



# Presentation to the Select Committee on Labour and Public Enterprises

2 November 2011

## 2010/11 Annual Report of the Department of Public Enterprises



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- Economic Context
- Strategic Thrust
- DPE Organisational Structure and Statistics
- 2010/11 Key Highlights for period under review
- Programme Performance
- Annual Financial Statements and Highlights
- Areas where we did not achieve the targets
- Challenges
- 2011/14 Strategic Plan : Key Focus Areas
- How can the Select Committee assist the DPE?



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### South Africa is facing a range of economic challenges:

- Accelerating the growth rate to create wealth that enhances the standard of living for all South Africans.
- Dramatically increasing employment creation in the formal economy.
- Developing industrial capabilities to decrease the countries dependence on commodity exports and enhance the current account deficit.
- Transforming the ownership and management profile of the economy to reflect that of the broader South African population.



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## Economic Performance 2010

- South Africa's economic growth rate for the fourth quarter of 2010 was 4,4 %, lifting the economy's growth rate for the year as a whole to 2,8 %.
- Mining output rose in Q4 against a background of high commodity prices and strong export demand, with platinum and coal making the largest contribution to the higher production levels.
- High growth was posted by all the subsectors in the tertiary sector. However, the economy continued to be characterised by a significant degree of under-utilisation of production capacity.
- Household consumption expenditure was the major and most consistent part of the growth momentum throughout 2010. This was driven by rising real income levels, lower interest rates, a modest reduction in the household debt ratio and fairly high levels of consumer confidence.
- Real gross fixed capital formation by public corporations accelerated, rising at an annualised rate of 3,3 % in Q4 of 2010 from 0,7 % in Q3.
- In the final quarter of 2010, public corporations raised their capital outlays particularly in the electricity and transport subsectors.



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## Economic Performance 2010

- Eskom's ongoing power station projects such as Medupi, Kusile and Ingula involved increased spending on construction works, vehicles and machinery and equipment as did the ongoing investment in the new pipeline project between Durban and Johannesburg.
- The pace of employment creation remained sluggish, despite the recovery in domestic economic activity during the past year and a half.
- Employment increased moderately in the final quarter of 2010, largely due to seasonal reasons.
- Labour productivity continued rising, although it lost some earlier momentum due to industrial action which had a negative impact on output.
- Employment levels in the public sector continued to increase, albeit a much slower pace than in the second quarter. The expansion of capacity in the electricity supply sector contributed to a steady increase in job creation in the sector, with some 2300 jobs being added in Q2 and Q3 of 2010.
- Public sector infrastructure spending increased from 4,6 % of GDP in fiscal 2006/07 to 9,8 % of GDP in fiscal 2010/11, and was expected to average 8,4 % of GDP over the medium term period, totaling R809 billion.

In order to effectively play its role, the DPE's strategy for the period under review was focused on the following four areas:

1. The recognition that State Owned Companies (SOC) are key instruments for the Developmental State
  - Driving fixed investment (particularly in a counter cyclical manner) to unlock economic growth.
  - Leveraging procurements to support industrialisation; skills development; transformation and job creation.
2. Enhanced coordination across Government
  - Engaging with policy departments to create an enabling environment for SOC developmental mandates.
3. Funding solutions for SOC
4. Building Shareholder Management capability



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Consequently, to optimise the contribution of SOC in industrial policy requires a combination of :

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

These constitute the elements of the Department's strategic thrust.

