Department of Public Enterprises

STRATEGIC PLAN

2020/2021 - 2024/2025

public enterprises

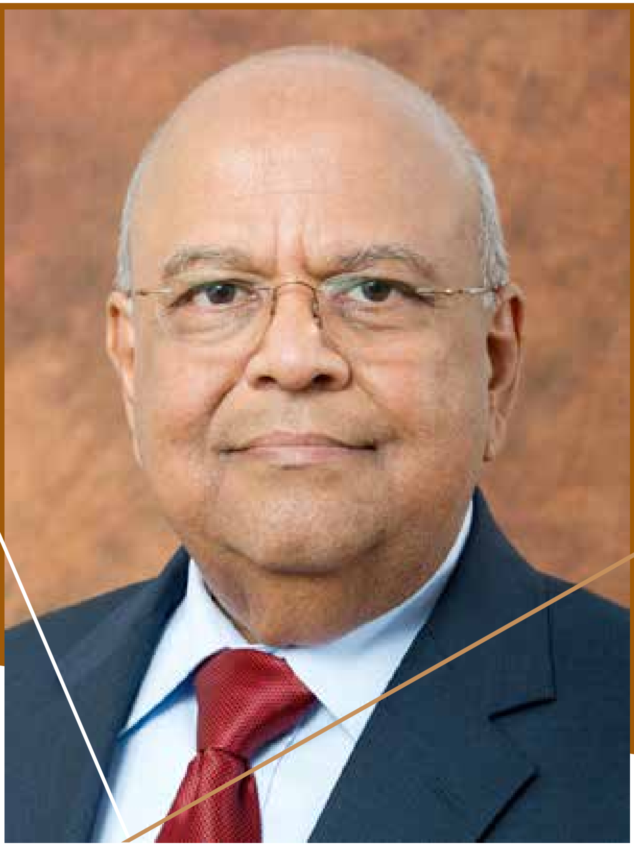
Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF PUBLIC ENTERPRISES

Strategic Plan for 2020 - 2025

TABLE OF CONTENTS

EXECUTIVE AUTHORITY STATEMENT



Pravin Gordhan, MP
Minister
Department of Public Enterprises

The last two years have proven to be quite tumultuous for the DPE SOE, with operational performance shortcomings and liquidity crunches taking their toll on the sustainability of the businesses. We are now realising that the damage that was caused by State Capture and corruption has been more severe than we had anticipated at the beginning of President Cyril Ramaphosa's tenure.

In responding to the damage that was apparent then, the Department reviewed the leadership of the SOE and appointed boards of directors and executive management to provide stability at the top. Additional capital was provided to restart operations and restore solvency.

This has proven inadequate as some of the SOE have inevitably fallen into financial difficulties. South African Airways (SAA) and South African Express Airways (SA Express) have gone into business rescue and it is proving to be a major test for the Business Rescue Practitioners (BRPs) to restore the businesses' going concern statuses. The DPE remains committed to the mandate of ensuring a national carrier due to the importance of air travel for the economies of the country and the continent.

The restructuring of SOE remains a focal area in the medium term. The Eskom restructuring roadmap has been released by the DPE in November 2019 and it is being implemented. Functional separation: individual management boards, separate financial performance and position statements, and delegations of authority have been achieved. The focus in the coming reporting period will be on achieving the legal separation within a single holding structure.

The effectiveness of the national logistic system is of paramount importance to the country. We are a country that is vast and endowed with natural resources that are extracted in remote parts of our country. The work is commencing with the leadership of Transnet to develop an optimum corporate structure for the SOE. An area of immediate focus is the long outstanding decision of Government for the corporatisation of Transnet National Ports Authority (TNPA). A responsible approach to carry out the mandate, which will ensure the SOE is not destabilised will be developed jointly by the DPE and the SOE leadership.

In response the DPE oversight of SOE methodology has been reviewed, as it has proven ineffective evidenced by its inability to effectively intervene in troubled SOE. Operational effectiveness of the SOE is at the core of any successful business, and this applies to SOE as well. This is feasible if the SOE and DPE have people, systems, policies, processes, and practices that are comparable to the best in their specific sectors, and customer and/or stakeholder satisfaction informs every facet of the business.

In pursuing this outcome, the recruitment of people with sector knowledge to lead our SOE and performing oversight functions in the DPE will not be compromised on. The delivery system of the department is receiving attention and appropriate international knowhow and expertise are being consulted to ramp up the skills levels amongst the officials.

The leadership of SOE will be challenged to overhaul their operations and show evidence that they are providing adequate leadership in this area. The Ministry, to assure that this approach is taking root, will be having regular engagements with the SOE leadership. Further regular discussions with industry leadership in sectors that are serviced by the SOE will be the feature of the oversight model, to ensure that the SOE are positively contributing to the national production system.

