



STRATEGIC PLAN 2010-2013

PRESENTATION TO SELECT COMMITTEE ON LABOUR AND PUBLIC ENTERPRISES

21st April 2010



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Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA



DPE Mission Statement

To optimise the alignment between the role of State-Owned Enterprises (SOE) in the national economic strategy and the performance of the DPE's portfolio of enterprises through delivering best practice shareholder management services and engaging with stakeholders to create an enabling environment for such alignment.

SOE reporting to the DPE are: Alexkor, Broadband Infraco, Denel, Eskom, Pebble Bed Modular Reactor, South African Airways, South African Express Airways, Safcol and Transnet.





REVIEW OF 2009/10 STRATEGIC PLAN

PRIORITY AREAS, ACHIEVEMENTS & BUDGETS



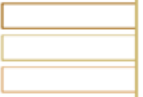
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PROGRAMME 1

Chief Investment & Portfolio Management (CIPM)



PRIORITIES FOR 2009/10

- Synchronised logical planning, monitoring & evaluation process
 - Synchronised and harmonised SOE strategic intent statements
 - Synchronised and harmonised shareholder compacts
 - Guidelines for SOE corporate plan format
 - Fully populated *isibuko* dashboard & reporting
 - Benchmarking - industry, sector and national economy
 - Investor briefs to board on performance assessments
 - Shareholder risk management framework for detection, monitoring and mitigation of cross-cutting shareholder risks
- Capital structure framework
 - Capitalization and dividend policy



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PROGRAMME 1

Chief Investment & Portfolio Management (CIPM)

PRIORITIES FOR 2009/10

- Portfolio equity interest & contingent liability exposure management
 - Guideline on share subscriptions, shareholder loans & guarantees
 - Share, shareholder loans & guarantee office
 - SOE MTEF Application (SOE in the economy, national funding priorities and measures to improve financial health)
- Economic & regulatory cohesion for network infrastructure
 - Report on economic & regulatory cohesion for network infrastructure
- Specialist advisory role
 - Ongoing transaction advice & input on financial, legal and governance issues relating to SOE
- Richtersveld deed of settlement implementation
- Re-direction of Alexkor's commercial focus & sustainability



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PROGRAMME 1

Chief Investment & Portfolio Management (CIPM)

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Synchronised logical planning, monitoring and evaluation process	<ul style="list-style-type: none"> - Synchronised and harmonised SOE strategic intent statements - Synchronised and harmonised Shareholder Compacts - Guidelines for SOE Corporate Plan format 	<ul style="list-style-type: none"> - Logical Planning, Monitoring and Evaluation Framework Guidelines and Logical Planning, Monitoring and Evaluation Calendar developed - Guidelines for SOE corporate plan contents and format developed
SOE performance monitoring and shareholder risk management	<ul style="list-style-type: none"> - Fully populated <i>Isibuko</i> Dashboard and reporting - Benchmarking - industry, sector and national economy - DPE Board Meetings and Portfolio Level Assessment - Investor briefs to board on performance assessments - Risk management framework for detection, monitoring and mitigation of cross-cutting shareholder risks 	<ul style="list-style-type: none"> - SOE Dashboard enhancements to integrated infrastructure, CSDP, ESDA, property disposals, subsidiaries, guarantees, shares, economic indicators, correlations and sensitivities between SOE performance indicators and economic and other variables - DPE Board meetings held as scheduled. Reports covering financial, operational, capital investment, capitalisation, socio-economic and risk at SOE and portfolio level presented. SOE and portfolio performance reporting using Dashboard - Workshop held to identify shareholder risks with respective definitions



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PROGRAMME 1

Chief Investment & Portfolio Management (CIPM)

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Capital structure framework	<ul style="list-style-type: none"> - Capitalisation and dividend policy 	<ul style="list-style-type: none"> - Developed a quantitative capital structure decision making framework comprising a process and methodology that enables consistent assessment of the capital requirements of each SOE. - Model utilised in SAFCOL dividend, Eskom funding assessments. SAA and Denel capital evaluation completed - National Treasury developing similar capital structure framework for all SOE, DPE and NT exploring synergies between approaches to ensure uniform framework with no duplication of effort
Portfolio equity interest and contingent liability exposure management	<ul style="list-style-type: none"> - Guideline on share subscriptions, shareholder loans and guarantees - Share, shareholder loans and guarantee office - Soe mtef application (soe in the economy, national funding priorities and measures to improve financial health) 	<ul style="list-style-type: none"> - Guarantee and share office guidelines outlining a framework for issuing government guarantees, adequate monitoring and reporting of government guarantees, shareholder agreements, shareholder loans and share subscriptions and provide administrative practices for effective management of these instruments drafted and circulated for internal review and comment - SOE MTEF applications submitted for Alexkor, PBMR and Denel

PROGRAMME 1

Chief Investment & Portfolio Management (CIPM)

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Investment Policy and sources of capital funding	- Report on capital funding sources available and partnering options	- Study undertaken of the different possibilities for facilitating infrastructure funding required by SOE with research into the funding models considered to be most appropriate and an information pack which includes a description of each funding model including example applications and perspective on the advantages and disadvantages of each in the SOE
Economic and regulatory cohesion for network infrastructure	- Report on economic and regulatory cohesion for network infrastructure	- Bid for service provider underway
Specialist Transaction input and advice	- Assessment, commentary and guidance to LGRT and SOE teams as and when required	- Ongoing transaction advice & input on financial, legal and governance issues relating to SOE



PROGRAMME 1

Chief Investment & Portfolio Management (CIPM)

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Richtersveld Deed of Settlement implementation	<ul style="list-style-type: none"> - Title deeds transferred - Formally established Alexander Bay township - RMC land mining rights - Alexkor 10 year lease agreement 	<ul style="list-style-type: none"> - All Alexkor, State and Northern Cape Provincial land has been transferred, except for the township erven. Subdivision and zoning of the township has been conducted and the general plan was approved. - Infrastructure upgrade to proceed on basis of review. Tender documents prepared for infrastructure upgrade. - Alexkor EMP amendments and mining rights conversion application submitted to DME submitted, awaiting approval. - Ongoing
Re-direction of Alexkor's commercial focus and sustainability	<ul style="list-style-type: none"> - Alexkor's 2010/2011 corporate plan with new direction 	<ul style="list-style-type: none"> - Intergovernmental consultations to develop new Alexkor strategic intent statement



PROGRAMME 1

Finance, Corporate Services and Communications

Purpose

Responsible for the provision of administrative support services to the department.

PRIORITIES FOR 2009/10

Finance

- Ensure compliance with relevant legislation :
- Medium Term Expenditure Framework (MTEF)
- Adjustment Estimates (AE)
- Estimates of National Expenditure (ENE)
- In year monitoring of expenditure (monthly reporting)
- Annual Financial Statements (AFS)

Supply Chain Management

- Asset management
- Prescribed processes adhered to in the acquisition of goods and services



All projects under Finance Corporate Services and Communications were undertaken.

PROGRAMME 1

Finance, Corporate Services and Communications



Information Management

- Compliance to Minimum Interoperability Standards (MIOS v4.1) and compliance to all IT Treasury Regulations
- Ensure that the DPE IT environment is secure and protected from external intrusion

Communications

- Undertake reputation analysis and management for the Department
- Effective internal and external communications strategies

Corporate Services

- Efficient Recruitment and Retention
- Focused Training, Development and Scarce Skills Creation e.g. Graduate Programme
- Effective Knowledge Management



All projects under Finance Corporate Services and Communications were undertaken.

Programme 1 - Administration

	TOTAL BUDGET	EXPENDITURE TO 31 MARCH 2010	REMAINING BUDGET	% OF TOTAL BUDGET USED
	R'000	R'000	R'000	
PROGRAMME 1: ADMINISTRATION				
Compensation of Employees	45 425	42 398	3 027	93.34
Goods and services	43 094	42 405	689	98.40
Financial Transactions in Assets & Liabilities	29	29	-	100.00
Transfers – Gifts and Donations	680	678	2	99.75
Capital expenditure	1 275	1 274	1	99.95
TOTAL	90 503	86 784	3 719	95.89

Programme 1 consists of four sub-programmes namely Minister, Deputy Minister, Management, Corporate Services and Property Management. Underspending in this programme was mainly under Compensation of Employees due to unfilled posts and resignations during the year. The budget in this programme is made up of centralized support functions such as IT licences and services, photocopying equipment, training, communications and printing and stationery, capital expenditure is also centralized to this programme for optimum management of assets.



PROGRAMME 2

ENERGY AND BROADBAND ENTERPRISES



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PROGRAMME 2

Energy & Broadband Enterprises

PRIORITIES FOR 2009/10

- Ensure that Eskom, Broadband Infraco and PBMR achieve their targets by the end of the MTEF period by monitoring and annually assessing their financial and operational performance against targets set in their shareholder compacts.
- Monitor the delivery and funding of Eskom's build programme and Infraco's rollout of the West Africa Cable System and take corrective action where necessary.
- Development and implementation of a short-term funding solution for the Eskom capital expenditure programme and a correct funding model based on re-valued assets and a reasonable return on assets in the medium-to-long term.
- Develop a risk mitigation plan for each SOE to take the current global economic slowdown into account, especially in the light of declining revenues and restricted access to debt.
- Development and implementation of a revised Pebble Bed Modular Reactor Business Plan and Funding model.
- Development of the framework for the selection of a nuclear technology partner and fleet procurement.



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PROGRAMME 2

BUSINESS PLAN REVIEW 2009/10



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PROGRAMME 2

Energy & Broadband Enterprises



All SOE: Eskom, Broadband Infraco & PBMR


Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Annual Report	<ul style="list-style-type: none"> • Annual Briefing Memorandum: Analysis of SOE Performance, Major Issues, Risks, Financial, Regulatory and Governance. • Incorporation of briefing memorandum and investor brief content into the Minister's shareholder statement for the AGM. • Statement for Minister to present at the Eskom AGM. 	Achieved
Corporate Plan	<ul style="list-style-type: none"> • Briefing Memorandum: A critical assessment of the 2010 Corporate Plan. 	Achieved



PROGRAMME 2

Energy & Broadband Enterprises

All SOE: Eskom, Broadband Infracore & PBMR

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Shareholder Compact	<ul style="list-style-type: none"> • Decision Memorandum: • Agreed and signed Shareholder Compact and KPIs. 	Achieved
Quarterly Reports (2008/9Q4 to 2009/10Q3)	<ul style="list-style-type: none"> • Briefing Memorandum: Critical assessment of performance including major risks. • Updated dashboard with SOE team comment and analysis. 	Achieved
Assessment of SOE Board Strength	<ul style="list-style-type: none"> • Decision Memorandum to the Minister assessing the board composition, identifying any weaknesses or gaps and making recommendations. 	Achieved 

PROGRAMME 2

Energy & Broadband Enterprises



All SOE: Eskom, Broadband Infraco & PBMR

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
SOE five year performance review (2004-2009)	<ul style="list-style-type: none"> Briefing Memorandum: The 5 year performance of each SOE for input into DPE publication 	The DPE publication process has not commenced. Information is ready and available.
Economic Impact Assessment Study in support of Competitive Supplier Development Programme KPI	<ul style="list-style-type: none"> Annual Briefing Memorandum to the Minister 	Underway, pending appointment of service provider
Leveraging SOE infrastructure development synergies to enhance rural development across the Energy and Broadband SOE.	<ul style="list-style-type: none"> Quarterly Briefing Memorandum to the Director General 	Underway, pending appointment of service provider



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PROGRAMME 2

Energy & Broadband Enterprises



Eskom		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Monitoring Eskom's Delivery of its Capacity Expansion (Build) Programme	<ul style="list-style-type: none"> Quarterly Briefing Memorandum assessing Eskom's progress with its capital expenditure programme to the Director General. Engagement with SOE Board 	Achieved
Generation Adequacy Assessment	<ul style="list-style-type: none"> Quarterly Briefing Memorandum assessing Eskom's Generation Adequacy to the Director General 	The briefing memoranda have been put on hold pending a workshop with Eskom.
Transmission and Distribution Network Adequacy Assessment	<ul style="list-style-type: none"> Quarterly Briefing Memorandum assessing Eskom's Network Adequacy to the Director General 	The briefing memoranda have been put on hold pending a workshop with Eskom .