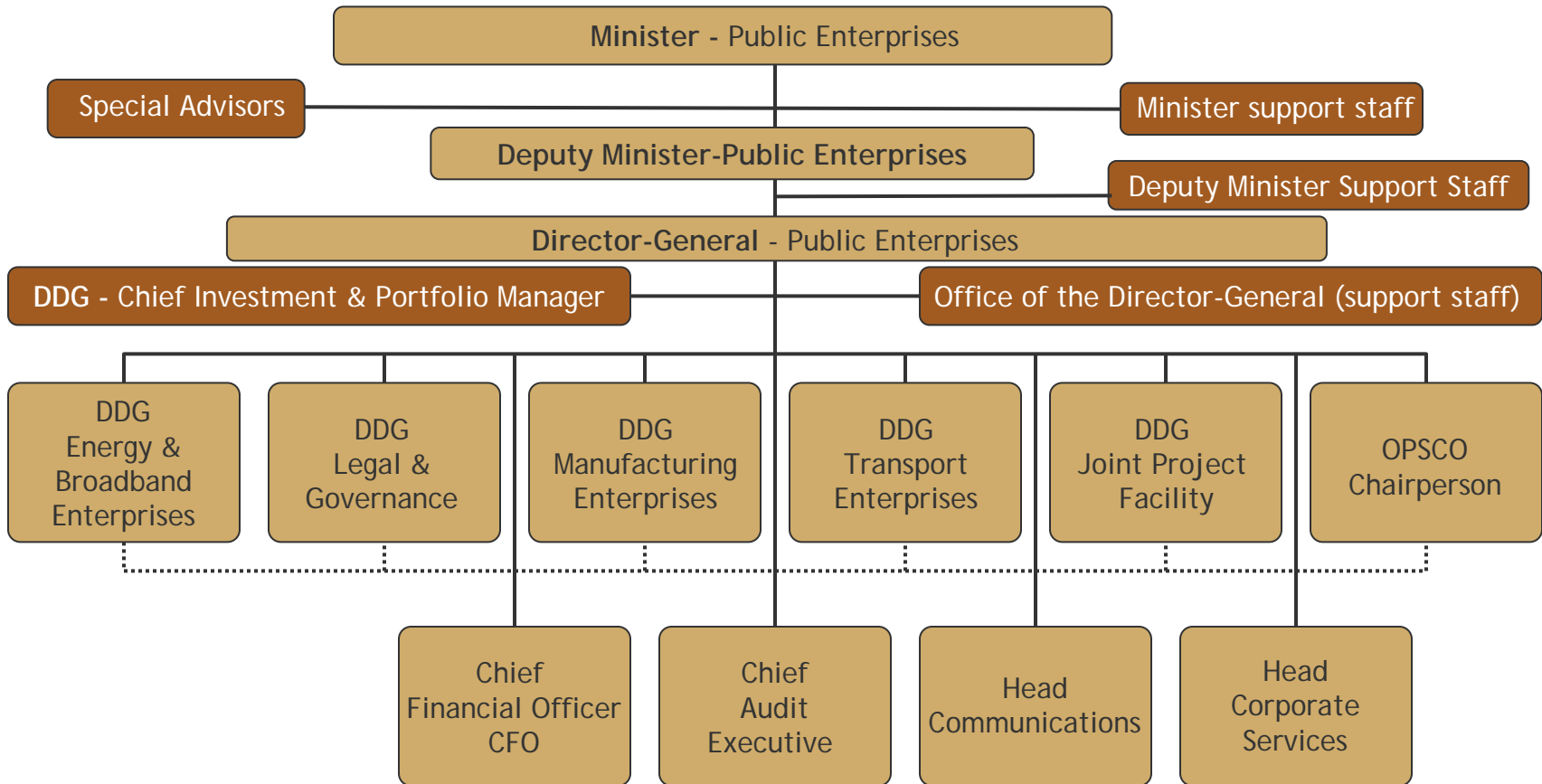


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# DPE Organisational Structure as at 31 March 2011





# DPE Statistics as at 31 March 2011

Total establishment as at 01 April <b>2010</b>	<b>168</b>	
Filled posts as at 01 April <b>2010</b>	<b>145</b>	
Interns appointed	<b>19</b>	
Graduates Development programme recruits	<b>3</b>	
Total establishment as at 31 March 2011	<b>185</b>	
Filled posts as at 31 March 2011	163	
Vacancies as at 31 March 2011	22	Offer Made:2
Interviews in progress	4	Advertised : 7
Total new appointments (01/04/10-31/03/11)	<b>36</b>	
	<b>15</b>	Level 13 - 16
	<b>8</b>	Level 9 - 12
	<b>13</b>	Level 1 - 8
Total exits (01/04/10-31/03/11)	<b>20</b>	
	<b>11</b>	Level 13-16 (8 Resignations,1 Transfer, 2 Contract Expiry)
	<b>3</b>	Level 9 -12 (1 Resignation, 1 Transfer, 1 Contract Expiry)
	<b>6</b>	Level 1 -8 (5 Transfers, 1 Retirement)
Vacancy Rate as at 31 March 2011	<b>11.9%</b>	Public Sector Vacancy Rate as at 31 March 2011: <b>10% (Current status as per DPSA Target)</b>
Turnover Rate as at 31 March 2011 as per Oversight Report calculation (Total exits divided by Filled posts as at 1 April 2011)	<b>13.8%</b>	Public Sector Turnover Rate as at 31 March 2011: <b>18 % (overall status)</b>



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# Employment Equity Targets as at 31 March 2011

Statistics SA (mid-year population estimates)	African		Indian		Coloured		White		Disability
	F	M	F	M	F	M	F	M	
Target	40.3%	39.2%	1.3%	1.2%	4.5%	4.4%	4.7%	4.5%	DPSA Target 2%
Actual	66	64	2	2	7	7	8	7	3
Achieved %	42.94%	39.26%	2.45%	1.23%	4.29%	1.84%	6.75%	1.23%	3.68%
Actual	70	64	4	2	7	3	11	2	6

DPSA SMS Female and Male target = 50/50

DPE SMS Female and Male target = 39.3%/60.7%



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# Progress Update : Statistics as at 10 October 2011

Total establishment as at 10 October <b>2011</b>	<b>188</b>	
Filled posts as at 10 October 2011	<b>170</b>	
Interns appointed	<b>19</b>	
Graduates Development programme recruits	<b>5</b>	
Vacancies as at 10 October 2011	18	
Interviews in progress	8	Offer Made:5 Advertised : 2
Total new appointments (01/04/11-10/10/11)	<b>17</b>	
	<b>11</b>	Level 13 - 16
	<b>3</b>	Level 9 - 12
	<b>3</b>	Level 1 - 8
Total exits (01/04/10- 10/10/11)	<b>6</b>	
	4	Level 13-16 (3Resignations,1 Contract Expiry)
	1	Level 9 -12 (1 Resignation)
	1	Level 1 -8 (1 Discharge Misconduct)
Vacancy Rate as at 10 October 2011	<b>9.6%</b>	Public Sector Vacancy Rate as at 10 October 2011: <b>10% (Current status as per DPSA Target)</b>
Turnover Rate as at 10 October 2011 as per Oversight Report calculation (Total exits divided by Filled posts as at 1 April 2011)	<b>3.7%</b>	Public Sector Turnover Rate as at 10 October 2011: <b>18 % (overall status)</b>



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## Some Key Highlights for the period under review (1)

### ■ Department

- Appointment of new Minister, Deputy Minister and Director-General .
- Development of a new vision for the Department and enhanced mission
- The DPE received an unqualified audit.

### ■ Energy

- The Department was instrumental in securing Cabinet support for the funding support package of an additional R174 billion in Government Guarantees bringing the total Government support to R350 billion. This will enable Eskom to deliver on the build programme.

### ■ Broadband

- Infracore launched its commercial offering at pricing 10% below market levels in November 2010.

### ■ Defence

- A Framework for resolution of Denel Saab Aerostructures was developed. DSA restructuring plan resulted in 28% improvement in DSA's loss position when compared to 2009/10.
- A roll-over of guarantees amounting to R1.85b was secured as interim support to Denel.



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## Some Key Highlights for the period under review (2)

### ■ Forestry

- The Department initiated work on SAFCOL's future role for consultation with other stakeholders, to ensure enhanced financial and commercial viability and developmental contribution in light of the role SAFCOL can play in rural development.

### ■ Transport

- Major Competitive Supplier Development Plan (CSDP) contract between Transnet and General Electric (GE) was signed in June 2010. 90 of the 100 locos to be built in South Africa. Transnet received the first two diesel electric locomotives from the GE transaction in February 2011.
- Completed the National Corridor Performance Measurement (NCPM) implementation on Richards Bay Coal Terminal and Sishen Saldanha.
- SAA took delivery of the first A330-200 aircraft in February 2011.

### ■ Mining

- Alexkor land mining rights transferred to Richtersveld Mining Company. Pooling and Sharing Joint Venture implemented.