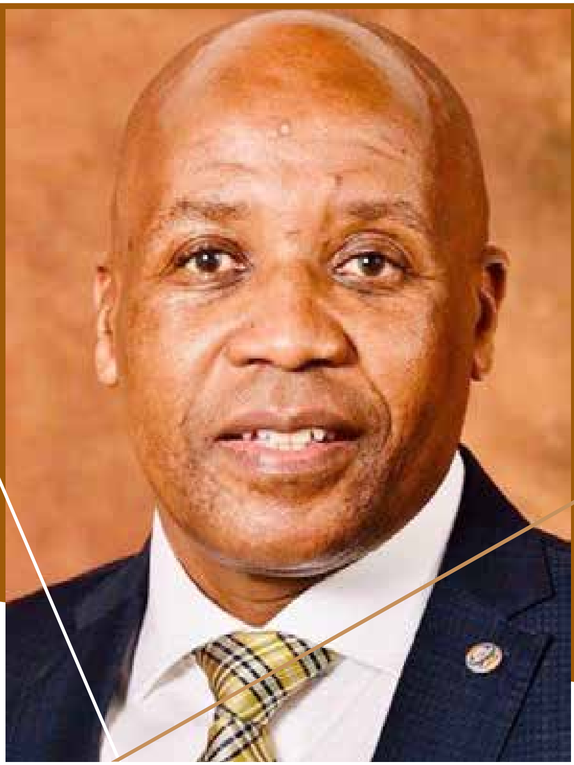
The DPE will also be setting up a SOE Risk and Integrity unit to ensure that there is a coordinated effort with the national justice system in pursuing those that have been deemed to have been complicit in the damage caused to the SOE. There will be greater focus on ensuring that the forensic reports that have not received adequate attention up to now are processed and appropriate action taken.

Corruption and mismanagement of Alexkor's diamond mining operations have proven to be an insurmountable challenge. The DPE appointed an Administrator to ensure that those that have been found accountable for the damage to the business are charged in terms of the SOE disciplinary code and that criminal charges are also levelled against them. This effort has proven inadequate to save the SOE. This will be one of the priority intervention areas for the SOE Risk and Integrity unit.

Mr Pravin Gordhan,MP

Department of Public Enterprises

DEPUTY EXECUTIVE AUTHORITY STATEMENT



Mr Phumulo Masualle (MP)
Department of Public Enterprises

The Department of Public Enterprises has received a lot of scrutiny and negative attention in the past three years or so, over our ability as a Department to play a meaningful oversight role. Our State-Owned Companies (SOCs) are still not performing at a level that they should be performing. This plan therefore comes under a very crucial time. It moves from the previous plans and is much more intentional, with clear deliverables on what we should do as the Department for our SOCs to be efficient, effective and relevant.

We believe that SOCs remain a key driver to economic growth, and therefore all our energies should and will be around making sure that they are stabilised, and kept sustainable for us to realise this economic growth.

The two main Medium-Term Strategic Framework (MTSF) priorities that the Department will be responding to through our SOCs are Priority 1: a Capable, Ethical and Developmental State and Priority 2: Economic Transformation and Job Creation. The Department will be looking at oversight and sustainability more actively and with more rigour than before.

Mr Phumulo Masualle (MP)

Department of Public Enterprises

ACCOUNTING OFFICER STATEMENT

Acting Director-General, Kgathatso Tlhakudi
Department of Public Enterprises

In his State of the Nation Address held on 13 February 2020, His Excellency, President Cyril Ramaphosa stated that:

"This year, we are moving from the stabilisation of State-Owned Enterprises to repurposing these strategic companies to support growth and development".

"After years of state capture, corruption and mismanagement, we are working to ensure that all SOEs are able to fulfil their developmental mandate and be financially sustainable. In consultation with the Presidential SOE Council, we will undertake a process of rationalisation of our state owned enterprises and ensure that they serve strategic economic or developmental purposes."

These sentiments are relevant to State-Owned Enterprises (SOEs) in the Department's portfolio; Alexkor, Denel, Eskom, SAFCOL, SAA, SA Express and Transnet, which are either in financial distress or are edging closer to a cliff.

In order to stabilise our SOEs, decisive actions on their role and relevance to the citizens and the economy are needed.

The economic meltdown over the past two years, coupled with the devastating impact of Covid-19 have crippled the country's economy and, as a result, the country's GDP forecasts were adjusted downward.

With the current constrained fiscus, SOEs need to embark upon a different trajectory, they need to be financially viable and contribute to the GDP, create jobs and be at the cutting edge of Research and Development. To turn the tide and for this to be achieved, tough and unpopular decisions must be taken.

The adoption of the Roadmap for Eskom in a Reformed Electricity Supply Industry in 2019/20 showed Government's commitment to the task at hand, whereby Eskom will be divisionalised into three operating activities – generation, transmission and distribution, where each division will have its own board and management structure.

The new Eskom Executive team led by Mr Andre de Ruyter is moving with speed in stabilising this SOE which impacts on the lives of South Africans.

Indeed, Eskom did not have an easy start to 2020 which was mainly characterised by load shedding. The entity is committed to stabilising the grid, Eskom indicated that it needs about eighteen months to achieve this.

Both SA Express Airways and SAA are under Business Rescue.

SA Express Airways was placed under business rescue on 6 February 2020. The SAA Board placed the airline under business rescue on 6 December 2019.

It is equally important for Transnet to improve its operational efficiency; increase access to an affordable and reliable transport system and corporatise Transnet National Ports Authority.

