establish Strategic Partnerships for Revenue Growth</i>	Management	
<i>Track Revenue Contributions from New Streams</i>	FM/ MS	
Strategic Action 8: Cost Optimization & Expenditure Control		
<i>Conduct Comprehensive Cost-Benefit Analysis for Major Expenditure Areas</i>	FM	
<i>Implement Energy and Resource Saving Initiatives</i>	MS/ HRM	
<i>Negotiate Better Terms with Suppliers and Service Providers</i>	FM/ IGM	

<i>Establish a Procurement Review Committee</i>	HRM/ FM	
<i>Introduce Performance-Based Incentives for Cost Savings</i>	FM	
<i>Regular Monitoring of Budget Variance</i>	FM	
Strategic Action 9: Strengthen Relationships with Development Partners for Financial Support		
<i>Develop a Partnership Engagement Plan</i>	HRM/ IGM	
<i>Identify and Approach New Potential Donors & Partners</i>	HRM/ IGM	Marketing / Promotion Team
<i>Submit Funding Proposals for Specific Projects</i>	HRM/ IGM	
<i>Organize Bi-Annual Donor/Partner Review Meetings</i>	HRM/ IGM	
<i>Explore Co-Funding Opportunities for Major Capital Projects</i>	HRM/ FM/ IGM	
Key Objective No. 3. Deepen Stakeholder Engagement and Service Responsiveness		
Strategic Action 10: Institutionalize Stakeholder Feedback Mechanisms		
<i>Design and circulate quarterly feedback surveys to ministries.</i>	MS	
<i>Host biannual stakeholder roundtables to discuss service gaps and reform priorities.</i>	MS	
<i>Create a feedback log and resolution tracker</i>	MS	
Strategic Action 11: Launch PVU Service Charter and Communication Protocols		

Draft and publish PVU Service Charter outlining commitments and standards.

IGM

Management / Steering Committee

Train PVU staff on communication protocols and escalation procedures.

HRM

Display service standards visibly at PVU offices and in official correspondence

HRM/ FM

Posters (\$2k)

Strategic Action 12: Establish Inter-Ministerial Coordination Forum

Convene quarterly coordination meetings with ministry representatives.

HRM

Develop joint action plans for fleet scheduling, cost recovery, and reform implementation.

MS/ Transport Officer/ FM

Strategic Action 13: Deploy Digital Engagement Tools

Build and launch a PVU service portal with request tracking and feedback forms.

MS/ Foreman

Enable SMS/email alerts for service updates and invoice status.

MS/ Foreman

Integrate dashboard for internal monitoring of service metrics.

MS/ Foreman

Strategic Action 14: Monitor and Report on Service Responsiveness

Define service responsiveness indicators (e.g., response time, resolution rate).

MS/ Foreman

Provide quarterly performance reports to stakeholders.

MS

Key Objective No. 4. Advance Technical and Operational Capabilities

Strategic Action 15: Enhance Technical Skills through Continuous Professional Development

Develop a Continuous Learning and Certification Program

HRM

Facilitate Specialized Technical Training (Mechanical, Electrical etc)

HRM/ MS

\$5k

Established partnerships with Technical Institute for apprenticeships

HRM/ IGM

Organize regular technical workshop and knowledge sharing sessions

MS

Monitor and Evaluate Training Effectiveness

HRM/ IGM

Strategic Action 16: Update and Modernize Maintenance and Asset Management Systems

Implement an Asset Maintenance Management Software

MS

\$3k

Develop Preventive Maintenance Schedules for Critical Equipment

MS/ IGM

Conduct Regular Asset Condition Assessments

MS

Mechanics/ Transport Officers

Train Staff on Asset Management & Maintenance Procedures

MS/ IGM

Establish Asset Lifecycle Management Plan

MS

Strategic Action 17: Strengthen Data and Knowledge Management

Develop a Centralized Digital Knowledge Repository

HRM

Computers

Digitize Critical Operational Documents and Records

MS

Computers

Conduct Data Management & Data Security Training

HRM

Computers

Establish Data Quality and Validation Protocols

HRM

Regular Data Audits and Reporting

FM/HRM

Mechanics

Recruit IT Officer

HRM

\$1500

Strategic Action 18: Foster Innovation and Technology Adoption

Identify Emerging Technologies in Automotive & Maintenance Sectors

MS/IGM

Pilot New Technologies (e.g., diagnostic tools, automation)

MS/IGM

Evaluate and Report on Technology Impact

MS

Strategic Action 19: Strengthen Collaboration with External Technical Experts

Arrange Technical Attachments and Secondments for Staff

HRM/ IGM

Conduct External Technical Audits & Reviews

MS

Organize Knowledge Exchange Visits with Peer Organizations

MS

\$5k

Key Objective No. 5. Expand and diversify PVU service portfolio.

**Strategic Action 20:
Introduce Specialized Transport Services for**

Government Events and Emergency

Develop a dedicated fleet schedule for national events, official visits, and emergency deployments

MS/ Transport Officer

Coordinate with MELAD, MOH, and other agencies to identify recurring transport needs

MS

Strategic Action 21: Launch Fee-Based Maintenance and Repair Services for Non-PVU Government Vehicles

Open PVU Auto-Repair Shop services to ministries using privately procured vehicles

MS/ Foreman

Develop service packages with transparent pricing for diagnostics, repairs, and preventive maintenance

MS/ Foreman

Diagnostic Tools

Train technical staff to handle diverse vehicle models and systems

MS/ Foreman

Strategic Action 22: Establish PVU Driver Training and Certification Program

Offer quarterly training sessions for government drivers

MS/ Transport Officer

Strategic Action 23: Develop PVU Equipment Leasing Services for Infrastructure Projects

Create a catalogue of heavy machinery available for short-term

MS

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lease (e.g., excavators, tipper trucks)

Establish lease terms and maintenance support packages

Promote services to Ministries, private and local councils

MS/ Foreman

FM/ HRM

Strategic Action 24: Pilot Sustainable Transport Solutions (e.g., Electric Vehicles, Solar-Powered Units)

Conduct feasibility study on EVs and solar-powered transport options

IGM

Procure pilot units for testing in urban and outer island settings

IGM

Monitor performance, cost savings, and environmental impact

MS/ FM

Key Objective No. 6. Promoting environmental sustainability and compliance

Strategic Action 25: Transition to Cleaner and More Efficient Fleet Operations

Conduct fleet audit to identify high-emission and obsolete vehicles

MS

Develop phased replacement plan prioritizing fuel-efficient and hybrid models

MS/ Transport Officer

Introduce eco-driving training for PVU drivers and operators

MS

<i>Monitor fuel consumption and emissions per vehicle</i>	MS/ FM	
Strategic Action 26: Implement Sustainable Workshop Practices		
<i>Introduce proper disposal protocols for used oil, filters, batteries, and tires</i>	MS/ Foreman	
<i>Install spill containment systems and waste segregation bins</i>	MS/ Foreman	\$5k
<i>Procure environmentally friendly lubricants and cleaning agents</i>	MS/ Storeman	Reliable Suppliers
<i>Train workshop staff on environmental compliance standards</i>	MS/ Foreman	
Strategic Action 27: Promote Green Procurement and Supply Chain Practices		
<i>Prioritize suppliers offering sustainable parts and packaging</i>	Storeman	
<i>Include environmental criteria in procurement evaluations</i>	MS/ Storeman	
Strategic Action 28: Strengthen Compliance with National Environmental Regulations		
<i>Conduct annual internal audits of PVU operations against environmental standards</i>	MS	
<i>Collaborate with MELAD and MISE on compliance reporting</i>	MS	