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PROGRAMME 2

Energy & Broadband Enterprises

Eskom		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Funding	<ul style="list-style-type: none"> Annual Briefing Memorandum to the Director General 	Achieved
Financial	<ul style="list-style-type: none"> Mid-Year and Annual Briefing Memorandum to the Director General. 	Achieved
Coal transport logistics (Joint project with Transport Unit)	<ul style="list-style-type: none"> Mid-Year and Annual Briefing Memorandum to the Director General. 	Underway, and is addressed through the IMC on energy process
Single Buyer Function	<ul style="list-style-type: none"> Mid-Year and Annual Briefing Memorandum to the Director General. 	Underway, and is addressed through the IMC on energy process
Distribution Industry Restructuring	<ul style="list-style-type: none"> Proposal for Distribution Network Maintenance and Refurbishment support in smaller municipalities using Eskom. 	Underway, and is addressed through the IMC on energy process



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PROGRAMME 2

Energy & Broadband Enterprises



Eskom		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Nuclear Fleet Procurement	<ul style="list-style-type: none"> Framework for the selection of a Nuclear Technology Partner and clear Government Policy with respect to Nuclear power in association with Department of Energy. 	Underway, and is addressed through the IMC on energy process
Energy Efficiency and Demand Side Management (EEDSM)	<ul style="list-style-type: none"> Quarterly memorandum to the Minister on progress with the various EEDSM initiatives being undertaken around the country. 	Underway, and is addressed through the IMC on energy process
Carbon Emissions Framework for the Energy and Broadband Sectors	<ul style="list-style-type: none"> The development and implementation of a carbon emissions framework for the energy and broadband sectors with targets and timeframes 	Underway - working with DoE to develop a Terms of Reference.



PROGRAMME 2

Energy & Broadband Enterprises

Broadband Infraco

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Study on the impact of lack of ECS license on Infraco's mandate and Business model.	<ul style="list-style-type: none"> • Report and presentation to the Director General 	Achieved
Assessment of Infraco's impact on Broadband Pricing in South Africa	<ul style="list-style-type: none"> • Report and presentation to the Director General 	Achieved
Capital Expenditure Programme: International Submarine Cable and Terrestrial network	<ul style="list-style-type: none"> • Briefing Memorandum to the Director General 	Achieved



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PROGRAMME 2

Energy & Broadband Enterprises

PBMR		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Government's role in developing a Nuclear Power sector	<ul style="list-style-type: none"> Joint proposals and recommendations with DME to submit to Cabinet for approval on each of the items. 	Underway, and is addressed through the IMC on energy process
Revised Business Model and Product Offering	<ul style="list-style-type: none"> Decision memorandum to Minister on management structure revision and briefing on new business model and product offering. 	Underway. This is ongoing as the business plan is currently being reviewed again given the funding constraints
Industrialisation and the role of PBMR in nuclear industry development	<ul style="list-style-type: none"> Briefing Memorandum to the Director General. 	Underway, and is addressed through the IMC on energy process
Inter-governmental collaboration on Regulation and the enabling environment (both PBMR & PWR)	<ul style="list-style-type: none"> Adhoc Briefing Memoranda as and when appropriate 	Underway, and is addressed through the IMC on energy process



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Programme 2 : Energy and Broadband Enterprises

	TOTAL BUDGET	EXPENDITURE TO 31 MARCH 2010	REMAINING BUDGET	% OF TOTAL BUDGET USED
	R'000	R'000	R'000	
PROGRAMME 2: ENERGY AND BROADBAND ENTERPRISES				
Compensation of Employees	7 901	6 604	1 297	83.59
Goods and services	5 784	5 776	8	99.87
Transfers – PBMR and Broadband Infraco	1 946 280	1 946 280	-	100.00
Capital expenditure	-	-	-	-
TOTAL	1 959 965	1 958 660	1 5	99.93

Expenditure in this programme is dominated by transfer payments to PBMR and Broadband Infraco.

Underspensing in this programme was mainly attributed to unfilled posts and resignations during the year.



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PROGRAMME 3

LEGAL , GOVERNANCE AND TRANSACTIONS



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PROGRAMME 3

LEGAL, GOVERNANCE AND TRANSACTIONS



Purpose

- To provide effective legal services, corporate governance and implementation of legal aspects of strategically important transactions.

PRIORITIES FOR 2009/10

- Provision of legal support for Shareholder transactions
 - Prepare and process legal documents
- Aventura closure
- SAFCOL minority share transfer
- Diabo Share Trust Closure
- Section 54 PFMA Applications
 - Co-ordinate assessment and response and monitor implementation
 - Transaction guidelines
 - General legal counsel for the Department: service agreements, in-house and
- Litigation: Umthunzi; Londoloza/Parhapur; Equity Aviation



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PROGRAMME 3

LEGAL, GOVERNANCE AND TRANSACTIONS

- PRIORITIES FOR 2009/10

- Developing a legal, regulatory and governance compliance toolbox
- Monitoring of SOE adherence to corporate governance principles
 - Shareholder management practices
 - Owners manual
 - Board code of conduct
 - Generic shareholders agreements and founding documents
 - AGMS
 - Board inductions
 - Board Appointments
 - Shareholders compacts



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PROGRAMME 3

BUSINESS PLAN REVIEW 2009/10



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PROGRAMME 3

Legal, Governance and Transactions



LEGAL		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Legislative Review	<ul style="list-style-type: none"> • Recommendation to Minister for approval • Recommended approach to Cabinet 	Achieved
Legislative Compliance	<ul style="list-style-type: none"> • Monitor and advise on Adherence by SOE with applicable legislation 	Advised through AGM review
	<ul style="list-style-type: none"> • Provide regular reports to Minister on SOE legal compliance 	Achieved. Submitted to Minister in advance of SOE AGMs and Annual Reports
Assist the Department in debt recovery	<ul style="list-style-type: none"> ▫ Successful debt recovery 	Debt written off due to prescribed claims



PROGRAMME 3

Legal, Governance and Transactions



LEGAL AND TRANSACTIONS		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Legal Advisory Services to internal clients	<ul style="list-style-type: none"> • Successful defense strategy and resolution of legal action 	Applicants' delay in proceeding with their legal claims
	Executed service agreement and protection of Department's legal rights and mitigation of legal risks	55 service level agreements concluded
	<ul style="list-style-type: none"> • Sound legal advice on legal risks and exposures and legal mitigation strategies 	Advice provided to the Department on various agreements, legal risks and in relation to SOE
Section 54 PFMA applications	<ul style="list-style-type: none"> • Recommendation to Minister and response to SOE on application in line with applicable law and transaction guidelines 	17 applications approved. 3 applications returned to SOE for incomplete information and 3 currently being processed
Litigation: Claim by Umthunzi against government and Transnet	<ul style="list-style-type: none"> □ Successful resolution of legal action 	Transnet settled the matter out of court with Umthunzi.
Litigation: Londoloza/Parhapur	<ul style="list-style-type: none"> □ Successful resolution of legal action 	Plaintiffs requested to amend their particulars of claim but failed to meet high court rules deadlines and subsequently requested an extension to the prescribed deadlines

PROGRAMME 3

Legal, Governance and Transactions

LEGAL TRANSACTIONS

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Litigation: Equity Aviation	<ul style="list-style-type: none"> ▫ Successful resolution of legal action 	Plaintiffs have submitted notice to amend their particulars of claim
Diabo Trust	<ul style="list-style-type: none"> ▫ Successful winding up of Diabo Trust 	<ul style="list-style-type: none"> ▫ Trustees transferred over R4m to Government for disbursement to beneficiaries ▫ Trustees accepted indemnity offered in terms of Trust Deed ▫ Service provider appointed to warehouse shares and benefits for beneficiaries
Eskom	Executed guarantee	Guarantee executed
	<ul style="list-style-type: none"> • Enactment of Constitutional Amendment and EDI Bill • Establishment of EDI and REDS 	<ul style="list-style-type: none"> • DPE supported and assisted DOE in preparing and processing Bill • Cabinet approved constitutional amendment and Bill being processed by Parliament
Aventura	<ul style="list-style-type: none"> ▫ Finalisation of winding up and transfer of properties to intended beneficiaries 	<ul style="list-style-type: none"> ▫ Activities conducted towards the winding up of the company: <ul style="list-style-type: none"> ▫ Reviewed 2004-2008 AFS received from Aventura ▫ Property due diligence ▫ Minister signed consent for the transfer of Pletterberg Bay resort in terms of the Overvaal Act



PROGRAMME 3

Legal, Governance and Transactions

LEGAL TRANSACTIONS		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Transnet	<ul style="list-style-type: none"> •Advice to DG and Minister on implications of Ports Act through briefing memo 	Legal opinion provided to DG and Minister
	<ul style="list-style-type: none"> •Memo advising Department on appropriate legal structure, rights and risks relating to the Coega transaction 	Transaction currently led by Transnet and has not been submitted to the legal unit for review and advice
PBMR	<ul style="list-style-type: none"> ▫Signed and concluded agreements adequately protecting Government's legal rights and mitigating legal risks 	<ul style="list-style-type: none"> ▫ Preliminary inputs and comments on draft agreements provided ▫ Transaction preceded by restructuring of PBMR
Denel	<ul style="list-style-type: none"> ▫Advice on appropriate legal transaction structure and adequate protection of legal rights and mitigation of legal risks ▫Signed and concluded agreements 	<ul style="list-style-type: none"> • Advised on and prepared amendments to DSA suite of agreement and cancellation of SAAB Management agreements • Preliminary input on draft agreements and negotiations on MBDA transaction provided. • MBDA Transaction on hold while awaiting DoD input