### ■ Cross-cutting Initiatives

- A policy for Programmatic and Transactional Procurements was developed, as was a strategy and business plan for a Centre of Excellence for complex capital procurements with supported interventions defined for the locomotive fleet procurement.



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# Highlights of Programme Performance



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# Programme 1 : Administration



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# Administration: Chief Investment & Portfolio Management



## Targeted output 2010/11

- Fully populated *Isibuko* Dashboard and reporting and risk management framework

## Achievements 2010/11

- SOC dashboard enhancements to integrated infrastructure, CSDP, employment and skills development, property disposals, subsidiaries, guarantees, shares, economic indicators, correlations and sensitivities between SOC performance indicators and economic and other variables.



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# Administration: Chief Investment & Portfolio Management



## Targeted output 2010/11

- SOC capital structure assessment
- Methodological framework for measuring shareholder value per SOC and aggregation to portfolio

## Achievements 2010/11

- Capital structure assessment completed for SAFCOL, Denel, Eskom, Infraco, SAX, SAA and Transnet. Study undertaken of the different possibilities for facilitating infrastructure funding required by the SOC.
- Framework developed

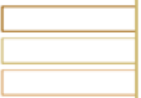


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# Administration: Planning, Monitoring & Evaluation



## Targeted output 2010/11

- Integrated Business Plan aligned to the Department's Strategic Plan and ENE
- Quarterly reporting assessed and evaluated against business plans and regular revision of business plans

## Achievements 2010/11

- Approved Business and Strategic Plans.
- Quarterly Reports and End of Year Report completed.



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# Programme 2 : Energy & Broadband Enterprises



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### Targeted output 2010/11

- Annual Report assessment of Eskom
- Shareholder Compact concluded with Eskom
- Monitoring of achievement of MTEF targets by Eskom
- Monitoring Eskom's capacity expansion programme
- Contribute to improving electricity distribution infrastructure by assisting smaller municipalities with infrastructure, maintenance and refurbishment

### Achievements 2010/11

- Completed.
- Compact signed in June 2010.
- Monthly, quarterly and annual monitoring completed. PFMA applications assessed.
- Procurement and delivery of new build tracked on monthly basis. Delivery currently on schedule, despite significant risks.
- Eskom provided skills and capacity resourcing support to municipalities.

## ICT broadband Enterprises (Broadband Infraco)

### Targets 2010/2011

- Annual Report assessment of Broadband Infraco
- Shareholder Compact concluded with Broadband Infraco
- Monitoring of achievement of MTEF targets by Broadband Infraco
- Quarterly assessment of the completion of planned capital programmes and roll-out of the National Long Distance Network
- Monitoring of the construction of the West African Cable System (WACS) project

### Achievements 2010/11

- Completed.
- Compact was concluded in June 2010
- Monthly, quarterly and annual monitoring completed. PFMA applications assessed.
- Quarterly assessments completed.
- Ongoing and to be completed by mid 2012

## Nuclear Enterprises (PBMR)

### Targeted output 2010/11

- Oversight of PBMR
- PBMR's Rationalisation

### Achievements 2010/11

- PBMR has been granted a PFMA exemption from submitting corporate plans, shareholder compacts and quarterly reports due to the company's transition to "care and maintenance"
- Monthly meetings being held and progress on the rationalisation is being monitored.



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# Programme 3 : Legal and Governance



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## Targeted output 2010/11

- Develop the Government Shareholder Management Model to provide a framework for the legislative imperatives of the SOC

## Achievements 2010/11

- Legislative review completed.
- Implications of the new Companies Act submitted.
- First draft of Memorandum of Incorporation (MOIs) received from SOC. The standard template MOI will be submitted for approval in quarter one of the new financial year (2011/12)
- Board appointment Framework and database developed.
- Directive on CEO appointments developed.



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Targeted output  
2010/11

Key Achievements 2010/11

- Conduct a review of Board and executive remuneration in accordance with competencies and SOC profile.
- Submit guidelines on Board performance evaluation

- The Review Panel's report and recommendation was submitted to the Minister in December 2010 and Cabinet briefing done in February 2011.
- Cabinet mandated that the department engage on closed consultation on a new remuneration model prior to returning to Cabinet with a final decision.
- The stakeholder consultation includes the alignment with National Treasury guidelines and the work of the Presidential Review Committee (PRC).
- Completed. Department to align process with Presidential Review Committee (PRC). SOC to implement guidelines thereafter



### Targeted output 2010/11

#### Transfer of Telkom shares (previously held in Diabo Share Trust)

- Beneficiation, vesting of benefits to Diabo share beneficiaries
- Tracing and payment of 9000 beneficiaries

### Achievements 2010/11

- Traced 6000 beneficiaries, 700 of which have been paid.
- Although majority of beneficiaries have been located, approx. 2500 are deceased. In the next phase of the project, it is essential for the Department to correctly locate their next of kin.



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### Targeted output 2010/11

#### Winding up of Aventura

- Prepare company and ensure winding up of Aventura
- Transfer of remaining resorts to Forever Siyonwaba

### Achievements 2010/11

- Received audited annual financial statements from 2004 - 2008.
- Company structure and governance risks that were identified has prompted DPE to review its approach to management of the winding up process.
- Process of transfer is underway, with the receipt of the signed certificate of consent from the Minister of Finance for transfer of the resort at Plettenberg Bay.



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### Targeted output 2010/11

#### Presidential Public Liaison (Hotline)

- Timeous response to queries from the Presidential Public Liaison Unit

### Achievements 2010/11

- An average of 280 calls received and attended to per quarter. Success rate of 96.49%.
- Although an average of 13 calls remain open per month, the DPE is highly responsive to the Presidential hotline.



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# Programme 4 : Manufacturing Enterprises



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# Manufacturing Enterprises: Defence



## Targeted output

2010/11

- Annual Report assessment of Denel
- Shareholder Compact concluded with Denel
- Monitoring of achievement of MTEF targets by Denel
- Programme delivery to South African National Defence Force (SANDF) on agreed programmes and contracts

## Achievements 2010/11

- Completed.
- Completed.
- Monthly, quarterly and annual monitoring completed. PFMA applications assessed.
- Denel continued to perform within the international benchmark of 85% success rate securing for long term orders.