Over the past financial year, Denel had a massive cash-flow problem and needed a Government guarantee. In order for the arms-manufacturer to improve its cash-flow, it must dramatically improve its contract execution. The company remains credible in terms of its on-time delivery and this will be closely monitored. Where necessary, the Department will not hesitate to intervene.

Alexkor was put under Administration and an optimal operating structure for this mining-company is in the process of being finalised.

With regard to SAFCOL, efficiencies must improve. The company must conduct a feasibility study into the processing capacities in Limpopo and Mpumalanga.

The Department is on course in getting the Shareholder Oversight Model approved, which will assist in capacitating its staff and in enhancing its oversight capacity over these entities. It further continues with efforts to attract staff with requisite skills and to position the Department as an employer of choice.

Kgathatso Tlhakudi

Acting Director-General, Kgathatso Tlhakudi

Department of Public Enterprises

OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan: -

- Was developed by the management of the Department of Public Enterprises under the guidance of the Director-General.
- Takes into account all relevant policies, legislation and other mandates for which the Department of Public Enterprises is responsible.
- Accurately reflects the impact and outcomes which the Department of Public Enterprises will endeavour to achieve over the period 2020 – 2025

Signature:

Adv Melanchton Makobe

Acting DDG: Corporate Services

Signature:

Ms Benedicta Mogaladi

Chief Financial Officer

Signature:

Ms Nokubongwa Mdlalose

Head official responsible for Planning

Signature:

Mr Kgathatso Tlhakudi

(Acting) Accounting Officer

Signature:

Mr Phumulo Masualle, MP

Deputy Executive Authority

Approved by

Signature:

Mr Pravin Gordhan, MP

Executive Authority

ABBREVIATIONS AND ACRONYMS

Abbreviations and acronyms used in the Department of Public Enterprises:

Acronym	Description
ACSA	Airports Company of South Africa
AFDB	African Development Bank
AGM	Annual General Meeting
ALTTS	Accelerated Long-Term Turnaround Strategy
AMO	Aircraft Maintenance Organisation
AOC	Aircraft Operating Certificate
APP	Annual Performance Plan
B-BBEE	Broad–Based Black Economic Empowerment
BRICS	Brazil, Russia, India, China, South Africa
CAPEX	Capital Expenditure
CFO	Chief Financial Officer
CIPM	Chief Investment Portfolio Management
CP	Corporate Plan
CPI	Consumer Price Index
CS	Corporate Services
CSDP	Competitive Supplier Development Programme
CSI	Corporate Social Investment
CRO	Chief Restructuring Officer
DAFF	Department of Agriculture, Forestry and Fisheries
DCT	Durban Container Terminal
DDG	Deputy Director-General
DEA	Department of Environmental Affairs
DG	Director-general

Acronym	Description
DHET	Department of Higher Education and Training
DM	Deputy Minister
DMRE	Department of Mineral Resources and Energy
DOC	Department of Communications
DOD	Department of Defence
DOE	Department of Energy
DoS	Deed of Settlement
DOT	Department of Transport
DPE	Department of Public Enterprises
DPSA	Department of Public Service and Administration
DALRRD	Department of Agriculture, Land Reform and Rural Development
DSBD	Department of Small Business Development
DTI	Department of Trade and Industry
DTPS	Department of Telecommunicats and Postal Services
EA	Executive Authority
EAF	Energy Availability Factor
EDF	Eskom Development Foundation
EDI	Electricity Distribution Industry
EE	Economic Equity
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
ESCAP	Eskom Rotek Industries
ESD	Enterprise and Supplier Development
EXCO	Executive Committee
EU	European Union
EUF	Energy Utilization Factor
FDI	Foreign Direct Investment

Acronym	Description
FET	Further Education and Training
FMCG	Fast Moving Consumer Goods
FOSAD	Forum of South African Directors-General
FSN	Full Services Network
GCH	Gross Crane Moves per Hour
GCM/H	Gross Crane Moves per Hour
GDP	Gross Domestic Product
GFB	General Freight Business
GFCF	Gross Fixed Capital Formation
GHG	Greenhouse Gas
GSM	Government Shareholder Management
HR	Human Resources
IB	Investor Brief
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
IFLOMA	Industriais Florestais de Manica, Mozambique
IGR	Inter-governmental Relations
IMC	Inter-ministerial Committee
IMF	International Monetary Fund
IP	Intellectual Property
IPAP	Industrial Policy Action Plan
IPO	Initial Public Offering
IPP	Independent Power Producers
IRP	Integrated Resource Plan
ISMO	Independent System and Market Operator
JPF	Joint Projects Facility
JV	Joint Venture
KLF	Komatiland Forests