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PROGRAMME 3

Legal, Governance and Transactions

LEGAL TRANSACTIONS		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Infraco	ECNS and ECS licences for Inracco	<ul style="list-style-type: none"> • Infraco awarded ECNS licence • Advised on legal and regulatory issues relating to ECS licence • Commented on DOC Ministerial Directions
SAFCOL	Concluded and signed transaction documents to transfer SAFCOL minority shares to rural communities	<ul style="list-style-type: none"> • Work is underway to draft final disposal framework and relevant documents for disposal of minority shares • Interdepartmental discussion underway
	Recommendation to Cabinet on Definition of role and Institutional form for SAFCOL post land claims and implementation plan thereof.	Provided input to SAFCOL team on assessment of SAFCOL's 5 year plan
	Successful transfer of SAFCOL's holdings in IFLOMA to new investors	Government reviewing transaction
SAA	Advice to Department on legal issues, including protecting legal rights and mitigating legal risks and liabilities in the turnaround	Advice provided to Department and SOE Team
	<ul style="list-style-type: none"> • Advise Department on appropriate legal transaction structure, legal rights and risks relating to the introduction of private sector participation • Draft and process legislation for establishment of new SOE 	Transaction on hold from SOE and SOE Team
	Advice to Department on legal issues, including protecting legal rights and mitigating legal risks and liabilities in the turnaround	Advice provided

PROGRAMME 3

Legal, Governance and Transactions



GOVERNANCE		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Board appointments	<ul style="list-style-type: none"> • Appoint appropriately skilled Board members 	<ul style="list-style-type: none"> • Board members were appointed to the SAA and Eskom Boards • Other SOE Board appointments under review
Generic shareholders agreements and founding documents for SOE	<ul style="list-style-type: none"> • Approved and agreed generic shareholders agreements and revised founding documents for SOE at their respective AGMs 	Agreements and founding documents approved by Minister
Annual General Meetings	<ul style="list-style-type: none"> • Successful exercise of shareholder rights and communication of shareholder expectations and alignment of Government's strategic intent with SOE corporate and Board mandate 	AGMs successfully held
	<ul style="list-style-type: none"> • Appropriate guidelines for Board remuneration implemented by Government and SOE 	Guidelines updated and submitted to Minister



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PROGRAMME 3

Legal, Governance and Transactions

GOVERNANCE		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Governance Toolbox and Audit	<ul style="list-style-type: none"> • Adequate SOE adherence to corporate governance • Development of SOE governance champion approach 	Toolbox and Audit being developed
CEO appointment Guidelines	Approved guidelines	Guidelines submitted to Minister
Director's and Board Induction	Ensure that Non-executive directors aware of shareholder expectations - to exercise duties in accordance with shareholder expectations, governments polices and applicable legislation.	Board inductions conducted
Owners expectation manual	<ul style="list-style-type: none"> • Clear statement of Government's shareholder expectations and strategic intent to ensure achievement of government strategic objectives 	Manual being developed
Shareholder Compacts	<ul style="list-style-type: none"> • Signed shareholder compacts 	Shareholder Compacts signed (SAFCOL, SAA, SAX, TRANSNET, ESKOM, INFRACO)

Programme 3 - Legal, Governance, Risk and Transactions

	TOTAL BUDGET	EXPENDITURE TO 31 MARCH 2010	REMAINING BUDGET	% OF TOTAL BUDGET USED
	R'000	R'000	R'000	
PROGRAMME 3: LEGAL, GOVERNANCE RISK & TRANSACTIONS				
Compensation of Employees	9 044	7 751	1 293	85.70
Goods and services	9 245	8 951	294	96.82
Transfers - Alexkor	129 090	129 090	-	100.00
Capital expenditure	-	-	-	-
TOTAL	147 379	145 792	1 587	98.92

Expenditure in this programme is dominated by transfer payment to Alexkor for the finalization of the settlement of the Richtersveld community's land claim against the state and Alexkor.

Underspending in this programme was mainly attributed to unfilled posts and resignations during the year.





PROGRAMME 4

MANUFACTURING ENTERPRISES



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PROGRAMME 4

Manufacturing Enterprises

PRIORITIES FOR 2009/10

- Ensure that Denel and SAFCOL achieve their targets by the end of the MTEF period by monitoring and annually assessing their financial and operational performance against targets set in the shareholder compact
- Assist in returning Denel to profitability by 2011/12 by:
 - Monitoring their performance and implementation of key strategic interventions.
 - Facilitating the achievement of a target of 60 percent to 70 percent of domestic defence spend directed towards the local industry.
- Improve the efficiency and effectiveness of the defence industry in South Africa by further managing the strategic alignment of the Department of Defence and the Department of Public Enterprises.
- Support the development of the advanced manufacturing sector, defence related or otherwise, by aligning Denel's strategy to key industrial development policies.
- Establish a clear role for SAFCOL within South Africa's Forestry sector in light of the Land Claims Process.



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PROGRAMME 4

BUSINESS PLAN REVIEW 2009/10



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PROGRAMME 4

Manufacturing Enterprises

DENEL		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Enabling Denel's Strategic Role in provision of Defence Capabilities	<ul style="list-style-type: none"> • Progress on implementation of Denel Future State, especially in areas requiring buy-in from DoD • Retention of strategic and sovereign capabilities in areas agreed to with DOD • Programme delivery to SANDF on agreed programs and contracts 	<ul style="list-style-type: none"> • Process is underway to align Denel's capabilities with the DoD 's strategic requirements. This is contingent upon the DoD finalising its Military Strategy • Not much improvement, but Denel continues to perform within the international benchmark of 85% success rate
Enabling Denel's Strategic Economic role in promoting advanced manufacturing	<ul style="list-style-type: none"> • Concepts and scoping of initiatives to improve Denel's industrial impact and deepening local supply chains • Begin fulfilling pre-requisites and detailed implementation plans for priority initiatives 	<ul style="list-style-type: none"> • Not achieved. Going concern challenges facing Denel are making it difficult for the SOE to leverage its capability for industrial impact. However, Denel continues to strive to achieve over 50% local content
	<ul style="list-style-type: none"> • Finalise Proposal with CIPS • Obtain buy in from SOE and raise requisite funding • Implement project as per proposal 	<ul style="list-style-type: none"> • Not achieved. Funding was not secured for this project.
Enabling Denel's Business Sustainability	<ul style="list-style-type: none"> □ Roll over of existing guarantees and securing new guarantees to meet funding shortfall for the current financial year 	<ul style="list-style-type: none"> □ The R1.3 billion government guarantee has been rolled over to March 2011 □ R550 million government guarantee was approved. The guarantee expires in July 2010.
	<ul style="list-style-type: none"> • On time submission of recapitalisation application to National Treasury 	<ul style="list-style-type: none"> • No recapitalisation has made available to Denel . Government Guarantees were provided

PROGRAMME 4

Manufacturing Enterprises

DENEL		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Enabling Denel's Business Sustainability (Cont'd)	<ul style="list-style-type: none"> • Visible improvement in DSA's financial and operational performance 	<ul style="list-style-type: none"> • Not achieved. The delays in the A400M programme have a material impact on the financial condition of the business.
	<ul style="list-style-type: none"> • Strategic Due Diligence of proposed transaction • Review of PFMA application 	<ul style="list-style-type: none"> • Strategic due diligences were done on Pretoria Metal Pressings and Denel Dynamics Missiles • The PFMA application for Denel Dynamics Missiles equity transaction with a global missiles company was process and approval was granted subject to certain conditions being met. Consultations are currently taking place within Government to find a workable solution to the outstanding matters.
	<ul style="list-style-type: none"> • Position Paper and implementation plan for achieving landward consolidation • Implementation of proposed consolidation strategy 	<ul style="list-style-type: none"> • It has been difficult to find consensus with industry players on this proposal • Denel will go public for a request for information (RFI) which will then be followed by a request for proposals (RFP).
	<ul style="list-style-type: none"> • Alignment on Roles and Responsibilities in marketing Denel capabilities and products 	<ul style="list-style-type: none"> • Not achieved. No framework has been agreed with Denel
	<ul style="list-style-type: none"> • Agreed set of KPI's aligned to Strategic Intent Statement and shareholder compact 	<ul style="list-style-type: none"> • KPI 's have been agreed with Denel and have been included in the 2010/11 Shareholders Compact

PROGRAMME 4

Manufacturing Enterprises

DENEL		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Enabling Denel's Business Efficiency	<ul style="list-style-type: none"> Year on year improvement in profit margins (gross, operating and net) 	<ul style="list-style-type: none"> Not achieved. Declining local orders and the general economic slow down are hampering the business financial performance
Enabling Denel's Developmental Contribution	<ul style="list-style-type: none"> Year on year improvement in BEE rating of Denel Business Units 	<ul style="list-style-type: none"> Achieved. Denel has set itself a BBEE rating of 5 in this financial year
Assessment of Board Strength	Decision memorandum to the DG assessing the suitability of board composition, identifying any weakness or gaps and making recommendations on corrective action	<ul style="list-style-type: none"> Achieved. A process is underway to strengthen the Board
Shareholder's Compact 2008/09	<ul style="list-style-type: none"> Memo - Input to Compact; Board signature 	<ul style="list-style-type: none"> Shareholder's compact signed by Minister and the Denel Board
Annual Report Assessment	<ul style="list-style-type: none"> Memo; Aide Memorire for AGM 	<ul style="list-style-type: none"> Memorandum signed by Minister
SOE 5 year review	<ul style="list-style-type: none"> Memo; Aide Memorire for AGM 	<ul style="list-style-type: none"> Publication process has not yet begun
Monthly Report	<ul style="list-style-type: none"> Monthly report memo 	<ul style="list-style-type: none"> Monthly reports have been assessed
Quarterly Report (Q1,2,3,4)	<ul style="list-style-type: none"> Analyst investor report (note as a quarter report and monthly report are often combined). 	<ul style="list-style-type: none"> Quarters 1, 2, 3 have been assessed and memoranda to Minister have been submitted

PROGRAMME 4

Manufacturing Enterprises

DENEL		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
DPE Board Presentation	Presentation to the DPE Board	Completed and up to date at end of 3rd quarter of 2009/10.
Dashboard	Updated Dashboard	Completed and up to date at end of 3rd quarter of 2009/10
AGM	Memo	Completed
Corporate Plan	Memorandum on Corporate Plan	Corporate Plan for 2010/11 financial year finalised
Input into assessment of PFMA section 54 applications	Section 54 (2) memo	The following were assessed: •MBDA equity transaction
DSA Indemnity Agreement	Claim and accompanying memorandum	All claims were audited and finalised
Ad-Hoc Activities		
Referrals from Minister and DG	Decision or briefing memo as required	Completed as required.
Parliamentary questions	Answer to parliamentary question	Completed as required.
Review of Cab Memos	Decision or briefing memo, as required	Provided Comments on a number of Cabinet Memorandum.
Articles	Article written and published	Not undertaken in period under review.

PROGRAMME 4

Manufacturing Enterprises

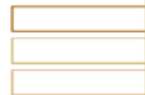


SAFCOL		
Activity/Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Finalisation of SAFCOL Future Post Land Claims	Definition of role and Institutional form for SAFCOL post land claims and implementation plan thereof. Cabinet buy in to recommendations	In light of SAFCOL's developmental role, this matter is currently under review. A clear mandate is still required and is subject to the necessary consultation with key stakeholders .
Implementation of SAFCOL Future State Recommendations	Implementation of SAFCOL Future State Recommendations	Subject to outcome of aforementioned process.