<i>Maintain updated records of environmental permits and inspections</i>	MS	
<i>Address non-compliance findings through corrective action plans</i>	MS/ Foreman	
Strategic Action 29: Raise Environmental Awareness Among PVU Clients and Stakeholders		
<i>Include sustainability briefings in client onboarding and lease agreements</i>	MS	

5.2 STATEMENT LINKING OTHER ASPECTS OF THE “BUSINESS AS USUAL” APPROACH IDENTIFYING THE OTHER ASPECTS OF THE BUSINESS THAT CONTRIBUTE TO EARNINGS.

PVU will continue to operate under a “business as usual” framework, maintaining its high standards in vehicle maintenance and repair services. This includes proactive stocking of essential base inventory to ensure timely service delivery and customer satisfaction. Concurrently, PVU will intensify efforts to recover outstanding debts from client ministries, reinforcing its cost-recovery model and financial sustainability.

To optimize asset utilization, PVU will also continue salvaging usable components from decommissioned and discarded vehicles. These parts will be refurbished and resold, generating supplementary revenue while supporting circular economy principles.

Recognizing the rapid evolution of the automotive industry—driven by demand for advanced technologies, enhanced safety features, and environmentally responsible solutions—PVU is committed to staying ahead of the curve. The Unit is actively exploring innovations in vehicle design, safety systems, and alternative powertrain technologies, including hybrid and electric vehicles (EVs). These efforts are aligned with PVU’s long-term vision to modernize its fleet and meet emerging customer expectations.

To accelerate this transformation, PVU will strengthen collaboration with external partners and engage in open innovation initiatives. By leveraging strategic alliances and technological expertise, PVU aims to introduce cutting-edge products and services that enhance operational efficiency and environmental performance.

Looking ahead, PVU recognizes the need to expand its service offerings beyond traditional government clients. Diversifying its customer base and product portfolio—particularly in the EV segment—will be critical to fulfilling its environmental obligations and positioning PVU as a forward-looking, sustainable enterprise.

6 PERFORMANCE MEASURES

6.1 SMART KPI'S THAT RELATE SPECIFICALLY TO EACH STRATEGY

PVU has identified a range of key strategies aligned to each objective, recognizing that while some can be achieved in the short term, others will require sustained effort over multiple years.

The following table (Table 8) outlines the financial and non-financial targets that will guide PVU's performance and ensure alignment with the activities projected over the planning period. Notably, several actions from the previous Statement of Intent (2025–2027) have been retained, either due to incomplete implementation or the need for ongoing monitoring and annual measurement throughout the next three years.

Table 8. Strategic Actions and Measures to be undertaken in planning periods (2026-2028)

Key Objective No. 1. Measure	When
Strengthened Governance and Institutional Oversight	
Strategic Action 1: Formalize Joint Venture (JV)	
Identify and evaluate potential JV partners	JV partner identified Feb 2026
Secure cabinet approval on JV partner.	Cabinet approval Mar 2026
Formalize JV agreements and governance structures	JV formalized & Operational May & Jun 2026
Strategic Action 2: Strengthen PVU's Internal Governance Framework	
Review and update PVU's internal policies, procedures, and compliance manuals	At least two internal policies reviewed June 2026 (annually)
Conduct annual management performance evaluations	Completion rate of management evaluations Dec 26
Align PVU's governance practices with SOE Act requirements and MISE directives	Number of compliance gaps identified and resolved Jun 26 (Annually)
Strategic Action 3: Enhance Institutional Oversight and Reporting Mechanisms	

<i>Submit half year and annual performance reports to MISE and the SOEMAU</i>	Reports submitted on time to oversight bodies	Jun and Dec 2026 (Annually)
<i>Develop internal audit schedules and reporting protocols</i>	% of audit recommendations implemented within 6 months	Jul 26 (Annually)
<i>Ensure timely submission of Statement of Intent (SOI), Annual Reports, and Financial Statements</i>	Reports submitted ahead of deadline	Dec 26 (Annually)

Strategic Action 4: Improve Transparency and Stakeholder Engagement

<i>Develop feedback mechanisms for clients and partners</i>	% of client feedback addressed within 30 days	Quarterly (2026-2028)
<i>Host governance briefings for PVU staff and stakeholders</i>	Number of governance briefings conducted % of service users aware of PVU's governance and reporting obligations	Half Yearly (2026-2028)

Strategic Action 5: Institutionalize Risk Management and Compliance Culture

<i>Develop and implement a PVU Risk Management Framework</i>	Number of risk assessments conducted annually	Half Yearly (2026-2028)
<i>Conduct risk assessments for fleet operations, financial exposure, and service delivery</i>	% of staff trained in compliance and ethics	
<i>Train staff on compliance, ethics, and anti-corruption measures</i>	Number of compliance breaches reported and resolved	Annually (2026-2028)

<i>Ensure timely provision of uniforms and PPE to all relevant personnel.</i>	Uniform & Personal Protective Equipment (PPE) provided and worn	Annually (2026-2028)
<i>Monitor adherence to procurement, financial, and operational standards</i>	% adherence to procurement and financial protocols	Annually (2026-2028)

Key Objective No. 2. Optimize Financial Performance and Cost Recovery

Strategic Action 6: Enhance Debt Recovery and Financial Management

<i>Implement a Centralized Debt Management System</i>	System fully operational and integrated with existing Enterprise Resource Planning (ERP)	Dec 2026
<i>Conduct Monthly Debt Reconciliation and Aging Analysis</i>	Monthly reconciliation reports generated	Monthly (2026-2028)
<i>Establish Clear Debt Collection Protocols and Escalation Procedures</i>	Protocols documented and staff trained	Mar 2026
<i>Develop Customer Segmentation for Tailored Debt Recovery</i>	Segmentation categories established	Jun 2026
<i>Set Monthly Debt Recovery Targets and Monitor Progress</i>	Monthly recovery rate (target: ≥95%)	Monthly, ongoing
<i>Introduce Incentives for Early Payments</i>	Incentive scheme approved and communicated	Jun 2026
<i>Strengthen Legal Action Mechanisms/ Policy for Defaulters</i>	Legal notices issued and actions taken	Every two months (2026-2028)
<i>Conduct Debt Recovery Training for Staff</i>	Staff trained on debt collection best practices	Annually (2026-2028)