Acronym	Description
KM	Kilometre
KPI	Key Performance Indicator
LTTS	Long-Term Turnaround Strategy
MDS	Market Demand Strategy
MES	Minimum Emission Standards
MISS	Minimum Information Security Standards
MOA	Memorandum of Agreement
MOI	Memorandum of Incorporation
MOU	Memorandum of Understanding
MPAT	Monitoring Performance Assessment Tool
MPSA	Minister of Public Service and Administration
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
MVA	Mega Volt Amp
MW	Megawatt
MYPD	Multi-Year Price Determination
NCPM	National Corridor Performance Measurement
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NEMA	National Environmental Management Act
NERSA	National Energy Regulator of South Africa
NGP	National Growth Path
NIPF	National Industry Policy Framework
NPAT	Net Profit After Tax
NSF	National Skills Fund
NT	National Treasury
OPE	Office of Public Enterprises

Acronym	Description
PAIA	Promotion of Access to Information Act
PBMR	Pebble Bed Modular Reactor
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordination Commission
PLO	Parliamentary Liaison Officer
PMI	Performance Management Indicator
PMS	Performance Management System
PPP	Public-Private Partnership
PPPFA	Preferential Procurement Policy Framework Act
PRC	Presidential Review Committee
PSCC	Presidential SOE Coordinating Committee
PSJV	Pooling and Sharing Joint Venture
PSP	Private Sector Participation
R&D	Research and Development
RC	Richetersveld Community
RBCT	Richards Bay Container Terminal
RBCT	Richards Bay Coal Terminal
RMC	Richtersveld Mining Company
ROI	Return on Investment
SA EXPRESS	South African Express Airways
SAA	South African Airways
SAAT	South African Airways Technical
SACAA	South African Civil Aviation Authority
SAFCOL	South African Forestry Company Ltd
SANDF	South African National Defence Force

Acronym	Description
SAQA	South African Qualifications Authority
SARB	South African Reserve Bank
SCM	Supply Chain Management
SD	Supplier Development
SDIP	Service Delivery Improvement Plan
SEP	Strategic Equity Partners
SEIAS	Socio-Economic Impact Assessment
SHC	Shareholder Compact
SIP	Strategic Integrated Projects
SIS	Strategic Intent Statement
SLA	Service Level Agreement
SMME	Small, Medium and Micro-Enterprises
SOC	State Owned Company
SOE	State Owned Enterprise
SONA	State of The Nation Address
SSA	State Security Agency
STATSSA	Statistics South Africa
TIDS	Technical Indicator Description
TEU	Twenty-foot Equivalent Unit
TFR	Transnet Freight Rail
TNPA	Transnet National Ports Authority
TOR	Terms of Reference
TTT	Technical Task Team
UK	United Kingdom
WACS	West Coast Submarine Cable
9PP	9-Point Plan

1. Executive Summary

The Office of Public Enterprises (OPE) was established in 1994 to champion and direct the restructuring of State-Owned Companies (SOCs) and to ensure their optimal economic and developmental impact. A Cabinet decision was taken in 1999 to accelerate the restructuring of State-Owned Enterprises (SOEs) and the OPE was upgraded and re-designated as the Department of Public Enterprises (DPE) - a National Government Department.

The DPE is the shareholder representative for Government and is mandated by the Executive to oversee a number of SOCs that operate in core sectors of the economy like Mining, Defence, Energy, Logistics and others. Of these, two (SAA and SA EXPRESS) are currently in Business Rescue and consequently strategically de-emphasised until the outcomes of the Business Rescue processes are known.

The DPE is the primary interface between Government and the SOCs concerned and, in addition to oversight, provides input to the formulation of policy, legislation and regulation.

A new strategy:

The Department's strategy has been developed in the context of the National Development Plan (NDP), the Medium-Term Strategic Framework (MTSF) and in response to internal and external environmental drivers. Of necessity, the strategy recognises the challenging and complex prevailing macro-environment and the attendant challenge of choosing where best to allocate scarce resources for maximum effect.

Our 2020 - 2025 Strategy is a "new" strategy, rather than simply an update of previous versions. Our desired outcomes remain essentially the same, but our focus, approach and language reflect fundamental changes. We have applied robust logic to ensure that there is a clear relationship between desired outcomes and the new "hard" indicators that measure our performance.

An evolving role:

The DPE has a significant role to play in the South African economy and is, albeit indirectly, a key enabler of economic stability and growth. It is our intention to progressively reposition the DPE from a largely compliance-driven focus to being a major contributor to the re-industrialisation of the economy through the capacity that exists within our portfolio of SOCs. This repositioning also re-emphasises the leading role that the DPE must take to set standards that guide the oversight function across Government.

Several of the SOCs under the DPE's oversight are deeply troubled, due to not only operational challenges and the legacy of state capture, but also the increasingly difficult and complex challenges of sustainably balancing financial and commercial viability and the needs of the markets they serve, with meeting the socio-economic commitments of the NDP.

The most important and actionable considerations under the DPE's control are likely to be found in three key Strategic Impact Areas:

i) Socio-economic

A renewed emphasis on the re-industrialisation of South Africa through the creation of an enabling environment underpinned by the localisation of industry value chains, SMME development and the development of appropriate technical skills in occupations in demand, to enhance efficiencies within SOC operations. This will require the active engagement of and collaboration with industry.

ii) Oversight

The adoption of a unified oversight function by all stakeholders in terms of an effective methodology and process, underpinned by coherent and consistent strategic directives to SOCs. This will require internal restructuring and capacitation as well as process, system and modelling enhancements.

iii) Sustainability

A strong emphasis on SOCs' financial, commercial, operational and environmental performance, underpinned by clear and relevant standards and globally-competitive pricing that delivers a competitive advantage to the South African industries.