PROGRAMME 4

Manufacturing Enterprises



SAFCOL		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Assessment of Board Strength	<ul style="list-style-type: none"> Decision memorandum to the DG assessing the suitability of board composition, identifying any weakness or gaps and making recommendations on corrective action 	Board assessment undertaken as part of the AGM memorandum
Shareholder's Compact 2008/09	<ul style="list-style-type: none"> Memo Input to Compact Board signature 	Completed, signed at the AGM on the 14 September 2009
Annual Report Assessment	<ul style="list-style-type: none"> Memo Aide Memorire for AGM 	Completed
SOE 5 year review	<ul style="list-style-type: none"> Memo Aide Memorire for AGM 	Publication process has not yet begun
Monthly Report	<ul style="list-style-type: none"> Monthly report memo 	Not applicable
Quarterly Report (Q1,2,3,4)	<ul style="list-style-type: none"> Analyst investor report (note as a quarter report and monthly report are often combined). 	All quarterly reports were assessed

PROGRAMME 4

Manufacturing Enterprises

SAFCOL		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
DPE Board Presentation	Presentation to the DPE Board	Completed and up to date at end of 3rd quarter of 2009/10
Dashboard	Updated Dashboard	Completed and up to date at end of 3rd quarter of 2009/10
AGM	Memo	Completed
Corporate Plan	Memorandum on Corporate Plan	Completed
Input into assessment of PFMA section 54 applications	Section 54 (2) memo	The following were assessed: <ul style="list-style-type: none"> •IFLOMA Fibre Project. • Financing of Bee Keeping Project
Ad-Hoc Activities		
Referrals from Minister and DG	Decision or briefing memo as required	Completed as required
Parliamentary questions	Answer to parliamentary question	Completed as required
Review of Cab Memos	Decision or briefing memo, as required	Not required during the period under review
Articles	Article written and published	Not undertaken in period under review

Programme 4 - Manufacturing Enterprises

	TOTAL BUDGET	EXPENDITURE TO 31 MARCH 2010	REMAINING BUDGET	% OF TOTAL BUDGET USED
	R'000	R'000	R'000	
PROGRAMME 4: MANUFACTURING ENTERPRISES				
Compensation of Employees	5 195	4 270	925	82.20
Goods and services	1 942	1 932	10	99.49
Transfers – Denel (indemnity claim)	191 866	191 866	-	0.00
Capital expenditure	-	-	-	-
TOTAL	199 003	198 068	935	99.53

Expenditure in this programme is dominated by transfer payment to Denel in respect of a Denel/Saab Aerostructures indemnity claim.

Underspending in this programme was attributed to unfilled posts and resignations during the year.



PROGRAMME 5 TRANSPORT ENTERPRISES



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PROGRAMME 5

Transport Enterprises

PRIORITIES FOR 2009/10 (TRANSNET)

- Ensure that Transnet's capital investment programme remains on track, given the recessionary environment
- Monitor and influence the regulatory environment in the port and pipeline sector to enhance the impact of Transnet investments
- Analyse and assess Transnet's role and impact on the economy
- Assess the railway supply market benefits to the economy and work with TFR to enhance Competitive Supplier Development Programme (CSDP) benefits
- Develop DPE position on review of the Ports Act and monitor execution of TNPA regulatory functions
- Work with Transnet on proposed transaction structure for developing the Port of Ngqura
- Assess National Multi-Product Pipeline (NMPP) revenue and tariff structure and development of Security of Supply levy,
- Involve small operators on rail branchlines through implementation of Transnet branch line strategy,
- Project lead the National Corridor Performance Monitoring (NCPM) project.



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PROGRAMME 5

Transport Enterprises



PRIORITIES FOR 2009/10 (SAA)

- Review SAA route network particularly intercontinental routes,
- Develop a strategic Financial Model of SAA for robust analysis and scenario-planning and forecasting Updated Commercial Agreement between SAA and SAX,
- Ring-fencing of selected SAA business units and strategic equity investments
- Investigate feasibility of establishing South African Airways Technical (SAAT) as a separate State Owned Entity (SOE),
- IATA Project - Phase 2 (Monitoring long haul intercontinental air services to and from SA),
- Assessment of Airbus contract & framework agreement.



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PROGRAMME 5

Transport Enterprises

PRIORITIES FOR 2009/10 (SAA)

- Further development and implementation of the African Aviation Strategy
- Review SAX route network particularly within Africa and in support of SAA
- PFMA application for Joint Venture and forward looking strategy for SAX in Africa
- Updated Commercial Agreement between SAX and SAA



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PROGRAMME 5

BUSINESS PLAN REVIEW 2009/10



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PROGRAMME 5

Transport Enterprises

TRANSNET		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Corporate Plan	Briefing Memorandum: <ul style="list-style-type: none"> • A critical assessment of the business plan • Letter to Chairman of Board and Minister of Finance 	Underway. Due for completion by end April 2010
Transnet Shareholder Compact	Decision Memorandum: <ul style="list-style-type: none"> • Agreed Shareholder Compact 	Developed & agreed by Transnet EXCO & board. Signed off by Minister
SOE Dashboard: Monitoring of Transnet Performance	Updated Transnet Dashboard (latest information)	Updated and ongoing
Annual Report	Memo to DG and Minister on assessment	Completed
Review Transnet board strength	Memo to DG and Minister	Board skills assessment completed, latest database almost complete to Minister's request
Quarterly Reporting (Q1 to Q4)	Briefing Memorandum: <ul style="list-style-type: none"> • Critical assessment of performance including major risks 	Quarter 1 & 2 completed, Quarter 3 submitted for assessment



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PROGRAMME 5

Transport Enterprises

TRANSNET		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Analyse and assess Transnet's role and impact on the economy	<ul style="list-style-type: none"> Report on the Transnet's impact on the economy Memo to DG and Minister on final output/report Publication together with Transnet 	Report and cab memo completed & submitted to Minister
Implementation of Competitive Supplier Development Programme (CSDP)	<ul style="list-style-type: none"> Memo on the status of railway capacity study Memo on progress regarding contribution of Transnet to CSDP Final memo to DG and Minister 	Consultants' work completed, strategic workshops completed. Follow up meeting with OEMs in progress.
Implementation of the National Ports Act, 2005	<ul style="list-style-type: none"> Memo to DG and Ministers on DPE proposed amendments to the Ports Act. Letter to Minister of Transport. Memo to DG and Ministers on rationale for separation & Ministerial instruction to Transnet Board to initiate corporate adjustment. 	Workstreams established as part of bi-lateral with DoT. Policy direction established. Draft paper on possible ammdments to Act being drafted



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PROGRAMME 5

Transport Enterprises

TRANSNET		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
NPA tariffs and returns in a regulated environment	<ul style="list-style-type: none"> • Memo to DG on NPA tariff application for 2009/10 • Report on (NPA) tariff setting methodology, regulatory decisions and implications for capex funding 	Completed, including report providing recommendations on tariff methodology
Private Sector Participation (PSP) in Ngqura container terminal	<ul style="list-style-type: none"> • Memo to DG and Ministers. Letter to DOT confirming alignment 	Memo & letter requesting Transnet proposal completed
National Multi-Product Pipeline (NMPP) policy process	<ul style="list-style-type: none"> • Clear obstacles and address constraints to implementation of NMPP • Memo to Minister 	Levy process completed, recommendations on corporatization finalized
Pipeline tariff study	<ul style="list-style-type: none"> • Report on TPL tariff levels 	Completed
Implementation of Transnet levy for pipelines	<ul style="list-style-type: none"> • Memo to Minister 	Levy in place



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PROGRAMME 5

Transport Enterprises

TRANSNET

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
PSP in the branch lines network	<ul style="list-style-type: none"> • Memo to DG and Ministers on progress with implementation of strategy & engagements with DOT and National Treasury • Memo to DG and Minister on branch lines funding plan • Memo to DG and Ministers on TFR concession process & first EOI for Phase 1 concessions 	Strategy completed, ready for implementation DoT remains uncertain of policy direction
Sustainability of Transnet Freight Rail (TFR)	<ul style="list-style-type: none"> • Memo to DG and Minister • Memo to DG and Ministers on state of rail (infrastructure, financials and performance) 	Paper on TFR effectiveness completed, memo underway
Rail reform policy process & implications for TFR	<ul style="list-style-type: none"> • Memo to DG and Ministers. Letter to Minister of Transport. 	Transnet team working on TFR policy options, process to be strengthened in 2010/11



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PROGRAMME 5

Transport Enterprises

TRANSNET

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Assess Transnet Structure <ul style="list-style-type: none"> Assessment of Transnet's level of capitalisation Consideration of Transnet corporate structure Impact on Capex 	<ul style="list-style-type: none"> Report on Transnet's income over next 3 years and possible shortfall; Memo to DG and Minister including scenario schedules 	Transnet high-level financial model in place Paper completed, circulated to Minister & Deputy Minister for comments
Transnet infrastructure sustainability model	<ul style="list-style-type: none"> Memo to DG and Minister 	Completed, in respect of Build Programme. Further work underway on assessing effectiveness of oversight of capital projects
National corridor performance monitoring (NCPM) and key freight customer analysis	<ul style="list-style-type: none"> Leading to long range transport sector study in 09/10. 	Project initiated
Monitor Transnet Build programme	<ul style="list-style-type: none"> Memo to DG and Ministers 	Completed, new monitoring report required at end 09/2010



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PROGRAMME 5

Transport Enterprises

SOUTH AFRICAN AIRWAYS (SAA)

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Supplementary corporate plan review	Briefing Memorandum: A critical assessment of the business plan	Completed, memo to be submitted
Assess financial requirement for SAA to sustain turnaround	Briefing memorandum Application to GCC	Completed, guarantee support obtained
SAA Shareholder Compact	Decision Memorandum: Agreed Shareholder Compact	Shareholder compact completed.
Annual Report	Memo to DG and Minister on assessment, including letter to Chairman of the Board and MoF	Completed, memo submitted



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PROGRAMME 5

Transport Enterprises

SAA		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Review SAA board strength	Memo to DG and Minister	Skills audit and revision of SAA board successfully completed
Monthly monitoring of SAA performance	Key issues are included in quarterly reports and any urgent matters are raised immediately in memorandum to DG and Minister as required	Completed and ongoing
Quarterly Reporting (Q1 to Q4)	Briefing Memorandum: Critical assessment of performance including major risks	Quarter 1, 2 & 3 completed
Redesign SAA reporting package	Redesigned SAA reporting package	Completed, new financial reporting initiated
SOE Dashboard: Monitoring of SAA Performance	SAA dashboard	Up to date and ongoing
IATA (International Air Transport Association) Project - Phase 2 (Monitoring long haul intercontinental air services to and from SA)	Decision Memorandum Briefing Memorandum	Project completed
Assessment of Airbus contract & framework agreement	Briefing memo	Section 54(2) received. First round memo completed. SAA revisions requested. Second round memo underway for completion during April 2010