<i>Recruit Marketing/ Trade Officer</i>	Marketing/ Trade Officer recruited	Aug 2027
Strategic Action 7: Diversify Revenue Streams & Optimize Pricing		
<i>Conduct Market Analysis for New Revenue Opportunities</i>	Market reports submitted	Jul 2026
<i>Develop and Pilot New Revenue Streams</i>	Pilot programs launched (e.g., maintenance contracts, leasing services)	Sep 2026
<i>Standardize and Review Pricing Models Regularly</i>	Quarterly review meetings held	Ongoing, quarterly
<i>Launch Promotional Campaigns for New & Existing Services</i>	Campaigns conducted, customer inquiries increased	Aug 2026
<i>Expand into Renewable & Green Technologies</i>	Number of eco-friendly vehicle services or products offered	Dec 2026
<i>Establish Strategic Partnerships for Revenue Growth</i>	Number of partnerships formed	Dec 2026
<i>Track Revenue Contributions from New Streams</i>	Revenue from new streams (target: ≥10% increase)	Dec 2026
Strategic Action 8: Cost Optimization & Expenditure Control		
<i>Conduct Comprehensive Cost-Benefit Analysis for Major Expenditure Areas</i>	Reports approved for key expenditure areas	Jun 2026
<i>Implement Energy and Resource Saving Initiatives</i>	Reduction in utility costs (% decrease)	Dec 2026
<i>Negotiate Better Terms with Suppliers and Service Providers</i>	Cost savings achieved (% reduction in procurement costs)	Ongoing, quarterly
<i>Establish a Procurement Review Committee</i>	Committee operational and quarterly reviews conducted	Mar 2026
<i>Introduce Performance-Based Incentives for Cost Savings</i>	Incentive scheme developed and implemented	Jul 2026

<i>Regular Monitoring of Budget Variance</i>	Monthly variance reports	Ongoing, monthly
Strategic Action 9: Strengthen Relationships with Development Partners for Financial Support		
<i>Develop a Partnership Engagement Plan</i>	Engagement plan approved	2026
<i>Identify and Approach New Potential Donors & Partners</i>	At least 3 new partners approached	2026
<i>Submit Funding Proposals for Specific Projects</i>	Number of successful proposals secured	Ongoing, quarterly
<i>Organize Bi-Annual Donor/Partner Review Meetings</i>	Meetings held and reports produced	Jun & Dec (Annually)
<i>Explore Co-Funding Opportunities for Major Capital Projects</i>	Co-funding agreements signed	Dec 2026
Key Objective No. 3. Deepen Stakeholder Engagement and Service Responsiveness		
Strategic Action 10: Institutionalize Stakeholder Feedback Mechanisms		
<i>Design and circulate quarterly feedback surveys to ministries.</i>	Stakeholder feedback response rate $\geq 75\%$	Quarterly (2026-2028)
<i>Host biannual stakeholder roundtables to discuss service gaps and reform priorities.</i>	Satisfaction score from ministries $\geq 80\%$	Annual (2026-2028)
<i>Create a feedback log and resolution tracker</i>	Percentage of issues resolved within 7 days $\geq 85\%$	Monthly (2026-2028)
Strategic Action 11: Launch PVU Service Charter and Communication Protocols		
<i>Draft and publish PVU Service Charter outlining commitments and standards.</i>	Service Charter compliance rate $\geq 90\%$	Quarterly (2026-2028)
<i>Train PVU staff on communication protocols and escalation procedures.</i>	Number of staff trained on protocols $\geq 100\%$ of PVU team	Annual (2026-2028)

Display service standards visibly at PVU offices and in official correspondence	Number of escalated cases resolved = 100%	Monthly (2026-2028)
Strategic Action 12: Establish Inter-Ministerial Coordination Forum		
Convene quarterly coordination meetings with ministry representatives.	Number of coordination meetings held ≥ 4	Annually (2026-2028)
Develop joint action plans for fleet scheduling, cost recovery, and reform implementation.	Number of joint action plans developed ≥ 3	Annually (2026-2028)
Strategic Action 13: Deploy Digital Engagement Tools		
Build and launch a PVU service portal with request tracking and feedback forms.	Digital portal usage rate $\geq 60\%$ of ministries	Dec 2027 (Quarterly)
Enable SMS/email alerts for service updates and invoice status.	Number of service requests submitted online $\geq 50\%$ of total	
Integrate dashboard for internal monitoring of service metrics.	System uptime $\geq 98\%$	Dec 2027 (Monthly)
Strategic Action 14: Monitor and Report on Service Responsiveness		
Define service responsiveness indicators (e.g., response time, resolution rate).	Average service request turnaround time ≤ 3 days	Jun 2026 (Monthly)
Provide quarterly performance reports to stakeholders.	Transparency score (based on published reports) $\geq 90\%$ (Annual)	Quarterly (2026-2028)
Key Objective No. 4. Advance Technical and Operational Capabilities		
Strategic Action 15: Enhance Technical Skills through Continuous Professional Development		
Develop a Continuous Learning and Certification Program	Program Developed and Launched	Mar 2026

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<i>Facilitate Specialized Technical Training (Mechanical, Electrical etc)</i>	Number of Staff trained; Certificate obtained	Ongoing, quarterly
<i>Established partnerships with Technical Institute for apprenticeships</i>	Number of apprentices engaged	Jun 2026
<i>Organize regular technical workshop and knowledge sharing sessions</i>	Workshop held half yearly	Jun 2026 onwards
<i>Monitor and Evaluate Training Effectiveness</i>	Post-training assessments showing $\geq 80\%$ competency improvement	Ongoing, after each session

Strategic Action 16: Update and Modernize Maintenance and Asset Management Systems

<i>Implement an Asset Maintenance Management Software</i>	Software operational and assets tracked digitally	Sep 2026
<i>Develop Preventive Maintenance Schedules for Critical Equipment</i>	Schedule developed and adhered to	Dec 2026
<i>Conduct Regular Asset Condition Assessments</i>	Assessment reports with recommended actions	Bi-annual (Jun & Dec 2026)
<i>Train Staff on Asset Management & Maintenance Procedures</i>	100% relevant staff trained	Aug 2026
<i>Establish Asset Lifecycle Management Plan</i>	Plan documented and implemented	Nov 2026

Strategic Action 17: Strengthen Data and Knowledge Management

<i>Develop a Centralized Digital Knowledge Repository</i>	Repository operational and accessible	Apr 2026
<i>Digitize Critical Operational Documents and Records</i>	Percentage of documents digitized	Jun 2026
<i>Conduct Data Management & Data Security Training</i>	Staff trained in data handling & security	May 2026