A challenging future

There is no doubt that the next five-year period will be both complex and challenging as set out below:

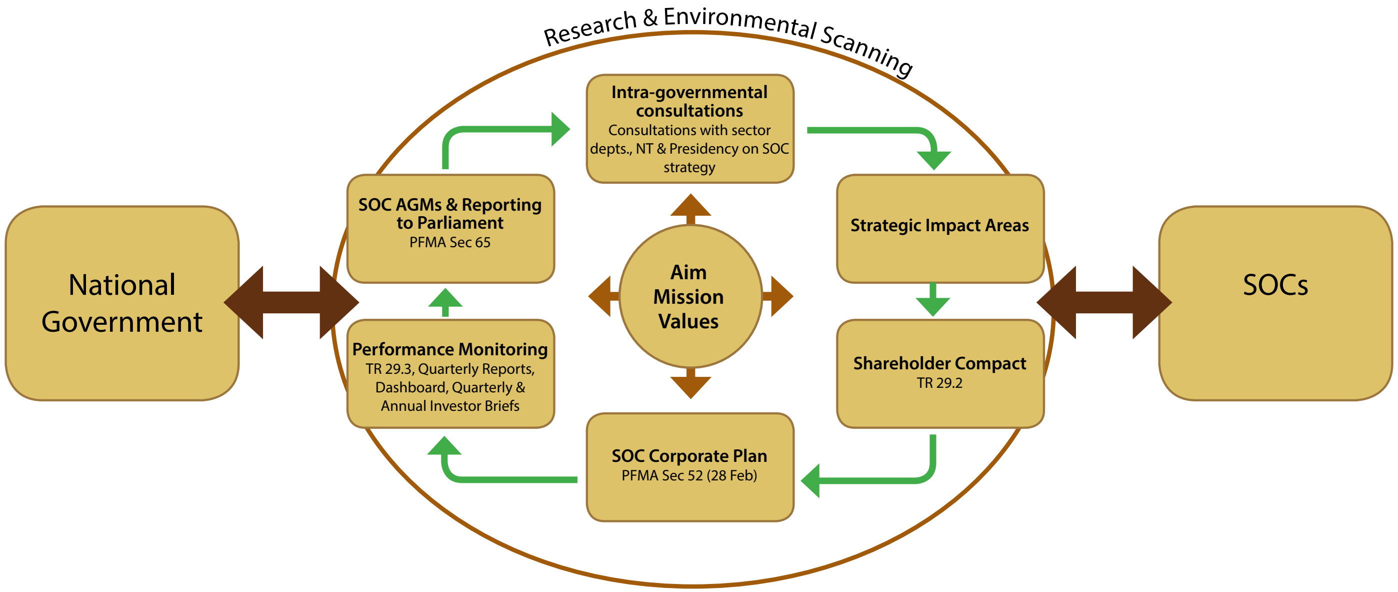
- Globally, declining growth in the world's larger economies remains a concern. Trade tensions between the US and China will continue to affect global trade and negatively impact investor sentiment on manufacturing, investment activity, and foreign direct investment (FDI).
- The impact of the Coronavirus pandemic on the world's economy. Countries and cities have been locked down for between 2 weeks and in some instance for two months; economic activity has grinded to a virtual standstill. It is anticipated that a new world order will emerge after this pandemic.
- Consequently, South African manufacturers may face an increasingly challenging export environment, compounded by a substantial increase in competition from imports. Weaker Chinese demand will also impact industrial commodity markets with significant implications, particularly for mining and minerals-producing enterprises.
- With exports under pressure, economic growth is projected to remain moderate in key markets for South African products, including the Eurozone, US, UK and China. These markets account for more than 45% of South Africa's total merchandise exports.
- Regionally, Sub-Saharan Africa's (SSA's) economic growth momentum remains a challenge with multiple consecutive downward revisions to regional forecasts. The IMF lowered its growth estimates for SSA from 3.4% to 3.2% in 2019.
- The external environment is becoming less supportive of industrial commodity markets, both in price and volume terms. This poses a significant risk to the export performance of resource-intensive economies as well as to future investment activity. Consequently, debt vulnerabilities remain high in a number of SSA economies.
- Domestically, the pressure on the South African economy continues to be high as the country struggles to raise growth to reasonable levels. The overall South African domestic economic outlook remains fragile and business confidence remains negative.
- Some positive signs of improving business and investor confidence are emerging however, as evidenced by the commitments made by local and foreign entities at the second South Africa Investment Conference in November 2019. Investment pledges totalling R371 billion were made, potentially creating around 412 000 direct employment opportunities over the next five years in various sectors of the economy. The realisation of these pledges, however, may be contingent on an enabling economic environment.