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# Manufacturing Enterprises: Defence

## Targeted output 2010/11

- Enabling Denel's business sustainability - adequately funded business by March 2011
- Progress on implementation of Denel future state, especially in areas requiring buy-in from DoD.

## Achievements 2010/11

- Funding assessment done. Three Denel guarantees rolled over as interim support mechanism while a turnaround plan is developed.
- Awaiting finalisation of the ongoing process with regard to the review of Denel's new mandate. Pillars for a new turnaround presented to Minister.
- Process is underway to align Denel's capabilities with the DoD's strategic requirements. This is contingent upon the DoD finalising its Military Strategy.



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## Manufacturing Enterprises: Forestry

### Targeted output 2010/11

- Annual Report assessment of Safcol
- Shareholder Compact concluded with Safcol
- Assessment of Board strength
- Preparation of position paper on SAFCOL's future role

### Achievements 2010/11

- Completed.
- Compact signed in September 2010.
- Comprehensive review undertaken and Board replacements effected.
- To inform the future role, a Turnaround Plan was requested from Safcol and was received in February 2011. Work on the future role of SAFCOL has commenced.



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# Manufacturing Enterprises: Forestry

## Targeted output 2010/11

- Disposal of minority shareholding - shares transferred to communities/alternative institution

## Achievements 2010/11

- Rural Development and Land Reform (RDLR) commissioned a legal opinion in July 2010 into an alternative model for the warehousing and transfer of SAFCOL minority shares.
- RLDR is in the process of finalising an alternative model for share transfer to ensure community benefit.



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# Programme 5 : Transport Enterprises



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## Transport Enterprises: Transnet

### Targeted output 2010/11

- Annual Report assessment of Transnet
- Shareholder Compact concluded with Transnet
- Monitoring of achievement of MTEF targets by Transnet
- Finalise transaction structure with DOT for private sector participation in Ngqura container terminal
- Awarding and rollout of first wave of concessions to ensure access to branch lines by private operators

### Achievements 2010/11

- Completed.
- Compact signed in April 2010.
- Monthly, quarterly and annual monitoring completed. PFMA applications assessed.
- Agreed interim licence conditions for Transnet port terminals operations at Ngqura in preparation for competitive process.
- Draft branch lines strategy completed in July 2010. Further work on strategy requested by Ministers of Transport and Public Enterprises to broaden the scope of the current strategy .

## Transport Enterprises: Transnet

### Targeted output 2010/11

- Development of National Corridor Performance Measurement tool and operational indicators : Iron ore, export coal
- Implementation of the National Ports Act, 2005
- Implementation of Transnet levy for pipelines and corporatisation of Transnet pipelines
- Monitoring of Transnet Capex programme

### Achievements 2010/11

- First release of IT portal completed.
- Completed NCPM implementation on Export Iron Ore, Export Coal and Export Manganese. Gauteng-Durban and Gauteng-Cape Town corridors underway.
- Completed draft paper to guide structural options in ports and requisite amendments to the Ports Act
- Completed financial modelling of Transnet Pipelines tariff application and scenarios of tariff increases
- First instalment of levy disbursement to Transnet in August 2010
- Progress tracked on monthly basis. Delivery on schedule excl. New Multi Purpose Pipeline to be completed by end 2013.

## Transport Enterprises: Aviation

### Targeted output 2010/11

- Annual Report assessment of SAA and SAX, including the business plans
- Shareholder Compacts concluded with SAA and SAX
- Monitoring of achievement of MTEF targets by SAA and SAX
- Implementation of the Africa Aviation Strategy by SAA and SAX
  
- Work with SAA to develop a business plan for selected business focus units and assess capital requirements.
  
- Assessment of feasibility of SAAT as a multi-airline focused African maintenance hub.

### Achievements 2010/11

- Completed.
- Completed.
- Completed.
  
- Review conducted of SA Express JV operations in the Congo. SAA submitted various PFMA to launch new routes on the continent.
  
- Business plans for South African Airways Technical (SAAT) and Voyager completed and submitted.
  
- Feasibility study for expansion of SAAT completed in March 2011.



# Programme 6 : Joint Project Facility



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# Joint Project Facility: South African Renewables Initiative (SARi)



## Targeted output 2010/11

- Design and development of institutional, technology and funding strategy for the South African Renewables Initiative (SARi)

## Achievements 2010/11

- Renewables technology, market sensitivity analysis and quantitative analysis completed as part of the modelling of concessional funding structure



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# Joint Project Facility : Competitive Supplier Development Programme (CSDP)



## Targeted output 2010/11

- Development of Complex Capital Procurement (CCP) course
- Buyer requirement demand side database development
- Long-term locomotive fleet demand, funding strategy and industry champions
- Development of supplier development policy

## Achievements 2010/11

- Development of strategy and business plan for CCP Centre of Excellence with detailed support intervention defined for locomotive fleet procurement
- Initial demand side information received
- Pre-feasibility study completed for locomotive procurement including demand analysis, funding and industrialisation strategy
- Comprehensive programmatic and transactional procurement policy developed.



# Joint Project Facility: Human Resources & Capacity Building

## Targeted output 2010/11

- Oversight of internal SOC skills development: Ensure sufficient scarce and critical skills in place within SOC and the supplier network

- Facilitate partnerships with DHET, SETA and relevant stakeholders to support artisan training to increase the national pool of artisans

## Achievements 2010/11

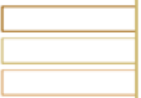
- Skills dashboard revised, SOC capacity and dashboard operational.
- SOC reports submitted, monitored and evaluated quarterly.
- Trainee artisans, technicians and engineers supported by SOC in various programmes (bursaries, internships, learnerships and apprenticeships):

Table: Pipeline learners as reported by two large SOC

SOC	Eng	Tech	Artisans
Eskom	1735	682	2254
Transnet	409	389	1029

- Regular engagement with key partners to increase pool of artisans (e.g. DHET, EDD, DTI, NBI and SETAs)

# Joint Project Facility: Solar Water Heater (SWH) Skills Development Programme



## Targeted output 2010/11

- Ensure DOE-DPE alignment
- Ensure training institution preparedness for new SWH qualifications. Improved monitoring platform and learning tools
- Establish conducive environment for uptake of Eskom's Rebate Programme for accelerated SWH geyser installation and maintenance
- Facilitate Training Fundraising

## Achievements 2010/11

- Detailed Energy IMC outputs prepared
- New qualification registered in CETA domain. 21 private training sites prepared and accredited for roll-out
- Slow rebate uptake. Eskom Rebate Programme aligned with professional bodies and has created registered independent SWH installer mechanism
- Eskom contract for 100 trainees signed. CETA MoU and training contract renewed. World Bank funding proposal revised and re-submitted for possible funding

# Joint Project Facility: Learning Programme for Parliamentary Portfolio and Select Committee (Autumn School)

## Targeted output 2010/11

- DPE to host tailored Learning Programme for Portfolio and NCOP Select Committee

## Achievements 2010/11

- Successful Learning Programme hosted in May 2010.