PROGRAMME 5

Transport Enterprises

SAA		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Review route network and associated fleet requirement	Decision memo	To be aligned to Airbus contract & new corporate plan. Corporate plan delayed due to CEO appointment
Develop a strategic Financial Model of SAA for robust analysis and scenario-planning and forecasting (Jan 2010)	Decision memo	High-level financial model developed. To be strengthened in 2010/11
Assess compliance with conditions set by National Treasury for hedging forex and fuel requirements	Briefing memorandum	Worked with National Treasury on assessing hedging policy. Workshops undertaken with SAA. Awaiting final SAA hedging policy proposal
Voyager business plan and liability	Briefing memo Decision memo	To be based on revised corporate plan
SAA ATL (Air Traffic Liability) Guarantee	Decision memo and ATL letter of support or guarantee	Domestic ATL resolved. Awaiting feedback from International Council on DPE submission
Updated Commercial Agreement between SAA and SAX	Decision memo	Completed, memo completed



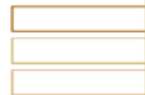
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PROGRAMME 5

Transport Enterprises



SOUTH AFRICAN EXPRESS (SAX)		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Corporate plan review	Briefing Memorandum: A critical assessment of the business plan	Completed, memo submitted
SAX Shareholder Compact	Decision Memorandum: Agreed Shareholder Compact	Shareholder compact completed, awaiting SAX sign off
Annual Report	Memo to DG and Minister on assessment, including letter to Chairman of the Board and MoF	Completed, memo submitted
Review SAX board strength	Memo to DG and Minister	Completed
Design SAX reporting package	Redesigned reporting package	Workshops completed
Quarterly Reporting (Q1 to Q4)	Briefing Memorandum: <ul style="list-style-type: none"> Critical assessment of performance including major risks 	Quarter 1, 2 & 3 submitted
SOE Dashboard: Monitoring of SAX Performance	Updated SAX Dashboard (latest information)	Up to date and ongoing



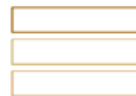
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PROGRAMME 5

Transport Enterprises



SAX		
Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Updated Commercial Agreement between SAX and SAA	Decision memo	Completed, memo completed
SAX ATL Guarantee	Decision memo and ATL letter of support or guarantee	No ATL support required for 2010/11 financial year
PFMA application for Joint Venture and forward looking strategy	Decision memorandum to Minister	Completed, PFMA granted
Continue the development and implementation of the African Aviation Strategy	Report & Briefing memorandum Briefing Memorandum	Underway, possible revision required based on SAA's review of Air Cemac proposal



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Programme 5 - Transport Enterprises

	TOTAL BUDGET	EXPENDITURE TO 31 MARCH 2010	REMAINING BUDGET	% OF TOTAL BUDGET USED
	R'000	R'000	R'000	
PROGRAMME 5: TRANSPORT ENTERPRISES				
Compensation of Employees	9 591	9 589	2	99.98
Goods and services	9 987	9,986	1	99.99
Transfers – South African Airways	1 549 080	1 549 080	-	100.00
Capital expenditure	-	-	-	-
TOTAL	1 568 658	1 568 655	3	100.00

Expenditure in this programme is dominated by transfer payment to South African Airways for the conversion of a guaranteed loan into equity to reduce South African Airways' debt.

There was no underspending in this programme.





PROGRAMME 6

JOINT PROJECTS FACILITY



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PROGRAMME 6

Joint Projects Facility

PRIORITIES FOR 2009/10

- CSDP: Monitor SDP implementation; ensure supplier benchmarking & supplier development; align SOE Procurement to CSDP and extend as part of response to economic crisis.
- TSAPPRO: procurement strategy driven by Eskom and implementation.
- Africa Programme:
 - Signed Power Purchase Agreements (PPA), commissioning of power projects and rail corridor work plan developed in line with intergovernmental consensus.
 - Definition of expanded Africa programme.
 - Regional Supplier Development Programme. Through UNIDO, partner with other African countries in Supplier Development initiatives - leveraging learnings and tools from CSDP.



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PROGRAMME 6

Joint Projects Facility

PRIORITIES FOR 2009/10

- CSDP: Monitor SDP implementation; ensure supplier benchmarking & supplier development; align SOE procurement to CSDP and extend as part of response to economic crisis.
- TSAPPRO: Procurement strategy driven by Eskom and implementation.
- Africa Programme: Signed PPA, commissioning of power projects and rail corridor work plan developed in line with intergovernmental consensus. Leveraging learnings from CSDP in region through RSBP partnership with UNIDO.
- Aerostructures: Strategic support to aircraft fleet procurement, DSA turnaround plan finalisation and implementation.
- HR & Capacity Building Programme:
 - DPE ESDA: Artisan trainees placed by suppliers for workplace experiential learning to attain artisan status through strategic partnerships; FET programmes on key artisan trades aligned to industry needs, monitor placements and review of possible relocation of ESDA.
 - SWH Skills Development Programme: Secure funding, plumbing and services industries enrol learners to attain SWH certification, monitor implementation.



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PROGRAMME 6

Joint Projects Facility



PRIORITIES FOR 2009/10

- HR & Capacity Building Programme (continued):
 - MLP: Launch programme and embed in host institution, monitoring.
 - Autumn School.
- Technology & Innovation: SOE TMF to manage innovation and technology in SOE and commercialisation opportunities.
- Property: Monitor disposals (dashboard), project close-out and impact report.
- Environmental Issues: Monitor EIA (dashboard), Climate Change policy input.



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PROGRAMME 6

BUSINESS PLAN REVIEW 2009/10



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PROGRAMME 6

Joint Projects Facility

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Competitive Supplier Development Programme (CSDP)	<p>SOE to report on KPI in terms of SDP on quarterly basis.</p> <p>Database of benchmarked suppliers, gap analysis & support to upgrade equipment & skills.</p> <p>CSDP-procurement process flow implemented in SOE.</p> <p>Definition of DPE-union position on leveraging procurement.</p> <p>Definition of government approach to leveraging procurement.</p> <p>Obtain agreement with select companies to adopt CSDP.</p>	<p>CSDP Dashboard developed.</p> <p>54 foundry and steel construction firms benchmarked & training undertaken, 125 opportunities identified and 15 agencies & programmes linked to suppliers</p> <p>Draft transactional policy and key elements of programmatic policy developed.</p> <p>Position paper on leveraging procurement across government developed.</p> <p>Locomotive fleet procurement process launched.</p> <p>DPE position on supplier development incorporated into industrial policy.</p> <p>Engagements with private sector companies initiated - indicative support for the proposal.</p>
The South African Power Project (TSAPPRO)	<p>Clear statement of national vision in respect of nuclear, definition of procurement strategy, procurement process launched and supporting initiatives established.</p>	<p>Nuclear education course completed for review, IMC nuclear work programme input provided and Eskom study expanded to include a range of procurement issues pertinent to government.</p> <p>Renewables and Industrial Policy recommendations (Phase 1) completed and received Ministerial support , Phase 2 launched. Engagements established with UK and Germany.</p>
Africa Programme: Regional Electricity and Rail Projects	<p>Intergovernmental consensus on rail and power projects and signed PPA.</p> <p>Commissioning of power projects.</p> <p>Definition of expanded Africa programme and implementation started.</p>	<p>Lack of certainty on Eskom's funding model hampered intergovernmental negotiations in the region with regard to PPA. Limited success of regional rail corridors due to lack of commitment by regional counterparts. Expansion of Africa programme suspended with departure of Project Manager - project relocated to Energy team.</p>

PROGRAMME 6

Joint Projects Facility

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Africa Programme: Regional Supplier Benchmarking and Development Programme	Five SPX in Southern Africa and extension to other African countries. Benchmarking and development of regional suppliers and linkages developed with buyers.	A benchmarking methodology service provider has been appointed. SPX host institutions identified in four out of five countries (Uganda, Tanzania, Mozambique, Zambia, Kenya pending). Preparations for Investor Survey made and survey rolled out in Uganda and Tanzania. Part of the Investment Monitoring Platform was completed and a work plan formulated.
HR and Capacity Building Programme: ESDA	<p>Artisan trainees placed by suppliers for workplace experiential learning to attain artisan status.</p> <p>SOE suppliers access grants from SETA for placements.</p> <p>FET programmes (welding & electrical) trade qualifications aligned to industry needs.</p> <p>Workplace learning guides available and approved by regulatory body.</p> <p>Skills development framework in place.</p> <p>Analysis of skills development plans and implementation reports from SOE.</p> <p>Optimal usage of DCLD across industry users.</p>	<p>Development of Skills Development dashboard to monitor enrolments, completions and placements in SOE and suppliers. Dashboard as a repository for improved oversight and monitoring of SOE implementation of skills plans. Investigation into the potential for additional artisan skills training by SOE.</p> <p>Gap analysis for FET welding and electrical trade qualifications alignment to industry needs completed but further work to augment curricula not completed in time due to DHET approval process which delayed procurement.</p> <p>Workplace learning guides yet to be commissioned.</p> <p>DPE participation in DCLD Board to optimise training facility and DPE-SOE Skills Development Forum established.</p>

PROGRAMME 6

Joint Projects Facility

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
<p>HR & Capacity Building Programme: Solar Water Heater (SWH) Skills Development Programme</p>	<p>Plumbing & Services Industries enrol learners to attain SWH certification.</p> <p>Funds acquired from DoL and SETA.</p> <p>M&E framework in place.</p>	<p>National SWH installers Training Plan completed, including qualification registration and training centre readiness.</p> <p>Material development finalised including visual and audio aides for illiterate learners.</p> <p>Identified 3,000 installers for top up training (1,000 trained to date) and 10,000 for top-up and certification (training to commence following SETA approval).</p> <p>Participation in establishment of SWH installer registration and quality assurance board.</p> <p>Slow uptake of training initiatives due to weak SETA-industry relations and lack of SETA training centre quality assurance.</p> <p>Received funding for training for 580 learners from Eskom and CETA.</p> <p>Identified means to streamline Eskom Rebate process to improve SWH uptake.</p> <p>Detailed input for IMC prepared (Energy Efficiency, Demand Side Management and Renewable Energy).</p>
<p>Management Learning Programme (MLP)</p>	<p>A postgraduate Management learning programme hosted at UCT for the benefit of the SOE, DPE, regulators and others</p>	<p>DPE-UCT MOU concluded, course content developed and draft Reader completed.</p> <p>Programme launch delayed to next financial year to allow for adequate marketing to secure sufficient student numbers.</p>
<p>Autumn School</p>	<p>Learning experience provided for PC</p>	<p>Summer School hosted.</p>

PROGRAMME 6

Joint Projects Facility

Activity / Project	Output	Achievement/Non Achievement Including reasons for non-achievement
Aerostructures	Strategic support provided to enhance business viability and global repositioning of SA aerostructures manufacturing in the long term.	A strategic framework for joint operations has been developed. Framework for joint business plan between DSA and Aerosud developed. Completed first draft financial models for selected DSA/Aerosud scenarios. Initial funding requirement for DSA completed.
Technology and Innovation: Technology Management Framework	Framework for assessment of SOE innovation performance. Framework for strategy formulation to manage innovation and technology in SOE.	Framework for assessment of SOE innovation performance developed. Framework for strategy formulation to manage innovation and technology in SOE not achieved due to other priority projects.
Property Project	SOE non-core property disposals. Conclusion of process to develop Key Integrated Projects Property Impact Assessment Report.	Approval for Transnet's second non-core property list granted . Monitoring and facilitation of key state transactions and engagement with relevant stakeholders undertaken. Property dashboard refined. Government Shared Servitude Utilisation TOR developed and project launched. Alexkor transfers: town planning information gathering and consolidation.
Environmental Issues	Streamlined Environmental Impact Assessment (EIA) procedure in support of build programme.	DPE-DEA-Eskom MOU signed. Dashboard developed for improved monitoring of EIA for Strategically Important Developments (SID).