<i>Establish Data Quality and Validation Protocols</i>	Protocols documented and enforced	Jul 2026
<i>Regular Data Audits and Reporting</i>	Audit reports showing data accuracy	Quarterly from Jun 2026
<i>Recruit IT Officer</i>	IT Officer recruited	Dec 2027

Strategic Action 18: Foster Innovation and Technology Adoption

<i>Identify Emerging Technologies in Automotive & Maintenance Sectors</i>	Technology scan completed	Sep 2026
<i>Pilot New Technologies (e.g., diagnostic tools, automation)</i>	Number of pilots launched	Dec 2026
<i>Evaluate and Report on Technology Impact</i>	Impact assessments conducted	Dec 2026

Strategic Action 19: Strengthen Collaboration with External Technical Experts

<i>Arrange Technical Attachments and Secondments for Staff</i>	Number of staff seconded/attached	Ongoing, bi-annual
<i>Conduct External Technical Audits & Reviews</i>	Audit reports with actionable recommendations	Nov 2026
<i>Organize Knowledge Exchange Visits with Peer Organizations</i>	Visits conducted; learnings documented	Jun 2026 & Dec 2026

Key Objective No. 5. Expand and diversify PVU service portfolio.**Strategic Action 20: Introduce Specialized Transport Services for Government Events and Emergency**

<i>Develop a dedicated fleet schedule for national events, official visits, and emergency deployments</i>	Number of specialized deployments completed annually	Jul 2027 (As requested, annually)
<i>Coordinate with MELAD, MOH, and other agencies to identify recurring transport needs</i>	Stakeholder satisfaction ratings for event and emergency services	Annually (2026-2028)

Strategic Action 21: Launch Fee-Based Maintenance and Repair Services for Non-PVU Government Vehicles

<i>Open PVU Auto-Repair Shop services to ministries using privately procured vehicles</i>	Number of non-PVU vehicles serviced annually Revenue generated from fee-based repair services	Monthly (2026-2028)
<i>Develop service packages with transparent pricing for diagnostics, repairs, and preventive maintenance</i>	% increase in workshop utilization rate	Mar 2026 (Monthly (2026-2028))
<i>Train technical staff to handle diverse vehicle models and systems</i>	Client satisfaction scores for repair turnaround and quality	Jun 2026 (Annually)

Strategic Action 22: Establish PVU Driver Training and Certification Program

<i>Design curriculum for defensive driving, fuel efficiency, and vehicle care</i>	Number of drivers trained and certified annually	
<i>Partner with MELAD and Police for certification standards</i>	Reduction in PVU vehicle incidents linked to driver error	
<i>Offer quarterly training sessions for government drivers</i>	% of ministries participating in training programs Feedback scores from training participants	Quarterly (2026-2028)

Strategic Action 23: Develop PVU Equipment Leasing Services for Infrastructure Projects

<i>Create a catalogue of heavy machinery available for short-term lease (e.g., excavators, tipper trucks)</i>	Number of equipment lease/ hired contracts issued annually Revenue generated from machinery leasing	Dec 2026
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<i>Establish lease terms and maintenance support packages</i>	% utilization rate of heavy equipment fleet	Half Yearly (2026-2028)
<i>Promote services to Ministries, private and local councils</i>	Number of infrastructure projects supported	Quarterly (2026-2028)

Strategic Action 24: Pilot Sustainable Transport Solutions (e.g., Electric Vehicles, Solar-Powered Units)

<i>Conduct feasibility study on EVs and solar-powered transport options</i>	Number of sustainable transport units deployed % reduction in fuel consumption across pilot fleet	Mar 2028
<i>Procure pilot units for testing in urban and outer island settings</i>	Stakeholder feedback on pilot performance	Dec 2028
<i>Monitor performance, cost savings, and environmental impact</i>	Cost-benefit ratio of sustainable transport investment	Dec 2028

Key Objective No. 6. Promoting environmental sustainability and compliance

Strategic Action 25: Transition to Cleaner and More Efficient Fleet Operations

<i>Conduct fleet audit to identify high-emission and obsolete vehicles</i>	% of fleet replaced with fuel-efficient or hybrid vehicles annually	Jan 2028
<i>Develop phased replacement plan prioritizing fuel-efficient and hybrid models</i>	Reduction in average fuel consumption per vehicle (litres/km)	Jun 2027
<i>Introduce eco-driving training for PVU drivers and operators</i>	Number of drivers trained in eco-driving practices	Dec 2027
<i>Monitor fuel consumption and emissions per vehicle</i>	Annual reduction in fleet carbon emissions (tons CO ₂ equivalent)	Dec 2027

Strategic Action 26: Implement Sustainable Workshop Practices

<i>Introduce proper disposal protocols for used oil, filters, batteries, and tires</i>	% of hazardous waste disposed through certified channels	Monthly (2026-2028)
<i>Install spill containment systems and waste segregation bins</i>	Number of environmental compliance trainings conducted	Mar 2026
<i>Procure environmentally friendly lubricants and cleaning agents</i>	% of workshop materials sourced from eco-certified suppliers	Monthly (2026-2028)
<i>Train workshop staff on environmental compliance standards</i>	Number of environmental incidents reported and resolved	Quarterly (2026-2028)

Strategic Action 27: Promote Green Procurement and Supply Chain Practices

<i>Prioritize suppliers offering sustainable parts and packaging</i>	% of procurement contracts with environmental clauses	Jan 2026, ongoing
<i>Include environmental criteria in procurement evaluations</i>	% of suppliers meeting sustainability criteria	Jan 2026, ongoing

Strategic Action 28: Strengthen Compliance with National Environmental Regulations

<i>Conduct annual internal audits of PVU operations against environmental standards</i>	% of PVU operations compliant with national environmental regulations	Quarterly (2026-2028)
<i>Collaborate with MELAD and MISE on compliance reporting</i>	Number of successful external audits or inspections	Annually (2026-2028)
<i>Maintain updated records of environmental permits and inspections</i>	Time taken to resolve non-compliance issues	Annually (2026-2028)

<i>Address non-compliance findings through corrective action plans</i>	Number of environmental permits renewed on schedule	Annually (2026-2028)
Strategic Action 29: Raise Environmental Awareness Among PVU Clients and Stakeholders		
<i>Include sustainability briefings in client onboarding and lease agreements</i>	% of clients acknowledging sustainability clauses in lease agreements	

6.2 KPI FOR PLANNING PERIOD

While financial performance remains a critical Key Performance Indicator (KPI) for assessing the unit's overall financial growth, it is equally important to consider other non-financial KPIs that gauge PVU's operational effectiveness over the planned period (2026-2028). The KPIs outlined above are structured around the following key areas:

- **Safety**
- **People** (staff development, engagement, and satisfaction)
- **Quality** (service standards and operational excellence)
- **Responsiveness** (customer and stakeholder engagement and delivery timeliness)
- **Financial Performance** (revenue, cost management, and profitability)

Together, these indicators provide a comprehensive view of PVU's performance beyond just financial metrics.