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## Joint Project Facility: Property Project

### Targeted output 2010/11

- Land Release in support of national objectives

### Achievements 2010/11

- Draft guidelines for SOC-State transactions developed.
- Housing Delivery Agreement signed and multi-stakeholder process initiated to release SOC land.
- Property dashboard developed and refined and monitoring of disposals on a quarterly basis.



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# Joint Project Facility: Environmental Issues

## Targeted output

2010/11

- Monitoring of EIAs for Strategically Important Developments (SID) and appropriate intervention to resolve delays
- Facilitation of SOC Fund
- Participation in Inter-governmental committee meetings

## Achievements 2010/11

- Dashboard developed for improved monitoring of EIA for SID and relevant interventions undertaken to expedite resolution.
- Fund monitored on a quarterly basis and SOC contributions facilitated
- Participated in Inter-governmental forum on climate change, air quality and water for growth and development.



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# Annual Financial Statements and Highlights: 2010/11



## Departmental Expenditure Trends 2009/10 - 2010/11

The following table provides a summary of actual expenditure incurred for the 2010/11 and 2009/10 financial year's vs budget appropriated for each programme:

Programme	2010/11		2009/10	
	Final Appropriation R'000	Actual Expenditure R'000	Final Appropriation R'000	Actual Expenditure R'000
1: Administration	104 834	101 541	92 403	88 697
2: Energy and Broadband Enterprises	174 476	170 857	1 959 965	1 958 790
3: Legal, Governance and Transactions	50 023	48 797	145 478	144 095
4: Manufacturing Enterprises	192 782	189 595	199 003	198 068
5: Transport Enterprises	22 958	19 077	1 568 659	1 568 656
6. Joint Project Facility	10 476	10 134	25 652	24 986
<b>Total</b>	<b>555 549</b>	<b>540 001</b>	<b>3 991 160</b>	<b>3 983 292</b>



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## Departmental Expenditure Trends 2009/10 - 2010/11

The decrease of R 3.435 billion in the annual appropriation from R3.991 billion in 2009/10 to R 555.549 million in 2010/11, is mainly as a result of a decrease in transfer payments to State Owned Enterprises.

Under-spending in the department amounting to R15.548 million was recorded in the current financial year. This amount is made up of current expenditure in the operational budget which was mainly under Compensation of Employees as a result of some posts not having been filled due to scarcity of specialist skills in the market as well as underspending under Goods and Services which arose due to some projects having been delayed until very late in the year. The department has requested rollovers from National Treasury for two projects in the sum of R 3.378 million in order for them to be completed in the new financial year. The department did not achieve its 2% underspending target which was exceeded by 0.8% in the year under review.

There was no substantive impact on delivery within programmes as a result of this under-spending.



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# Appropriation Statement Per Economic Classification

Appropriation per economic classification									
	2010/11							2009/10	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R000	R000	R000	R000	R000	R000	%	R000	R000
<b>Current payments</b>									
Compensation of employees	90 314	-	-	90 314	83 058	7 256	92.0%	81 424	75 220
Goods and services	87 926	(2 817)	-	85 109	77 090	8 019	90.6%	91 436	89 775
<b>Transfers and subsidies</b>									
Public corporations and private enterprises	237 296	-	-	237 296	237 296	-	100.0%	2 058 706	2 058 706
Gifts and donations	710	-	-	710	694	16	97.7%	680	678
<b>Payments for capital assets</b>									
Machinery and equipment	703	2 708	-	3 411	3 169	242	92.9%	1 259	1 258
Software and other intangible assets	-	-	-	-	-	-	-	16	16
<b>Payments for financial assets</b>	138 600	109	-	138 709	138 694	15	100.0%	1 757 639	1 757 639
<b>Total</b>	<b>555 549</b>	<b>-</b>	<b>-</b>	<b>555 549</b>	<b>540 001</b>	<b>15 548</b>	<b>97.2%</b>	<b>3 991 160</b>	<b>3 983 292</b>

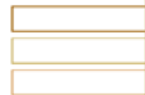


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## Summary of Transfer Payments 2010/11



ENTITY	TOTAL BUDGET R'000	EXPENDITURE R'000	REMAINING BUDGET R'000	% OF TOTAL BUDGET USED
Alexkor	36 000	36 000	-	100.00
Denel	181 296	181 296	-	100.00
Broadband Infraco*	138 600	138 600	-	100.00
Pebble Bed Modular Reactor	20 000	20 000	-	100.00

\*This is classified under Payments for financial assets in the annual financial statements as instructed by National Treasury.



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## Areas where we have not achieved our targets (1)

### ■ Energy

- Implementation of the initiative for movement of coal haulage from road to rail for Eskom coal was not achieved. This was due to delays in finalising the schedule of the sources of primary energy (coal) and the MoU between Eskom and Transnet which was not concluded on time.

### ■ Broadband

- The Department has not been able to resolve Broadband Infracore's policy mandate gap with respect to it not being granted an Electronic Communications Services License by ICASA. Broadband Infracore is currently in the process of reviewing its business model in that light.

### ■ Defence

- Defining Denel's strategic role and business sustainability to enable its strategic role in the provision of defence capabilities was not completed. This was contingent upon the DoD finalising the Defence Review. The Defence Review Committee was only appointed by the Minister of Defence in September 2011.

### ■ Forestry

- The Minority shares were not transferred. A decision by the Department of Rural Development and Land Reform on the preferred vehicle to house the shares is still outstanding.