Finding the balance

Our strategy thus offers a range of interventions and actions that will support the turnaround of the economy towards the realisation of economic objectives as outlined in the MTSF and the NDP. However, it also recognises that SOCs in the portfolio will continue to operate in a difficult and constrained economic environment. This recognition must be translated into actions that support SOCs to diversify and promote financial, commercial, operational and environmental sustainability. In drafting this strategy, we have attempted to find this balance.

Strategy development process

DPE follows a robust strategic planning and review process as illustrated in the graphic below. The process is designed to align with the annual public sector timetable for planning.



The DPE process ensures that the NDP priorities are reflected in its institutional SP and APP, as described in the MTSF for the relevant planning cycle. The MTSF ensures a coherent vision and plan that addresses the priorities and functions as a roadmap for developing five-year institutional plans. Consequently, the DPE's MTSF deliverables that are its direct responsibility have been integrated into the performance information section of our plan.

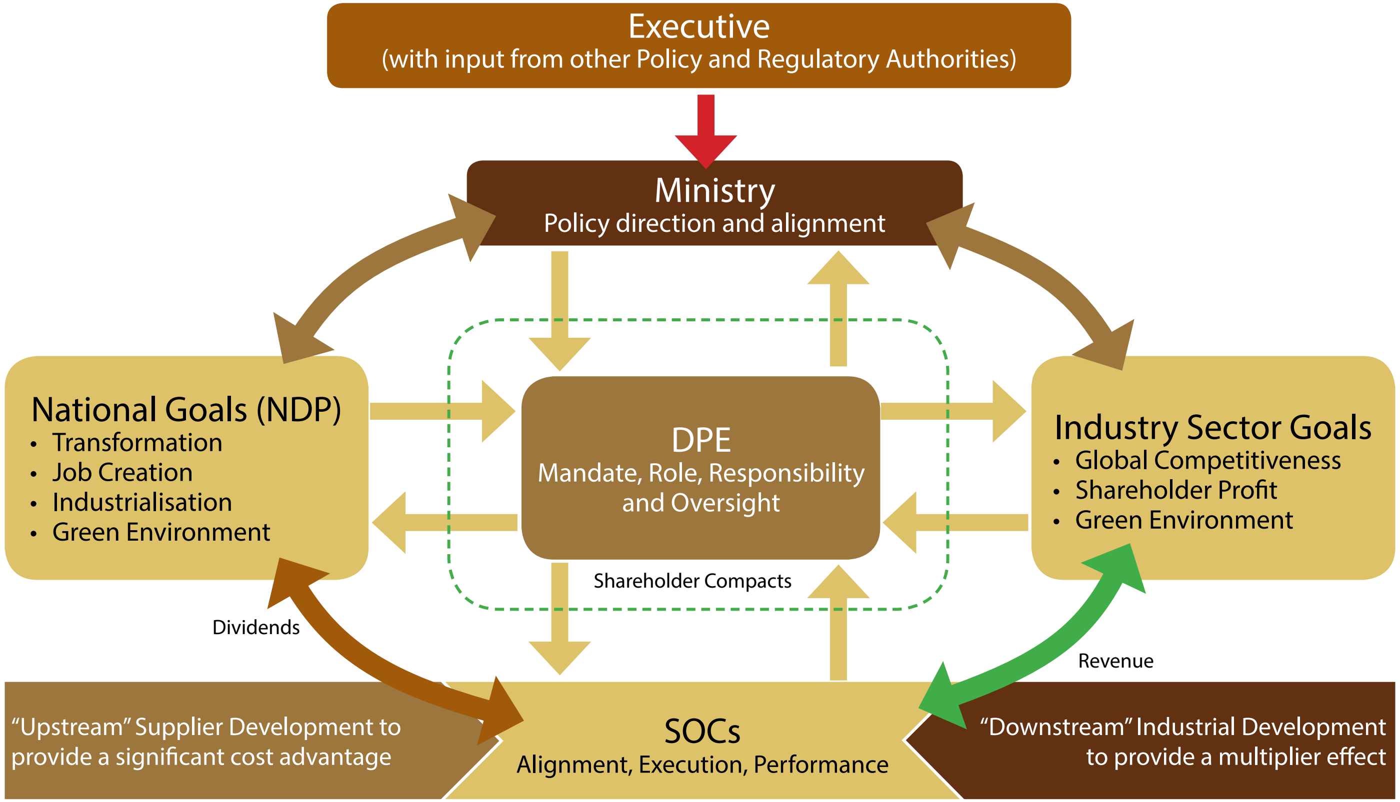
The research and environmental scanning process is internally managed by the Strategy Department. Included as sources are a wide range of industry interactions, affiliations, publications, subscriptions, original research and trend analysis, as well as feedback and reporting from our SOCs.

The annual strategy development and review is managed via a facilitated process and includes all senior DPE staff. The highly participative workshop-based process has proved to be effective and is delineated in the graphic below.

Setting the strategic context

The DPE's primary role is to seek a sustainable balance between the national goals of the NDP and the exigencies of industrial development, through its oversight and direction of SOCs.

SOCs are a fundamental part of the South African economic landscape and their performance is central to the competitiveness and performance of the economy. Where their roles are predominantly enabling, the DPE must pursue programmes and projects that will enhance cooperation between the State and the private sector that will advance the developmental objectives of the State.