7 SUPPORTS FOR GOVERNMENT POLICIES

7.1 STATEMENT OF COMPLIANCE WITH RELEVANT GOVERNMENT POLICIES

PVU is deeply committed to upholding the highest standards of ethics, compliance, and responsible business conduct across all aspects of its operations—both locally and internationally. Guided by the laws of Kiribati and aligned with global best practices, PVU's operational plans and procurement activities are designed to deliver efficient, transparent, and accountable service outcomes.

Respect for local culture and customs remains central to PVU's identity. As societal norms evolve, PVU ensures its practices remain culturally attuned and socially responsible, fostering trust and inclusivity in every engagement. This cultural sensitivity is embedded in PVU's governance ethos and reflected in its day-to-day operations.

Compliance plays a pivotal role in strengthening PVU's internal systems and institutional mechanisms. Clear conduct guidelines are in place, and continuous education and awareness initiatives ensure that all employees understand and embody PVU's ethical standards. These

efforts extend to PVU's domestic and overseas affiliates and suppliers, where compliance systems are actively monitored and reinforced to maintain integrity across the value chain.

All business activities are governed by PVU's Ethics Code of Conduct, which promotes fairness, honesty, and professionalism. To safeguard against misconduct and ensure equitable dealings, PVU strictly adheres to anti-corruption provisions and leadership accountability guidelines. These frameworks underpin PVU's commitment to transparent transactions and principled partnerships.

PVU's relationship with its primary stakeholder—the Government and people of Kiribati—is built on trust, transparency, and shared purpose. This foundation drives PVU's sustainable growth and may, at times, necessitate the development of internal policies tailored to its operational realities. In instances where such policies intersect or conflict with existing laws or regulations, PVU seeks legal counsel to ensure alignment and lawful resolution.

Above all, PVU remains unwavering in its commitment to ethical conduct, legal compliance, and responsible governance. These principles are not only foundational—they are enduring.

7.2 STATEMENT OF COMMUNITY SERVICES, NATURE OF SERVICES AND FINANCIAL CLAIMS FOR CSO SUPPORT DURING THE PLANNING PERIOD

From time to time, the Plant Vehicle Unit (PVU) is called upon to assist with clearing and reconfiguring waste land areas, particularly within landfill sites managed by the local council. These services typically involve compacting waste and improving access routes to facilitate the safe and efficient mobilization of garbage trucks. However, the charges levied for such support are often significantly below PVU's standard equipment hire rates, placing pressure on its cost-recovery framework.

In addition to landfill support, PVU may also be requested to assist with Government-led public engagement activities—such as national events, outreach programs, or civic mobilizations. These services are frequently delivered at low cost, break-even rates, or as part of PVU's informal community service obligations.

A notable example is the Sycar project, where PVU was engaged to support land preparation and access improvements for a public initiative. Despite the scale and resource demands of the project, the engagement proceeded without a formal cost-recovery agreement, resulting in PVU absorbing operational costs under a goodwill arrangement. While this reflects PVU's commitment to national development, it also underscores the need for clearer service protocols and financial safeguards.

Beyond these occasional engagements, PVU does not hold any formal community service obligations. Its primary focus remains on delivering transport and construction equipment services to Government ministries under a financially sustainable model. To preserve operational integrity and ensure long-term viability, future community support should be guided by clear terms of engagement, including appropriate cost structures and resource planning.

7.3 STATEMENT OF SUPPORT FROM GOVERNMENT AND / OR DEVELOPMENT PARTNERS AND DETAILS OF CONTRACTS, OBLIGATIONS AND FINANCIAL IMPACT ON BUSINESS

As a statutory body, the Plant Vehicle Unit (PVU) is entrusted with the supply and hire of transport and construction equipment to support Government operations. From its

inception, PVU has operated with the full backing of the Government, under the expectation that it would function as a self-financing entity—responsible for the procurement, provision, maintenance, and operation of plant and vehicle assets without reliance on external funding.

In addition to its core mandate, PVU is routinely called upon to support national development projects. While this reflects PVU's strategic value and operational versatility, many of these engagements have been undertaken without formal agreements that adequately account for the true costs of mobilizing and utilizing PVU's fleet and equipment. As a result, PVU has frequently delivered services at cost-neutral levels or under informal 'goodwill' arrangements, limiting its ability to recover expenses or reinvest in operational improvements.

This practice, while well-intentioned, has constrained PVU's financial sustainability and undermined its cost-recovery model. Moving forward, it is imperative that all project-based support be governed by clear contractual terms that reflect the full economic cost of service delivery. Doing so will ensure PVU's continued viability, reinforce accountability, and enable the Unit to fulfill its mandate without compromising its financial integrity.

7.4 STATEMENTS OF FINANCIAL CAPACITY AND DETAILS OF ANY EXTERNAL BORROWINGS.

In line with its mandate, the Plant Vehicle Unit (PVU) is expected to operate as a self-financing entity, ensuring that all capital acquisitions—including vehicles, equipment, and plant assets—are fully budgeted and funded through internally generated savings. This disciplined financial approach reflects PVU's commitment to prudent resource management and long-term sustainability.

Throughout the current planning period, PVU has maintained a zero-debt position, with no external borrowings undertaken or anticipated. This reflects a deliberate policy to avoid fiscal exposure and preserve operational autonomy. All planned investments are therefore financed through retained earnings, reinforcing PVU's role as a cost-recovery institution and aligning with broader government objectives for financial discipline and asset stewardship.

This self-reliant model not only safeguards PVU's financial integrity but also strengthens its credibility as it transitions toward statutory enterprise status. Continued reinvestment of surpluses into core operations will be critical to sustaining service delivery, modernizing fleet assets, and achieving the performance targets outlined in this Statement of Intent.

7.5 STATEMENTS OF FINANCIAL CAPACITY REGARDING TO DIVIDENDS, DIVIDEND POLICY AND PROPOSED DIVIDENDS DURING THE PLANNING PERIOD

PVU is currently exempt from the dividend declaration obligations outlined under Section 66 of the Companies Ordinance Cap 10A, which typically require registered companies to declare dividends to shareholders by ordinary resolution. This exemption stems from PVU's status as a Special Fund Unit; pending its formal transition to a statutory enterprise.

Under its Establishment Act, PVU's core mandate is to procure and lease vehicles to Government ministries. While there is a long-term expectation for PVU to achieve financial self-sufficiency through hire charges—and eventually generate returns for its shareholder, the Government of Kiribati—this aspiration remains constrained by persistent structural and financial challenges.

During the current planning period, PVU is not in a position to declare dividends. Any consideration of dividend payments must first account for the substantial and accumulated debts owed by ministries, which continue to undermine PVU's operational sustainability. These outstanding receivables must be resolved to ensure PVU's ability to maintain service delivery and meet its financial obligations.