Programme 6 - Joint Projects Facility

	TOTAL BUDGET	EXPENDITURE TO 31 MARCH 2010	REMAINING BUDGET	% OF TOTAL BUDGET USED
	R'000	R'000	R'000	
PROGRAMME 6: JOINT PROJECTS FACILITY				
Compensation of Employees	4 267	4 265	2	99.96
Goods and services	21 384	20 720	664	96.89
Transfers	-	-	-	-
Capital expenditure	-	-	-	-
TOTAL	25 651	24 985	666	97.40

This programme underspent in Goods and Services due to delays in commissioning of procurement in respect of the HR and Capacity Building programme and delayed procurement of a CSDP project in the last quarter.



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Budget Utilisation 2009/10



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Public Enterprises Expenditure to Budget for 2009/10

	TOTAL BUDGET	EXPENDITURE TO 31 MARCH 2010	REMAINING BUDGET	% OF TOTAL BUDGET USED
	R'000	R'000	R'000	
Programme 1 : Administration	90 503	86 784	3 719	95.89
Programme 2: Energy and Broadband Enterprises	1 959 965	1 958 660	1 305	99.93
Programme 3: Legal, Governance, Risk and Transactions	147 379	145 792	1 587	98.92
Programme 4: Manufacturing Enterprises	199 003	198 068	935	99.53
Programme 5: Transport Enterprises	1 568 658	1 568 655	3	100.00
Programme 6: Joint Projects Facility	25 651	24 985	666	97.40
TOTAL	3 991 160	3 982 945	8 215	99.79

The department spent 99.79 percent of its budget for the 2009/10 financial year. This expenditure is influenced by the transfer payments and if these are not taken into consideration the department spent 95.28 percent of its operational budget. Underspensing was mainly under Compensation of Employees due to unfilled vacancies and resignations during the year.

DPE Budget 2009/10- Appropriation per Economic Classification

	TOTAL BUDGET	EXPENDITURE TO 31 MARCH 2010	REMAINING BUDGET	% OF TOTAL BUDGET USED
	R'000	R'000	R'000	
DEPARTMENT TOTAL				
Compensation of Employees	81 424	74 878	6 546	91.96
Goods and services	91 436	89 769	1 667	98.18
Financial Transactions in Assets & Liabilities	29	29	-	100.00
Transfers	3 816 996	3 816 994	2	100.00
Capital expenditure	1 275	1 274	1	99.95
TOTAL	3 991 160	3 982 945	8 215	99.79



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DPE Expenditure-Summary of Transfer payments 2009/10

	TOTAL BUDGET	EXPENDITURE TO 31 MARCH 2010	REMAINING BUDGET	% OF TOTAL BUDGET USED
Alexkor	129,090,000	129,090,000	-	100.00
Denel	191,866,000	191,865,684	316	100.00
Broadband Infracore	208,530,000	208,530,000	-	100.00
Pebble Bed Modular Reactor	1,737,750,000	1,737,750,000	-	100.00
South African Airways	1,549,080,000	1,549,080,000	-	100.00
Gifts and donations (16 Days of Activism and other donations)	680,000	678,285	1,715	99.75
Total	3,816,996,000	3,816,993,969	2,031	100.00



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2010-2013 STRATEGIC PLAN



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The Role of SOE in Industrial Policy

The DPE has identified strategic roles for SOE in three areas of economy:



- Ensuring the security of supply and the efficient and competitive provision of key economic infrastructure.
- Facilitating the development of advanced manufacturing capability through:
 - direct investment via current or new SOE
 - SOE investment and procurement programmes
 - strategic partnership engagements with global enterprises.
- SOE can be used by the State to sort out economically stifling market or regulatory failures especially in the area of network infrastructure.



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DPE also has a secondary, supporting role to the programmes of other National Government departments that it provides through the activities of the SOE:

- Align skills development programmes within the SOE with the programmes and objectives of the responsible National Government departments.
- Align investments in and by SOE with the national innovation development programmes of the responsible National Government departments.
- Supporting government strategies focused on labour absorption and rural development by providing infrastructure investments and SOE-services with marginal commercial viability.



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In order to effectively play its role, the DPE strategy will focus on the following four areas:



1. Integrating Strategic Mandates in Policy

- SOE economic Impact (e.g development of suppliers and supply chains)
- Structure of industry in which the SOE operates (e.g role of SOE and private sector)
- SOE operational and financial performance (e.g efficiency, productivity, profitability and capital investments)

2. Enhanced Coordination Across Government

3. Funding Solutions for SOE

4. Building Shareholder Management Capability



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Strategic Plan of the DPE 2010/2013



The State Owned Enterprise can be a powerful instrument for industrial policy. To optimise the contribution of SOE in industrial policy will require a combination of :

- rigorous shareholder oversight;
- a coherent policy and regulatory environment; and
- well co-ordinated Government programmes to support targeted SOE initiatives.

The Department's Strategic Plan is focused on achieving this combination.

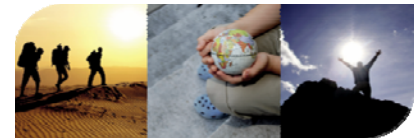
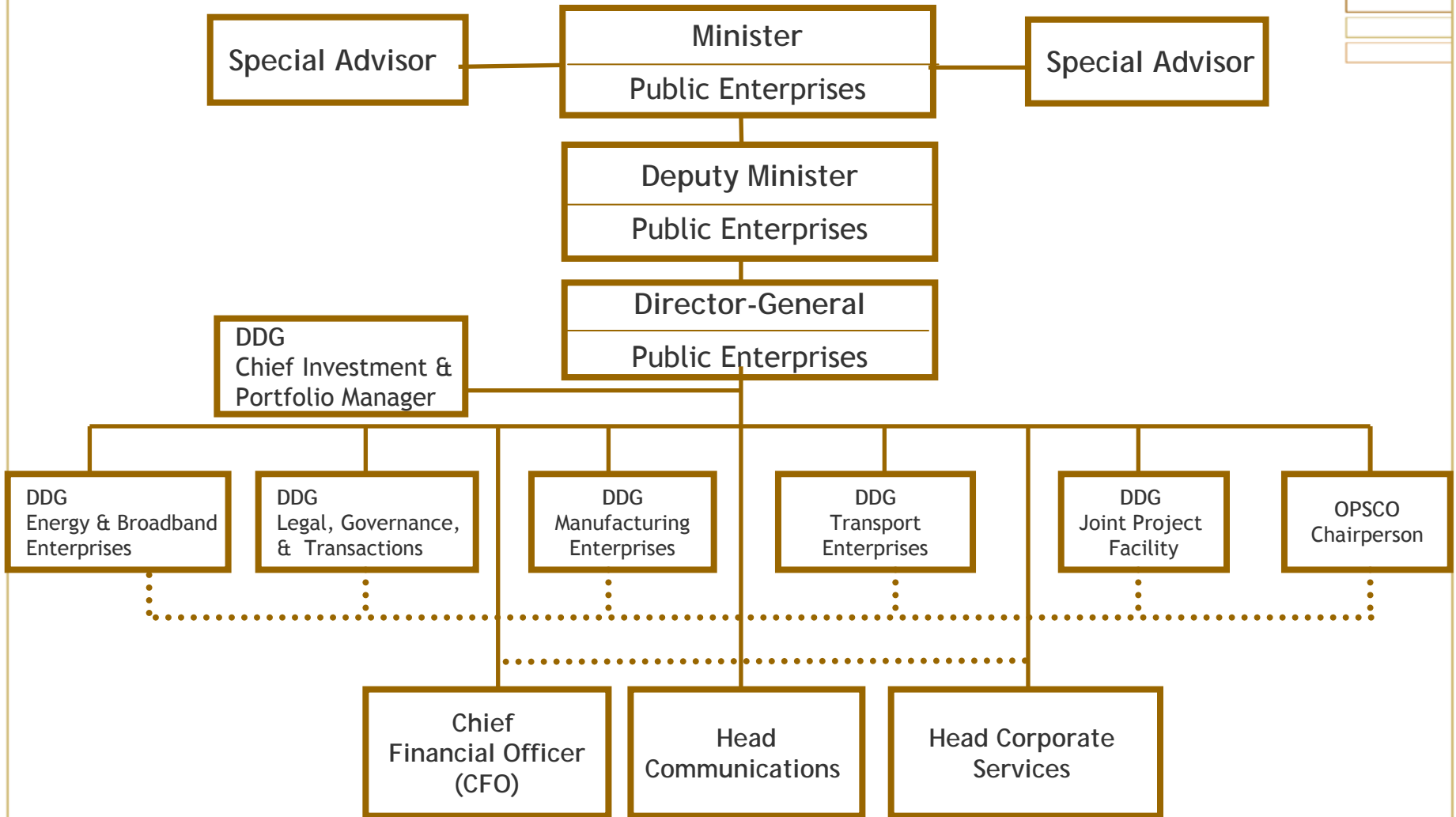


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Organisational Structure as at March 2010

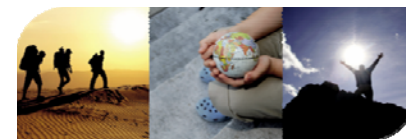


DPE Budget - Appropriation per Programme

	2009/10	2010/11	2011/12	1012/13
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
1. Administration	90 503	101 276	107 732	111 843
2. Energy and Broadband Enterprises	1 959 965	150 364	14 519	14 878
3. Legal, Governance, Risk and Transactions	147 379	54 398	19 570	20 376
4. Manufacturing Enterprises	199 003	16 202	15 646	1 6 660
5. Transport Enterprises	1 568 658	18 510	20 570	23 396
6. Joint Project Facility	25 652	9 840	8 754	9 087
TOTAL	3 991 160	350 590	186 791	196 240

Expenditure decreases from R3.9 billion in 2009/10 to R196.2 million in 2012/13. The significant decline in 2010/11 and in the remaining outer years is as a result of reduced transfer payments to the State Owned Enterprises.

The operational budget of the Department remains within the baseline over the period, which is linked to the business plans of the units.



DPE Budget - Appropriation per Economic Classification

	2009/10	2010/11	2011/12	2012/13
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Current payments				
Compensation of employees	81 424	88 015	93 540	98 325
Goods and services	91 436	86 665	91 886	96 481
Financial transactions in assets and liabilities	29	-	-	-
Transfers and subsidies				
Public corporations and private enterprises	2 058 706	36 000	-	-
Households – Gifts and Donations	680	710	753	791
Capital	1 275	600	612	643
Payments for financial assets	1 757 610	138 600	-	-
Total	3 991 160	350 590	186 791	196 240



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DPE Budget - Summary of Transfer payments to SOE 2009/10 - 2012/13

	2009/10	2010/11	2011/12	2012/13
	Adjusted Appropriation	Medium term expenditure estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Alexkor	129 090	36 000	-	-
Denel	191 866	-	-	-
Broadband Infraco*	208 530	138 600	-	-
Pebble Bed Modular Reactor	1 737 750	-	-	-
South African Airways*	1 549 080	-	-	-
Total	3 816 316	174 600		-

The transfer payments for Broadband Infraco and South African Airways have been re-classified from Transfers to public corporations and private enterprises to Payments for financial assets in the Economic Classification on the Standard Chart of Accounts.