Our strategic objective seeks to balance the requirements of all stakeholders in the SOC value chain, while ensuring that the SOCs operate at maximum capacity to provide those benefits needed to ensure the delivery of our NDP goals.

Government must ensure that the SOCs within the DPE portfolio deliver quality and cost-effective services to those sectors that they serve and in so doing, unlock their global competitiveness. The SOCs will leverage their supply chains to develop a globally competitive supplier base. This should, in turn, enable our industries to be globally competitive, creating further opportunities for rapid industrialisation and support localisation objectives. This will result in a multiplier effect in job creation and the adequate supply of skills in occupations in demand needed in the economy.

To achieve this, the DPE will align the plans to goals and objectives of stakeholders with a singular mindset of ensuring the global competitiveness.

Part A: OUR MANDATE

2. Part A: Our Mandate

2.1 Constitutional Mandate

The DPE undertakes shareholder oversight for Government and is currently instructed by the Executive Authority to oversee core strategic State-Owned Companies. DPE is the primary interface between Government and the SOCs concerned and provides input into the formulation of policy, legislation and regulation.

Currently the DPE does not have a legislated constitutional mandate. The DPE is recognised as a Government department through Proclamation No. 82 of 1999. In effect, it has an agreed and assigned dual responsibility to:

- Direct and support improvements in the financial, commercial and operational performance of the SOCs and their contribution to the South African economy; and
- Make a positive contribution to the transformation of the South African economy in line with the NDP to create a better and sustainable economic environment for all South Africans.

2.2 Legislative and policy mandates

Each SOC within the DPE Portfolio is governed by specific legislated constitutional mandates. The table below lists the SOCs that report to the Minister, their mandate and nature of operations.

Name of entity	Legislative mandate	Minister's financial relationship with the SOC	Nature of operations
Alexkor	Alexkor Limited Act (Act 116 of 1992)	Shareholder representative	A diamond mining company that operates primarily in Alexander Bay and the greater Namaqualand area.
Denel	None	Shareholder representative	A defence company. Although it was established as a private company in terms of the Companies Act of 2008 (Act 71 of 2008), Government exercises full control over it.
Eskom	Eskom Conversion Act (Act 13 of 2001)	Shareholder representative	Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural, municipal and residential customers and redistributors.
SAFCOL	Management of State Forests Act (Act 128 of 1992)	Shareholder representative	SAFCOL is Government's forestry company which conducts timber harvesting, timber processing and related activities, both domestically and regionally.
SA Express Airways	South African Express Act (Act 34 of 2007)	Shareholder representative	SA Express Airways is the regional air carrier with a mandate to provide air transportation services for passengers, cargo and mail on lower density routes within the Republic, in the African continent and surrounding islands.
SAA	South African Airways Act 5 of 2007	Shareholder representative	South African Airways is an air carrier with the mandate to provide reliable and extensive air transportation capacity linking the Republic with the main business, trading and tourism markets nationally, across the African continent and internationally.
Transnet	Legal Succession to the South African Transport Services Act (Act 9 of 1989)	Shareholder representative	Transnet is a freight and logistics company responsible for pipelines, ports and rail transport infrastructure and operations in South Africa.

2.3 Institutional policies and strategies governing the five-year planning period

N/A

2.4 Relevant court rulings

Ruling 1

In 1998, the Richtersveld Community filed a claim against the Government for dispossession of land under the guidance of the Restitution of Land Rights Act 22 of 1994. The Deed of Settlement (DoS) was signed on 22 April 2007 among the Richtersveld Sida Hub Communal Property Association (RCPA), the Government and Alexkor on 9 October 2007 made an order of court.

Ruling 2

This was a matter where Mr Seth Radebe, a former member of the Transnet Board approached court seeking to: -

a) declare the conduct of Minister Gordhan to be unfair discrimination, unlawful, invalid and unconstitutional;

b) order Minister Gordhan to reinstate Mr Radebe to his position forthwith, as non-executive Director of Transnet; and

declare the decision of Minister Gordhan to appoint replacement directors at Transnet unlawful and invalid.

Minister Gordhan's conduct was alleged to be unlawful and invalid, falling foul of the equality and dignity clauses of the Constitution; allegedly offending the rule of law, the principle of legality and the rationality test.

The application by Mr Seth Radebe was dismissed by the court on the basis that Mr Radebe failed to show that Minister Gordhan acted irrationally and unlawfully and thus unconstitutionally.