In addition, PVU is preparing to undertake several critical capital investments essential to its operational renewal and service expansion. These include vehicle acquisitions and infrastructure upgrades, with projected costs exceeding \$1 million. These investments are vital to achieving the performance improvements outlined in this Statement of Intent.

Given these realities, it is recommended that:

- The Government formally defer dividend expectations during this transitional period
- All ministries be directed to settle outstanding debts to PVU as a matter of priority
- All operational surpluses be reinvested into PVU to support capital upgrades, service continuity, and long-term viability

This approach will enable PVU to strengthen its financial foundation, improve service delivery, and position itself for future corporatization—where dividend declarations may become feasible and sustainable.

7.6 ANY OTHER MATTERS AS AGREED WITH THE RESPONSIBLE MINISTERS

To enhance effectiveness and efficiency in achieving PVU's goals and expected outputs, Cabinet approved a comprehensive reform transitioning PVU from its current Special Fund status to a statutory enterprise. In early 2024, Cabinet further endorsed a joint venture (JV) option for PVU—an initiative still underway and anticipated to be completed by early 2025.

8 FINANCIAL FORECASTS

8.1 STATEMENT OF FINANCIAL PERFORMANCE (PROFIT & LOSS STATEMENT)

Table 9 outlines PVU's projected financial performance for the 2026–2028 period.

Government of Kiribati Plant and Vehicle Unit Statement of Financial Performance For Years Ended December 2026 to 2028					
	AUDITED	Forecast	FORECAST	FORECAST	FORECAST
	2024	Dec-25	2026	2027	2028
REVENUE	\$	\$	\$	\$	\$
Sale of Technical Stores	38,409.90	33,493.45	60,000.00	60,000.00	60,000.00
Maintenance Income - external	48,406.73	42,764.70	60,000.00	60,000.00	60,000.00
Total Sales for Spares	86,816.63	76,258.15	120,000.00	120,000.00	120,000.00
Opening Inventory 1/1/21	1,173,145.34	1,127,855.61	1,356,976.42	1,289,128.00	1,200,000.00
+ Purchases of Spares					
Purchase of Spare Parts	111,182.52	85,512.68	90,000.00	90,000.00	90,000.00
Purchase of tyres & tubes	3,916.95	827.68	5,000.00	5,000.00	5,000.00
Batteries & Acid	2,357.60	6,243.32	7,000.00	7,000.00	7,000.00
Total Purchase of Spares	117,457.07	92,583.68	102,000.00	102,000.00	102,000.00
	1,290,602.41	1,220,439.29	1,458,976.42	1,391,128.00	1,302,000.00
Closing Stock	1,205,602.85	1,210,994.16	1,407,553.64	1,339,705.00	1,204,007.72
Cost of Spares	84,999.56	9,445.13	51,422.78	51,423.00	97,992.28
Gross Profit/(Loss)	1,817.07	66,813.02	68,577.22	68,577.00	22,007.72
PLUS MAJOR REVENUE					
Permanent hire income	753,678.97	594,590.00	786,212.50	786,212.50	786,212.50
Rental Income	446,134.91	99,891.00	100,000.00	120,000.00	130,000.00
Vehicle-to-own Sale	51,861.06	20,000.00	30,000.00	30,000.00	30,000.00
Miscellaneous Revenue	13,454.27	4,811.82			
	1,266,946.28	786,105.84	984,789.72	1,004,789.50	968,220.22
OPERATING EXPENSES					
Employees' Expenses	385,555.07	426,779.95	584,750.80	577,843.80	577,843.80
Electricity and Water	21,434.00	37,540.04	20,000.00	20,000.00	20,000.00
Consumable Stores	311.00	397.35	1,000.00	1,000.00	1,000.00
Transport Cost	4,702.86	4,297.80	4,000.00	4,000.00	4,000.00
Fuel	22,999.50	19,028.73	25,000.00	25,000.00	25,000.00
Maintenance and repairs	1,847.79	5,720.68	10,000.00	10,000.00	10,000.00
Office Supplies and Sundries	12,462.73	11,588.25	10,000.00	10,000.00	10,000.00
Industries gases	5,040.62	4,454.50	5,000.00	5,000.00	5,000.00
Workshop expenses	7,864.15	6,948.88	7,000.00	7,000.00	7,000.00
Lube oils	21,088.53	20,302.03	20,000.00	20,000.00	20,000.00
Overseas Travelling Expenses	14,276.36				
Telephone Charges	2,897.91	1,845.87	2,500.00	2,500.00	2,500.00
MYOB monthly rental	-	160.00	2,000.00	2,000.00	2,000.00
Sundry expenses	36,895.56	61,808.59	83,200.00	83,200.00	83,200.00
Depreciation	176,975.37	146,500.00	170,000.00	175,000.00	180,000.00
	714,351.45	747,372.67	944,450.80	942,543.80	947,543.80
OPERATING PROFIT/(LOSS)	552,594.83	38,733.17	40,338.92	62,245.70	20,676.42
OTHER INCOME/(EXPENSES)					
Deferred Income Aid (Amortised)	10,253.32	3,641.18	3,467.79	3,294.40	3,121.01
Doubtful Debt					
Sale of Fixed Asset	- 209,333.35				
Total Other Income	- 199,080.03	3,641.18	3,467.79	3,294.40	3,121.01
Net Profit/(Loss)	353,514.80	42,374.35	43,806.71	65,540.10	23,797.43

Plant & Vehicle Unit

Table 9. Financial Performance projection for 2026-2028

8.2 STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Table 10 summarizes expected financial performance for PVU over the 2026–2028 period.

Government of Kiribati Plant and Vehicle Unit Statement of Financial Position For Year-Ended 31 December 2026 to 2028					
	AUDITED 2024	Forecast Dec-25	FORECAST 2026	FORECAST 2027	FORECAST 2028
	\$	\$	\$	\$	\$
CURRENT ASSETS					
Cash Account	268,986.41	53,335.84	484,268.91	440,142.02	441,946.20
Advance	- 1,300.12		5,050.24	4,545.22	4,000.00
Trade Debtors	4,786,051.45	4,679,862.91	4,594,711.97	4,364,976.37	4,128,478.73
Stock	767,114.08	771,064.09	782,435.52	821,557.30	965,518.95
Sundry Debtors	70,606.46		69,131.93	62,218.74	50,000.00
Prepayments	133,605.01	54,809.68	43,750.00	39,375.00	25,000.00
Tax Receivable	12,011.46	12,011.46		34,259.00	
Payroll clearing actn	218,105.40	218,105.40			
Total Current Assets	6,255,180.15	5,789,189.38	5,979,348.57	5,767,073.65	5,614,943.88
CURRENT LIABILITIES					
Sundry Creditors	24,503.00	24,503.00	95,263.71	57,158.23	30,000.00
Total Current Liabilities	24,503.00	24,503.00	95,263.71	57,158.23	30,000.00
WORKING CAPITAL	6,230,677.15	5,764,686.38	5,884,084.86	5,709,915.42	5,584,943.88
ADD: Non Current Asset	2,191,189.72	2,711,475.03	2,450,185.73	2,796,895.27	3,052,664.24
	8,421,866.87	8,476,161.41	8,334,270.59	8,506,810.69	8,637,608.12
REPRESENTED BY:					
Capital Reserve	588,802.00	588,802.00	588,802.00	588,802.00	588,802.00
Retained Earnings	7,567,637.39	7,621,931.93	7,500,589.28	7,673,129.38	7,803,926.81
Deferred Income Aid	265,427.48	265,427.48	244,879.31	244,879.31	244,879.31
PPI	8,421,866.87	8,476,161.41	8,334,270.59	8,506,810.69	8,637,608.12

Table 10. PVU's forecasted financial outcomes for 2026 to 2028.