## Areas where we have not achieved our targets (2)

### ■ Transport

- Private Sector Participation: The awarding and rollout of the first wave concessions was not completed. A draft branch lines strategy was completed jointly with the Department of Transport in July 2010. However further work on strategy was requested by the Ministers of Transport and Public Enterprises to broaden the scope of the current strategy.
- Implementation of the National Ports Act, 2005: The review option for restructuring of ports was not completed. However, the Department completed draft paper on Transnet restructuring to guide structural options in ports and requisite amendments to the Ports Act. The Department is actively engaging DOT work stream to align the proposed options.

### ■ Mining

- Defining the role and form of Alexkor post the PSJV was not completed as this was subject to clarification of the positioning and synergies in relation to the new State Mining Company and funding availability.

### ■ Cross-cutting initiatives

- The disposal of SOC non-core properties on the open market to support SOC core operations. The disposals on open market will only take place once State has exercised its right of first refusal and pending further consultation with key stakeholders.



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The following were some of the challenges experienced during the reporting period:

- Our shareholder role requires specific capacity and capability to enhance the Department's technical ability to manage SOC investments - which in itself requires adequate mechanisms to attract and retain specialised technical skills.
- The Department's inability to source/recruit the required technical skills affects its role in being a value-adding interface between the SOC, policy departments, SOC customers and other stakeholders.
- Policy and regulatory environment.
- In some instances, interdepartmental coordination and alignment on mandates of SOC has been challenging.
- Impact of the recession on SOC.
- DPE's role and future institutional form in light of the SOC Review process.



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# 2011/14 Strategic Plan : Key Focus Areas



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## In terms of the Strategic Plan for 2011/14, the DPE's key focus is on....

- Rethinking the organisational design of the Department to better respond to the challenges of the Developmental State and the New Growth Path.
- Leveraging SOC programmes (capex, procurement, etc) to drive industrialisation, skills development, transformation and job creation.
- Implementing initiatives to drive investment in infrastructure that unlock higher growth rates.
- Providing decisive leadership and ensuring that the government shareholder management model is implemented.
- Optimising capital investment and operational efficiencies in State Owned Companies.
- Refining the policy and regulatory environment.
- Knowledge management.



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In addition, the DPE is also focussing on achieving the outputs and sub-outputs linked to Outcome 6 and those contained in the Minister's Service Delivery Agreement.

- Improving the delivery and maintenance of infrastructure and monitoring the rollout of the Transnet's and Eskom's build programmes;
- Achieving policy and regulatory clarity in sectors in which the state owned enterprises operate;
- Improving the operational efficiencies of the state owned enterprises, particularly in relation to the reliable delivery of rail and ports services and the reliable generation, distribution and transmission of electricity;
- Developing operational indicators for each of the required sub-outputs identified as part of the delivery agreement. Where necessary, these will be included in the Shareholder Compacts concluded between the Boards of the SOC and the Minister.



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## How can the Select Committee be of assistance to the Department?

- Providing advance notifications and invitations for presentations, briefings and site visits related to the work of the Department and its SOC. This will assist with proper planning and execution of functions and duties as well as the efficient use of resources given current constraints.
- Improved understanding of DPE's shareholder oversight role and reporting cycle, through participation in the annual Parliamentary Learning Programme.
- Assistance in engagements with the Provinces, to ensure alignment between Provincial plans and SOC plans in the respective Provinces.
- Increasing awareness of the SOC skills development and transformation agenda.
- Assist in ensuring that there is alignment between stakeholders by communicating Government's objectives.
- Regular engagement on issues of mutual interest affecting the SOC.



# Thank You



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# Back up

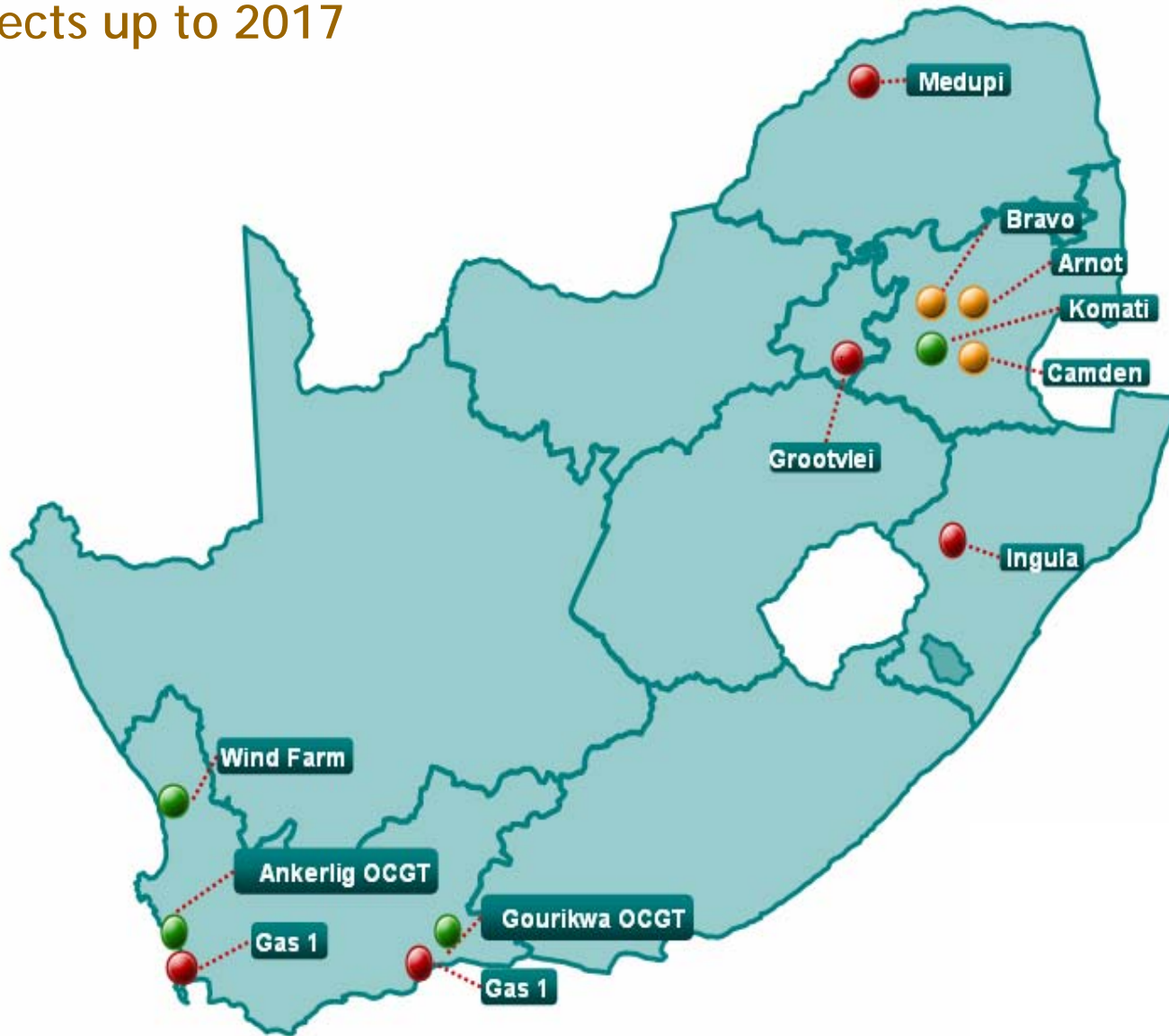
## Eskom and Transnet Capital Investment Programmes