The reason for the re-classification is that when Government makes an equity investment, Government's equity position in the entity is enhanced. Accordingly, the transaction directly affects governments financial asset position. Shares are issued for these transactions by the entity. As this was implemented by National Treasury for the first time this year, the department has had to re-state the previous year's figures in the Estimates of National Expenditure.



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PROGRAMMES

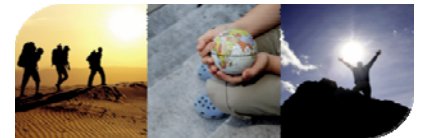


PRIORITY AREAS AND EXPECTED OUTCOMES



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For the period under review, the Department and SOE have indentified key measurable outputs. These include:

- Delivery of new Electricity Generation capacity by Eskom according to its approved build plan and as directed by the Integrated Resource Plan (IRP)
- Facilitation of the introduction of Independent Power Producers as determined by the IRP
- Restructuring the Pebble Bed Modular Reactor Company
- The restructuring of Denel
- The creation of a Remuneration Panel that will promote appropriate remuneration policies and practices for Chief Executives and the Boards of Directors of SOE
- The appointment of CEOs and Board Members to SOE and ensuring that vacancies are filled with minimum delays
- Agreement on a way forward with the Richtersveld Community to ensure that the lives of the community are improved



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Continued...

- Pursuing completion of the land settlement claims at Safcol and to have concrete plans regarding the future of the SOE
- Rail reform policy process and implications for Transnet Freight Rail
- Efficiency improvements on the main freight corridors
- Create scope for multi-operator involvement in under-utilised branchlines
- Assessment of strategic options for a future SAA and alignment to African Aviation Strategy
- Continuing to leverage SOE as instruments of industrial policy to achieve the State's social and economic development objectives
- The creation of a clear path of sustainability for the SOE, thus reducing their dependence on the fiscus
- Leveraging private sector investment to retain momentum in the infrastructure build programme and to promote competition in targeted areas.



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Programme 1: Administration

Purpose:

Achieve the Department's strategic objectives through providing overarching management and key supporting functions and processes.

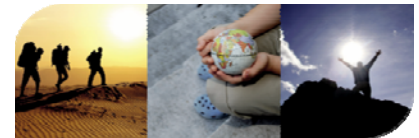
Priorities (Operations):

- Monitoring in-year cost-saving initiatives
- Attraction and retention of relevant specialist sector skills
- Internal Risk Management
- Effective and efficient knowledge management
- Enhancing departmental performance management reporting
- Continued compliance with relevant legislation e.g. PFMA and Treasury Regulations including tender and procurement processes
- Secure and stable IT environment



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Chief Investment & Portfolio Management (1)

Purpose

- A portfolio approach applied to the management & shareholder investment process of all SOE falling under the purview of the DPE to ensure SOE commercial sustainability & attainment of desired strategic outcomes & objectives by the SOE
- Building on frameworks developed, focus on effective investment processes for shareholder value optimisation and SOE commercial sustainability

Outcomes

- Synchronized logical planning, monitoring and evaluation process to link national strategic priorities to SOE delivery and ensure effective shareholder oversight management and achievement of desired strategic outcomes and objectives by all SOE.
- Application of consistent SOE performance monitoring and shareholder risk management
- Portfolio equity interest and contingent liability exposure management
- Ongoing transaction advice and input on financial, legal, governance and risk issues relating to SOE

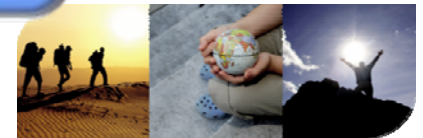
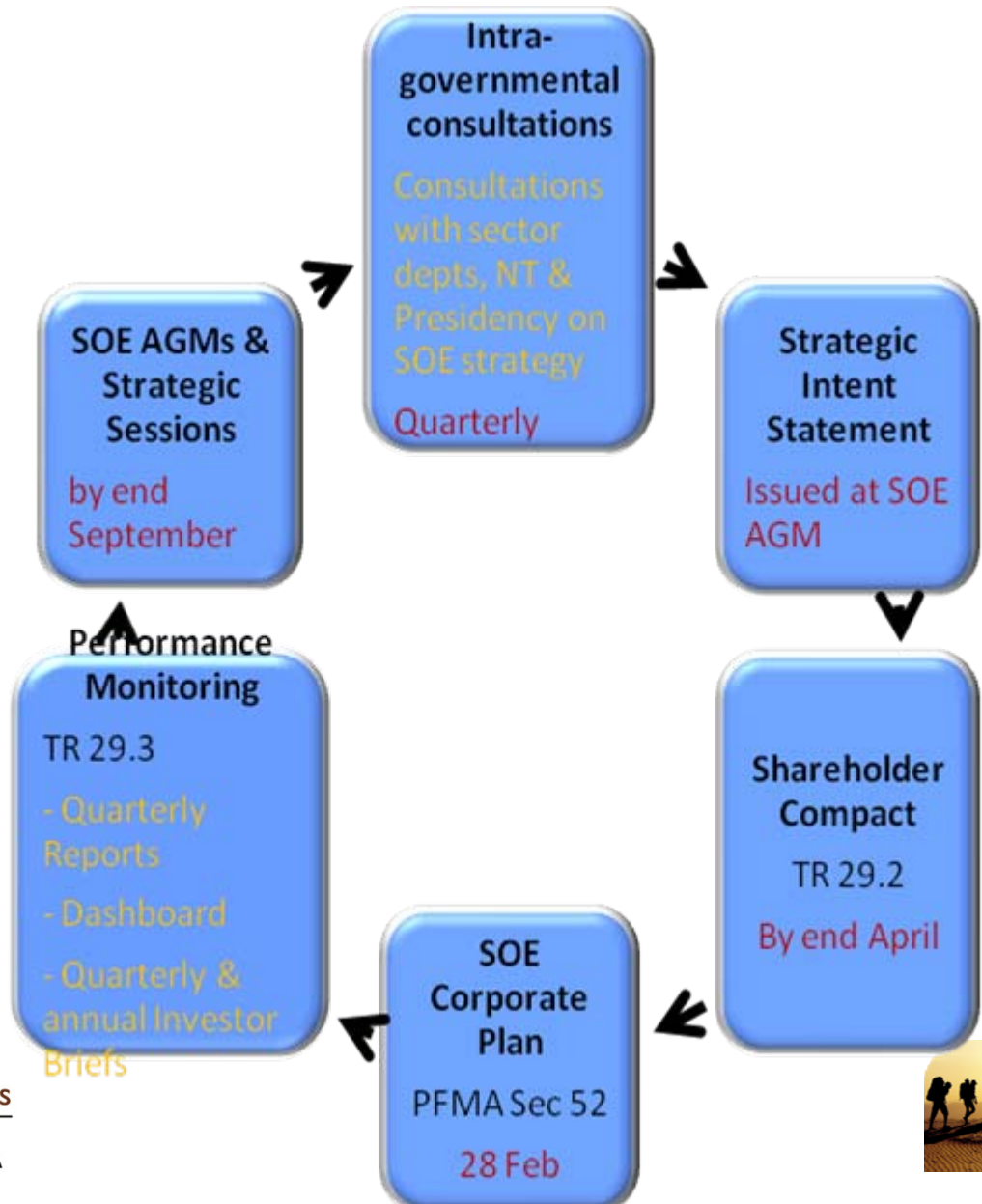


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Logical Planning, Monitoring & Evaluation Process (2)



Programme 1 - Administration

	2009/10	2010/11	2011/12	2012/13
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Compensation of employees	45 425	49 979	53 020	56 945
Goods and services	43 094	49 987	53 347	53 464
Financial transactions in assets and liabilities	29			
Transfers – Gifts and Donations	680	710	753	791
Capital	1 275	600	612	643
Total	90 503	101 276	107 732	111 843

There is very little change to this Programme other than an inflationary increase for Compensation of Employees which includes the newly established office of the Deputy Minister as well as provision for remuneration of 21 interns per annum for the period.

Goods and Services has increased slightly to accommodate the requirements of the Office of the Deputy Minister which was established during the 2009/10 financial year. As in previous years support services such as in-house printing and reproduction services, training, bursaries, stationery, information technology services, software licences, computer equipment, leasing of vehicles, office accommodation, communications, audit fees and telephones, are centralised in this unit.

Programme 2: Energy & Broadband Enterprises (1)

Purpose:

- Provide shareholder oversight of Eskom which includes the generation, transmission and distribution of electricity, with a particular emphasis on the execution of its infrastructure programme and the optimisation of current operations.
- Provide shareholder oversight of Broadband Infraco which includes development of a sustainable business model, assessing the business plan and monitoring the commissioning of the full service network (FSN).
- Provide shareholder oversight of PBMR.



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Programme 2: Energy & Broadband Enterprises (2)



Priorities:

- Monitor Eskom's system adequacy and the delivery and funding of its capital expenditure programme (Generation, Transmission and Distribution)
- Enable and support the execution and implementation of the Inter-Ministerial Committee on Energy workplan, leading the facilitation of a Strategic Equity Partner for the Kusile new build project as well as the development of a sustainable coal haulage solution.
- Resolution of Infraco's licensing and the development and implementation of an associated sustainable business model
- Rationalisation of PBMR whilst protecting skills and intellectual property of value to South Africa's possible future Nuclear Fleet Build Programme



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Programme 2: Energy & Broadband Enterprises (3)

Outcomes (Across Eskom, PBMR and Infraco):

- Shareholder Compact and Corporate Plan alignment to government objectives for the Energy & Broadband Sector.
- Alignment and delivery against key objectives of Infrastructure IMC outcomes based approach.
- Guidance to Minister on Annual General Meeting and associated Shareholder rights.
- Appropriate skills mix on the Eskom, Infraco and PBMR Boards.
- Assessment of performance against agreed compact targets.

Outcomes (Eskom):

- Delivery of Eskom's infrastructure expenditure programme as planned and directed by the Integrated Resource Plan and the optimisation of its maintenance and operational practices.
- A sustainable coal haulage solution.
- The introduction of a Strategic Equity Partner for Kusile.
- Facilitation of the introduction of Independent Power Producers.



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Programme 2: Energy & Broadband Enterprises (4)



Outcomes (Infraco):

- Infraco's impact on Broadband Pricing in South Africa.
- Development of a sustainable business model for Infraco to achieve its mandate.
- Infraco's execution of projects to complete the terrestrial cable network.
- Implementation of the International Submarine Cable (West Africa Cable System).

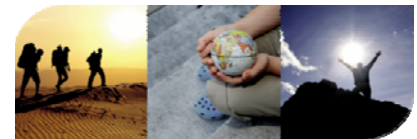
Outcomes (PBMR):

- PBMR successfully restructured.