8.3 CASH FLOW STATEMENTS

Table 11 provides a summary of expected cash flows for PVU over the next three years.

Table 11. Projected cash flow for PVU from 2026 to 2028

Forecast Cashflow Statement			
For the Year Ended 31 December 2026, 2027 and 2028			
	2028	2027	2026
	\$	\$	\$
Cash Flow From Operating Activities			
	1,293,153.35	1,656,282.82	1,494,830.64
	-988,621.00	-922,575.00	-1,100,425.00
	304,532.35	733,707.82	394,405.64
Cas Flow from Investing Activities			
	-260,405.46	-735,512.00	-201,805.14
	-260,405.46	-735,512.00	-201,805.14
Cash Flow from Financing Activities			
Net Increase/(Decrease) in Cash held	44,126.89	-1,804.18	192,600.50
Cash and Cash Equivalent 1/1/26, 1/1/27, 1/1/28	440,142.02	441,946.20	249,345.70
Cash and Cash Equivalent 31/12/26, 31/12/27, 31/12/28	484,268.91	440,142.02	441,946.20

8.4 FINANCIAL RATIO'S

The financial outlook for the plant and vehicle units reveals a mixed picture characterized by improving liquidity but persistent challenges in profitability and asset utilization. Table below provides financial ratios for the planned years

Table 12. Projected financial ratios for PVU (2026-2028)

FORECAST RATIOS					
	AUDITED 2024	FORECAST Dec-25	2026	2027	2028
ROA (%)	8.37	1	1.04	1.53	0.549
ROE (%)	4.2	0.5	0.5	0.8	0.3
CR	255	236	63	101	187
NP AT (%)	26	5	4	6	2

8.4.1 Liquidity Position:

The current ratio (CR) exhibits a significant upward trend, rising from 63 in 2026 to 187 in 2028. This suggests that the PVU is increasingly capable of meeting its short-term

obligations, reflecting a strengthening liquidity position. The improved liquidity indicates that the units are building up cash reserves or current assets, providing a cushion against operational uncertainties and short-term liabilities. This enhanced liquidity capacity supports operational stability and suggests that the units are well-positioned to sustain ongoing investments or handle unexpected expenses.

8.4.2 Profitability Constraints:

Despite the positive liquidity trend, profitability ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit After Tax (NP AT%) remain remarkably low throughout the forecast period. For instance, ROA and ROE hover around 1.04% to 0.5% and 0.5% to 0.3% respectively, while net profit margins after tax oscillate around 4% to 2%. These figures highlight that, although the Unit is financially stable in the short term, it is generating minimal profits relative to its assets and equity.

This low profitability suggests that the PVU might be operating under cost pressures, low revenue margins, or facing operational inefficiencies. The brief spike in profitability in 2027 indicates a potential temporary improvement, possibly due to favourable market conditions or efficiency gains; however, the subsequent decline underscores underlying structural challenges.

8.4.3 Asset and Capital Utilization:

The low ROA points to underutilization of assets—implying that the PVU may not be maximizing its capacity to produce profit from their investments. This could be due to excess capacity, outdated equipment, or operational bottlenecks that limit productivity.

8.4.4 Implications for Financial Capacity:

While the Unit has demonstrated a strong capacity for short-term financial management, evidenced by its increasing liquidity, its ability to generate sustainable profits and optimal asset utilization remains limited. This constrains PVU's capacity for long-term growth, reinvestment, and value creation.

8.4.5 Recommendations:

- **Operational Efficiency:** Focus on improving operational processes to enhance productivity and reduce costs.
- **Asset Optimization:** Evaluate the utilization of plant and vehicle assets to identify areas where capacity can be better leveraged.
- **Revenue Enhancement:** Explore strategies to increase revenue margins, such as diversification, premium offerings, or market expansion.
- **Cost Management:** Tighten cost controls to improve net profit margins.

In summary, the PVU currently possesses a solid short-term financial capacity, with strong liquidity suggesting resilience against operational disruptions. However, their limited profitability and asset utilization capacity highlight the need for strategic improvements to realize their full financial potential and support sustainable growth in the long term.

8.5 KEY ASSUMPTIONS.

It is assumed that PVU's overall performance will improve over the next three years, driven by its current objectives and strategic initiatives. These include operational efficiency and cost optimization.

In 2025, revenue is expected to increase, primarily driven by the purchase of one unit of heavy machinery, which likely boosts operational efficiency. As per overall forecast, NP is expected to decrease sharply by 95% and increase in 2027 by 3% and decline again by 12%. Looking at the ROE, in 2026 this remains positive at 4% indicating the company is still generating value despite NP drop. It again increases by 18% and stabilizes at 4% in 2028 maintaining a positive outlook.

The overall permanent hire revenue has shown a remarkable upward trend compared to previous periods. Projections indicate an 32% increase in 2026, and to remain steady, maintaining the gains for 2027 and 2028. This anticipated growth is largely attributed to the Cabinet-approved initiative on 22 October 2025 to revise PVU hire rates by 25%, a strategic move expected to enhance financial performance across key sectors.

Rental income is projected to improve in comparison to the 2025 forecast, as the Unit has a plan to invest in new machinery to replace aging equipment. This initiative will address operational challenges and support ongoing projects on Tarawa and outer islands. This strategic move aims to enhance reliability and expand service capacity moving forward.

The Vehicle-to-Own revenue is also one revenue stream which is projected to increase by 50% in 2026. This increase is attributed to the number of used vehicles that are going to be disposed through sales early 2026. Following the 2026 increase, Vehicle-to-Own revenue is expected to stabilize over the next two years, with no significant changes projected for 2027 and 2028.

The Unit anticipates a 32% increase in overall expenses, followed by a gradual decrease of 1% in 2027 and 3% in 2028. This initial rise is primarily attributed to an increase in Staff Salary, driven by the planned recruitment of two additional contract mechanics. These hires are intended to fill vacancies left by staff who have transitioned to work overseas.

To improve operational efficiency, the Unit is actively pursuing formal staff regularisation, ensuring personnel are aligned with their designated posts. This initiative is expected to reduce reliance on overtime and charge allowances, thereby contributing to long-term cost containment.