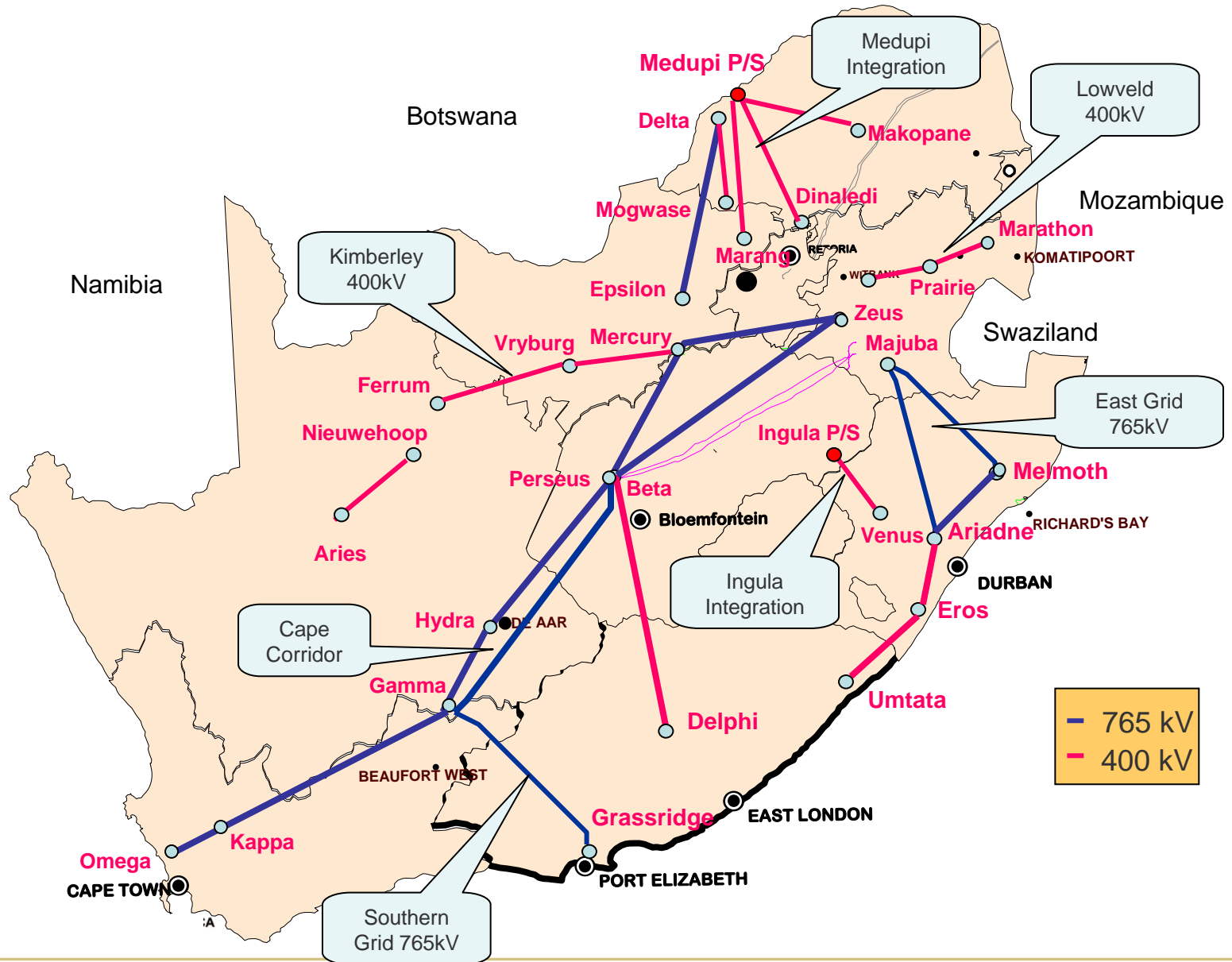
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# Eskom Approved Generation New Build and Return to Service Projects up to 2017



# Additional Main Transmission Schemes by 2013



# Eskom's investment programme will have significant provincial impacts

- In terms of the 3 biggest electricity generation projects, the following is projected in terms of provincial economic impact:
  - Lephalale (Medupi) - 95% increase
  - Delmas (Kusile) - 25% increase
  - Ladysmith (Ingula) - 1% increase
- There are other significant projects that Eskom is undertaking which include transmission and distribution infrastructure, however these have not been quantified in terms of the economic impact provincially.
- The following businesses and infrastructure will also benefit. :
  - Catering
  - Laundry
  - Building companies
  - House maintenance
  - Entertainment, etc