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Programme 2 : Energy & Broadband Enterprises (5)

	2009/10	2010/11	2011/12	2012/13
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Compensation of employees	7 901	8 702	9 214	9 041
Goods and services	5 011	3 062	5 305	5 837
Transfers – PBMR	1 737 750	-	-	-
Payments for financial assets – Broadband Infraco	208 530	138 600	-	-
Total	1 959 192	150 364	14 519	14 878

Expenditure decreases from R1.96 billion in 2009/10 to R14.9 million in 2012/13. This is due to no further funding being made available to PBMR.

Broadband Infraco is expected to raise funding on the Capital Market for its capital expenditure projects for the years 2011/12 and 2012/13 , thus no further funding from government.

The operational budget in this Programme remains within the baseline over the medium term.



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Programme 3: Legal, Governance & Transactions (1)

Purpose:

To provide effective and sound legal advice to the Department that will highlight and manage potential legal risks; and to develop effective corporate governance frameworks that will promote transparency and good corporate governance by SOE.

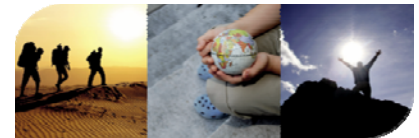
Outcomes:

- Transfer Diabo Trust assets to the beneficiaries and wind up the trust
- Transfer remaining Aventura resorts and wind up Aventura
- Internal legal advice to minimise DPE's legal risk (e.g. adequate legal protection in contracts with service providers)
- Successfully resolve all litigation in government's favour
- Continuously improve DPE adherence to applicable legislation through developing templates for legal and regulatory compliance (e.g. PAIA, PAJA and PFMA Compliance framework)



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Programme 3: Legal, Governance & Transactions (2)



Outcomes:

- Develop SOE legal and governance frameworks to
 - Align SOE governance to developments in corporate governance regulation (e.g. Companies Act, 2008, King III)
 - Contribute towards shareholder and Board effectiveness (Owner's Manual; Board Database)
- Oversee SOE adherence to corporate governance principles to promote stronger Boards (including improving reporting on SOE Board and CEO remuneration)
- Promote transparency and accountability of governance processes through annual governance audits and strengthening SOE governance reporting requirements
- Ongoing monitoring of SOE acquisition and disposal of subsidiary list



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Programme 3: Legal, Governance & Transactions (3)

	2009/10	2010/11	2011/12	2012/13
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Compensation of employees	9 044	9 367	9 920	10 534
Goods and services	9 245	9 031	9 650	9 842
Transfers - Alexkor	129 090	36 000	-	-
Total	147 379	54 398	19 570	20 376

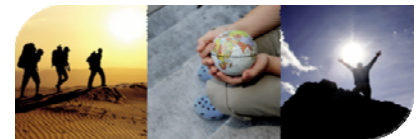
The operational budget in this Programme increases slightly as a result of additional funding required to cover anticipated legal costs for a number of transactions as well as inflationary increases in Compensation of Employees.

The transfer payments to Alexkor in 2009/10 and 2010/11 are earmarked for the capitalisation of the pooling and sharing joint venture and the establishment of the Alexander Bay township. These form part of the land claim settlement obligations.



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Programme 4: Manufacturing Enterprises (1)

Purpose:

- Provide shareholder oversight of Denel which includes business turnaround and sustainability, alignment with the strategic requirements of the Department of Defence and its contribution to government objectives such as skills development and advance manufacturing.
- Provide shareholder oversight of SAFCOL which includes assessing the business plan and the future role of SAFCOL in the economy and other government objectives.



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Programme 4: Manufacturing Enterprises (2)

Outcomes (Denel):

The key outcome is a financially sustainable company.

Monthly / Quarterly / Annual Interventions:

- Approved and aligned Corporate Plan, Shareholder Compact, Annual Reports and effective Board control
- Shareholder Strategic Intent communique
- Quarterly investor brief to the SOE Board

Key Deliverables

- In conjunction with dti, NT, DST, DoDMV:
 - Resolution of Denel's going concern status and long term solvency issues
 - Oversee Denel's turnaround plan and business growth strategy
 - Alignment of Denel's restructuring plans with DoD's requirements
- DPE will facilitate:
 - Denel's programme delivery
 - Skills development and transformation
 - The role of Denel in advance manufacturing
 - Equity partnerships for Denel entities



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Programme 4: Manufacturing Enterprises (3)

Outcomes:

Future state of Denel

- Finalisation of Rooivalk programme
- Multi year orders from DoDMV
- Right sizing / restructure the Denel Group



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Programme 4: Manufacturing Enterprises (4)

Outcomes (Safcol):

The key outcome is to finalise SAFCOL's future post the land claims.

Monthly / Quarterly / Annual Interventions:

- Approved and aligned Corporate Plan, Shareholder Compact, Annual Reports and effective Board control
- Shareholder Strategic Intent communique
- Quarterly investor brief to the SOE Board

Key Deliverables

- In conjunction with DAFF, DRLR, Water & Environmental Affairs, DST, Economic Development, Industrial Relations and Co-operation:
 - Resolve SAFCOL's future post the land claims - Cabinet Memorandum will be submitted
 - Finalisation of IFLOMA divestures
 - Finalise the transfer of minority shares
- DPE will monitor SAFCOL's financial position and borrowings



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Programme 4: Manufacturing Enterprises (5)

	2009/10	2010/11	2011/12	2012/13
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Compensation of employees	5 194	6 376	6 837	6 445
Goods and services	1 942	9 826	8 809	10 215
Transfers – Denel	19 1 866	-	-	-
Total	199 002	16 202	15 646	16 660

There are no transfer payments planned for Denel. Denel must embark on an operational turnaround and any future recapitalisation must be for growth and not working capital. Furthermore, the decrease in transfers are because future claims cannot be quantified in advance. The expenses have to be incurred and then audited to verify validity of the claim.

The operational budget increases substantially in 2010/11 due to an increase in Goods and Services which is mainly made up of expenditure for specialist services for the Competitive Supplier Development Programme in partnership with UNIDO. Compensation of Employees increases slightly in line with the normal annual inflationary increases.



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Programme 5: Transport Enterprises (1)

Purpose:

Align the corporate strategies and performance of Transnet, South African Airways and South African Express Airways against government's objectives.

Outcomes - Transnet, SAA and SAX:

- Alignment of Shareholder Compact and Corporate Plan to Government objectives for the transport sector
- Guidance to Minister on AGM and associated shareholder rights
- Appropriate skills mix on the Transnet, SAA and SAX Boards
- Assessment of performance against agreed Compact targets



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Programme 5: Transport Enterprises (2)

Outcomes - Transnet

- Work with DoT to achieve:
 - Greater transparency between infrastructure and operations in ports,
 - Multi-operator involvement (including BBBEE) in container terminal operation in order to improve efficiency, and
 - Multiple operators on the branch line rail network in order to open rural areas to effective rail supply.
- Monitor efficiency improvements on the main freight corridors
- Turnaround of Transnet Freight Rail (TFR) and development of restructuring options
- Assessment of Transnet infrastructure provision to meet market demand
- Competitive local railway supplier industry through the DPE's CSDP process
- Monitor implementation, levy allocation and cost containment of NMPP
- Develop options for structural change to Transnet to align to Government policy and retain financial sustainability



Programme 5: Transport Enterprises (3)



Outcomes - SAA and SAX

- Monitor alignment of SAA and SAX with African Aviation Strategy
- Monitor sustainability and turnaround of SAA including ability to effectively replace aircraft (sustainable funding of Airbus transaction without recourse to government funds)
- Assess route network and the suitability of fleet deployment of SAA and SAX.
- Assessment of strategic options for a future SAA
- Ring-fence SAA business units and review of their business plans and strategic alignment
- Establishment of SAAT as a multi-airline focused African maintenance hub
- Assess sustainability and future of Mango as a subsidiary of SAA



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Public Enterprises
REPUBLIC OF SOUTH AFRICA



Programme 5: Transport Enterprises (4)

	2009/10	2010/11	2011/12	2012/13
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Compensation of employees	9 591	10 030	10 741	11 318
Goods and services	9 987	8 480	9 829	12 078
Transfers – South African Airways	1 549 080	-	-	-
Total	1 568 658	18 510	20 570	23 396

The significant reduction in the budget for this Programme is attributed to the decrease of transfer payments, the final transfer to South African Airways being in 2009/10.

There is no substantial increase in the operational budget in this Programme. A greater part of the budget over the next three years (2010/11 to 2012/13) will be spent on the National Corridor Performance Management (NCPM) project.



Programme 6: Joint Projects Facility (1)

Purpose:

To provide project management support for a number of projects that aim to identify and unlock synergies among State Owned Enterprises, and to coordinate cross-cutting projects that leverage the assets, activities and capabilities of SOE to the benefit of the enterprise and the economy as a whole.

Outcomes:

- Skills Development, TSAPPRO and CSDP: Leveraging of SOE build programmes to promote investment in plant, technology and skills so as to increase the level of national economic activity and decent employment through inclusive growth.
- Environmental Oversight: Reduction in delays associated with environmental authorisations for the Build Programmes whilst ensuring integrity of environmental assets and natural resource protection.
- Property Project: Release of SOE non-core property ensures state's right of first refusal for developmental benefits (e.g. contributes to sustainable human settlements) and land use optimisation.



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Programme 6: Joint Project Facility (2)

	2009/10	2010/11	2011/12	2012/13
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Compensation of employees	4 267	3 561	3 808	4 042
Goods and services	21 384	6 279	4 946	5 045
Total	25 651	9 840	8 754	9 087

The operational budget for this Programme decreases substantially over the medium term due to the completion of some of the projects and programmes , such as the Aerostructures, Technology Management Framework (TMF) and ICT/Marine Cable projects. The oversight and implementation of components of other projects such as the Africa programme and TMF have shifted to the relevant SOE teams and other departments.



Challenges Facing the DPE

- The retention and attraction of specialist skills due to Government's remuneration structure which is not commensurate with the level and amount of work required
- Technical staff capacity constraints means that current resources need to stretch further - "mean and lean"
- Financial constraints given limited fiscal allocation for key projects
- Given the infrastructure programme undertaken by SOE, we need to facilitate and assist in securing funding thereof
- Required to ensure that there is security of supply as well as ensure that SOE are financially sustainable in a deteriorating global and domestic economic environment
- Ensure that there is alignment with key stakeholders in pursuit of both Government and SOE objectives, which at times are not clearly defined



How the Select Committee can assist the Department

- Adequate notice (at least 1 -3 months) for presentations and briefings in order to assist with proper planning and execution of functions and duties. This will assist the department with efficient use of resources given current constraints.
- Clarification of reporting requirements will result in improved preparation and a common understanding of reporting expectations.
- Improved understanding of DPE's shareholder oversight role and reporting cycle to aid in qualitative reporting to Committees.
- Participation and engagement in Parliamentary Learning Programme to provide insight into the sector and key issues of relevance to NCOP.
- Assist in ensuring that there is alignment between stakeholders by communicating Government's objectives
- Regular engagement on issues of mutual interest affecting the SOE



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The End



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