Looking ahead, the Unit aims to moderate salary expenses by implementing a performance-based appraisal system. This approach will guide decisions on contract extensions or terminations, fostering a more accountable and cost-effective workforce.

In looking at the Financial Position of the Unit for 2026 to 2028, the expected result shows that the current ratio is 4, 6 and 2% respectively, which shows that the Unit could meet its short-term obligations which is good. Net Profit is also positive though it drops sharply in 2026 and increases by 2% in 2027 and declines by 4% in 2028. Alternatively, the ROE and the ROA indicate that profits are earned from every dollar of Asset and Equity. The ROE is 0.5%, 0.8 & 0.3 for 2026 to 2028. The ROA is also 1.04, 1.53 and 0.5% for those three years respectively. Likewise, the Cash result is quite favourable thus enabling the Unit to meet its obligations. Together with its operation cost, it can also be able to cover its Capital

Plant & Vehicle Unit

Expenditures such as the cost of vehicle replacements, projects acquisition costs, (new vehicles or machineries), costs of spare parts and so forth.

The Unit shows solid financial health with improving liquidity and consistent profitability. However, the fluctuations in Net Profit and return ratios suggest a need for strategic planning to stabilize earnings and optimize asset utilization.

8.6 BREAK-DOWN OF THE STATEMENT OF FINANCIAL PERFORMANCE FORECASTS

The table below presents a breakdown of PVU's financial forecast for 2026–2028.

Table 13. Projected financial figures for the PVU over the 2026-2028 period

REVENUES	AUDITED 2024	2025	2026	2027	2028
	\$	\$	\$	\$	\$
Permanent hire income	753,678.97	594,590.00	786,212.50	786,212.50	786,212.50
Rental income	446,134.91	99,891.00	100,000.00	120,000.00	130,000.00
Vehicle-to-own	51,861.06	20,000.00	30,000.00	30,000.00	30,000.00
Sale of Technical Stores	38,409.90	33,493.45	60,000.00	60,000.00	60,000.00
Maintenance Income - External	48,406.73	42,764.70	60,000.00	60,000.00	60,000.00
Miscellaneous Revenue	13,454.27	4,811.82			
			1,036,212.50	1,056,212.50	1,066,212.50
EXPENDITURES					
Operating Expenses	799,351.01	756,817.80	995,873.58	993,966.80	1,045,536.08
Other Expenses	- 199,080.03	3,641.18	3,467.79	3,294.40	3,121.01

Based on the provided revenue and expense data above for the Plant and Vehicle Unit (PVU) from 2026 to 2028, a comprehensive analysis of its financial capacity can be outlined as follows:

8.6.1 Revenue Analysis

- **Consistent Revenue Streams:**

The PVU maintains stable revenue sources over the three years, with total revenues of approximately \$1,036,212.50 annually. The key income components—permanent hire income, rental income, vehicle-to-own, sale of technical stores, and external maintenance income—remain unchanged, indicating steady operational performance and stable demand for its services/products.

- **Revenue Stability:**

The recurring nature of income suggests that the PVU has established reliable revenue streams, which is a positive indicator of operational stability and predictable cash flow, crucial for sustaining short-term financial health.

8.6.2 Expense Analysis

- **Operating Expenses Trend:**

Operating expenses show a slight decrease from -\$995,873.58 in 2026 to 1,045,536.08 in 2028. This indicates a gradual improvement in cost management, which could enhance profitability margins over time.

- **Other Expenses:**

The other expenses also decreased marginally from \$3,467.79 in 2026 to \$3,121.01 in 2028, reinforcing a trend of effective expense control.

- **Expense-to-Revenue Ratio:**

Despite the reduction in expenses, the ratio of expenses to revenues remains relatively high, suggesting that the unit operates with slim profit margins, typical for capital-intensive units like plants and vehicle operations.

8.6.3 Financial Capacity Implications

- **Liquidity and Short-term Stability:**

The steady revenue inflows coupled with controlled expenses imply that the PVU likely possesses sufficient liquidity to meet its short-term obligations. The consistent cash flow from rental, hire, and sales activities supports operational resilience.

- **Profitability Potential:**

While revenues are stable, the narrow margins due to high expenses suggest limited profitability. The unit's capacity to generate surplus cash or profits for reinvestment appears constrained unless further efficiency improvements are implemented.

- **Operational Efficiency:**

The slight downward trend in expenses indicates ongoing efforts towards cost containment. However, to significantly enhance financial capacity, further operational efficiencies, asset optimization, and revenue enhancement strategies are necessary.

- **Asset and Investment Considerations:**

Given the stable revenue streams, the PVU demonstrates a reliable capacity to sustain existing assets. However, limited profitability margins suggest that current assets may be underutilized or that the unit operates at near capacity, highlighting potential areas for productivity improvement.

8.6.4 Strategic Recommendations

1. **Enhance Revenue Streams:**

Explore opportunities for expanding service offerings or increasing rental and hire rates to improve margins.

2. **Cost Optimization:**

Continue and deepen cost control measures, possibly through technology upgrades or process improvements to reduce operating expenses.

3. **Asset Utilization and Investment:**

Assess current asset utilization rates and invest in modernization or capacity expansion to boost productivity and profitability.

4. **Profitability Focus:**

Focus on value-added services or premium offerings to improve profit margins without significantly increasing costs.

The Plant and Vehicle Unit demonstrates solid financial capacity characterized by stable and predictable revenue streams and controlled expenses, ensuring short-term liquidity and operational stability. However, limited profit margins highlight the need for strategic enhancements in efficiency, asset utilization, and revenue management to unlock its full long-term financial potential and support sustainable growth.

8.7 PRINCIPLE ACCOUNTING POLICIES.

The Financial Statements have been prepared in accordance with the historical cost convention, incorporating certain fixed assets acquired at valuation, and in compliance with International Accounting Standards. Below is a summary of the key accounting policies applied by the Fund:

8.7.1 Revenue

Revenue primarily comprises receipts from Permanent Hire, Casual Hire, and Rental Charges for vehicles and plant equipment, as well as workshop service fees.

8.7.2 Depreciation

Depreciation is applied on a straight-line basis to write off the cost or valuation of fixed assets over their estimated useful lives. The principal rates used, consistent with prior years, are as follows:

- Pickups, Light Vehicles, Saws, Welding Sets: **13.30%**
- Medium Trucks, Forklifts, Pumps, Compressors, Land Rovers/Others: **20.00%**
- Tractors, Trailers, Heavy Equipment, Concrete Mixers: **14.40%**
- Buildings: **4.00%**

8.7.3 Grant-in-Aid

Grants received in kind are recorded at fair value and recognized as deferred income. They are credited to revenue over the useful life or usage period of the related asset. Amortization is applied at a rate of **14.40%** annually.

8.7.4 Stock

Stock is valued at the lower of cost and net realizable value, using the First-In, First-Out (FIFO) method.