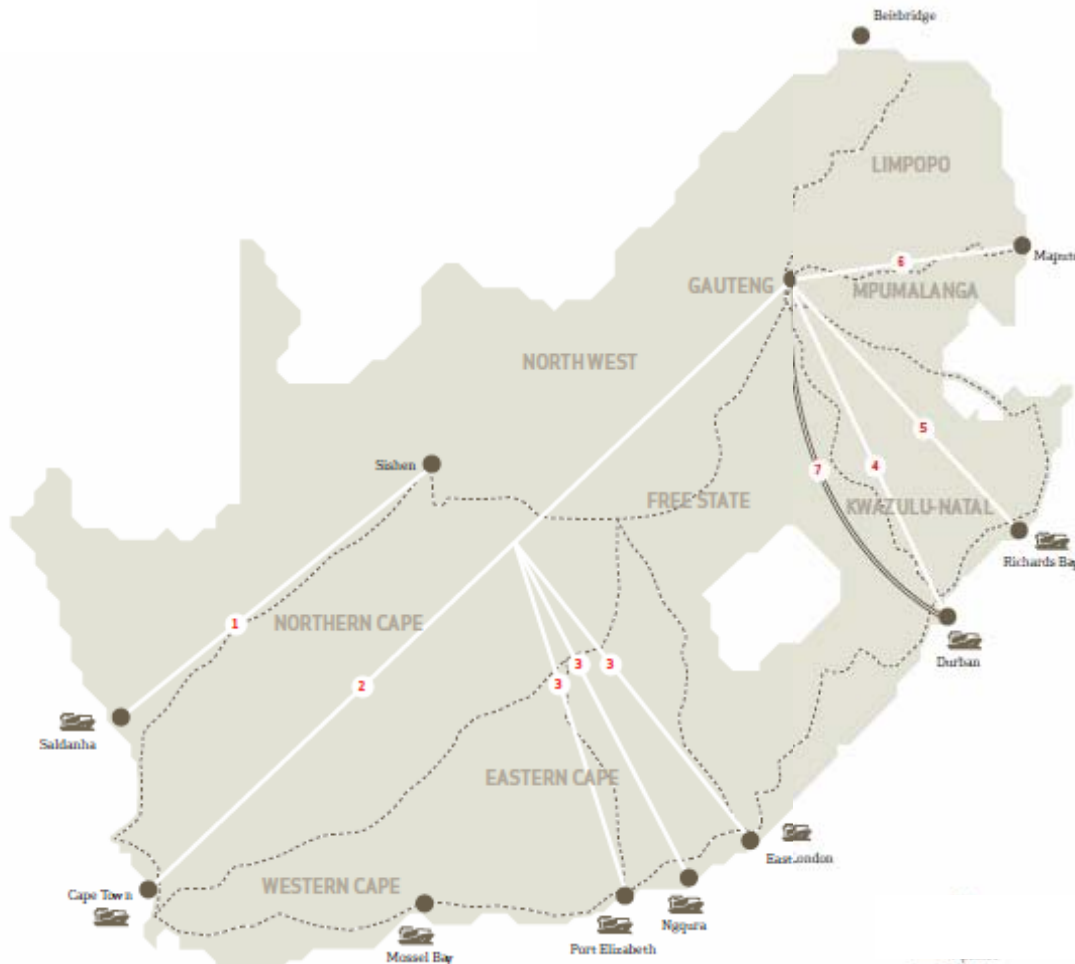



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# Transnet's Five Year Capital Investment Plan 2012-2016



- Rail
-  Ports and Terminals
- == Pipelines

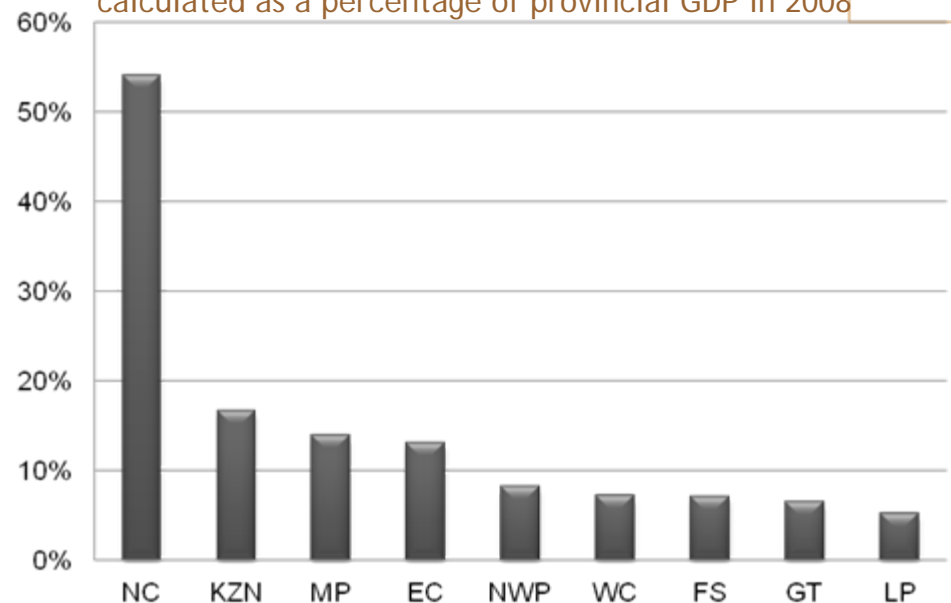
## Capital investment by Province

Province	Five-year capital investment R billion
KwaZulu-Natal	46,6
Western Cape	15,0
Eastern Cape	3,8
Gauteng	2,6
Mpumalanga	0,5
Northern Cape	0,2
North West	0,1
Free State	0,3
Country wide-executed centrally	41,5

# Transnet's investment programme will have significant provincial impacts

- Significant benefits accrue to: Northern Cape (through which the Iron Ore Line runs),
- Kwazulu Natal (which has the busiest port),
- Mpumalanga (in which many coalmines are found, and through which a major portion of the Coal Line runs) and
- the Eastern Cape.

Transnet Investment Impact realised in 2018 calculated as a percentage of provincial GDP in 2008



Province	GDP(Rmn)	Employment creation
Eastern Cape	R11 503	62 435
Free State	R3 932	19 780
Gauteng	R25 566	145 242
KwaZulu-Natal	R30 820	143 704
Limpopo	R3 742	21 003
Mpumalanga	R10 069	46 016
Northern Cape	R12 320	57 463
North-West	R5 635	27 891
Western Cape	R12 095	64 898