1. Mr Seth Radebe's notice of motion in this matter is dated 8 June 2018.

2. The matter was set down for trial on 10 September 2018.

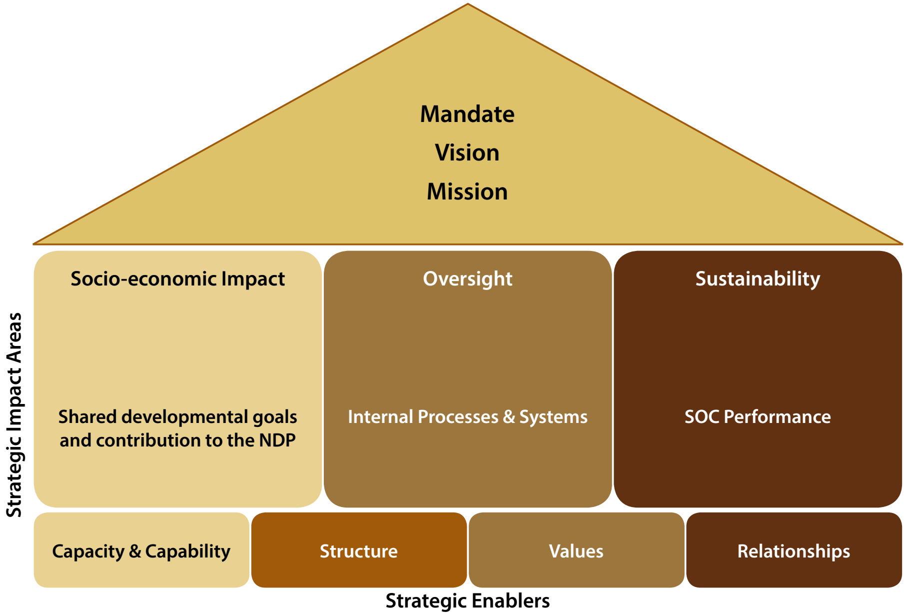
3. Date of Judgment was 18 September 2018.

Part B: OUR STRATEGIC FOCUS

3. Part B: Our strategic focus

The DPE reviews its 5-year strategy on an annual basis. This document represents the most recent iteration of our strategy, finalised for the next period at two Management Strategy Sessions on the 10th and 24th February 2020 respectively.

The DPE strategic framework is illustrated in the graphic below which illuminates the inter-relationship between vision, mission, strategic impact areas and strategic enablers within the context of the DPE mandate.



Strategic Impact Areas

Key themes and strategic priorities were identified from various sources including environmental scanning, feedback from SOCs and internal organisational effectiveness considerations. These themes were clustered into three Strategic Impact Areas (SIAs):

- Socio-economic impact - to enable a better and more sustainable economic environment through the re-industrialisation of the South African economy.
- Oversight - ensure alignment across SOCs and uniformity of oversight models and their execution.
- Sustainability - ensure stable and predictable SOC service levels underpinned by enhanced financial, commercial, operational and environmental performance.

Each SIA has one or more outcomes and supporting objectives assigned to it. These are further explored in Part C.

Vision

Our vision has been amended to better reflect our core purpose in terms of our dual mandate:

To create an enabling environment in which SOCs add real economic value by focussing on operational excellence, commercial viability and fiscal prudence. This will drive developmental objectives, industrialisation, job creation and skills development.

In our view, this simplified vision statement reflects an end-state in which sustainable SOCs support economic growth by enabling industrialisation, job creation and skills development. Well-directed and effectively overseen, our SOCs will continue to actively enable the goals of the NDP.

Mission

Our revised mission is:

To provide clear strategic direction and oversight to the Department's SOCs, seeking to ensure that:

- they are financially sustainable, adequately funded and operationally robust;
- their operating models keep pace with global development and innovation;
- they provide reliable, high-quality and cost-effective services and infrastructure to industry and our citizens;
- they secure investment and funding for strategic industrial development; and
- they align with national developmental objectives.

Values

Our values are a key enabler of performance and underpin the delivery of the DPE's vision and mission. They are as follows: -

Trusting	Having confidence in the character, ability, strength and commitment of each other
Enabling	Fostering an environment that supports our people, our economy and our nation
Caring	Treating employees and others with concern, kindness and empathy
Leading	Providing clear direction, guidance and forward thinking
Transparent	Ensuring visibility and accessibility of information relating to our business practices
Prudent	Applying skill and good judgement in the use and application of resources and reducing risk
Responsive	Responding quickly, appropriately and effectively; and
Relevant	Always being capable of addressing current needs

3.1 Situational analysis

Given the challenging environment, the sooner bold action is taken, the better the prognosis.

There is no doubt that the next 5-year period will be both complex and challenging. The DPE has a significant role to play in the South African economy and is, albeit indirectly, a key enabler of economic stability and growth.

Several of the SOCs under the DPE's oversight are deeply troubled, arising from operational challenges and the legacy of state capture[1], and also related to the increasingly complex challenges of sustainably balancing financial and commercial viability and the needs of the markets they serve, with meeting the socio-economic commitments of the NDP.

Given that SAA and SA EXPRESS are presently under Business Rescue, and there is not yet a clear way forward proposed, we have elected not to include specific strategic directives in relation to these two SOCs at this stage. This will be addressed once the outcomes of the Business Rescue processes are known.

If this balance is not forthcoming, however, tough decisions relating to SOCs may need to be taken and resources allocated to the best effect. In the absence of effective oversight and the provision of clear and actionable strategic directives to SOCs, the DPE will experience challenges as to its relevance.

1 State capture is a form of systemic political corruption in which private interests significantly influence a state's decision-making processes to their own advantage. It has many corrosive effects including the misappropriation of funds, fruitless and wasteful expenditure, process non-compliance (especially relating to procurement), interference in appointment processes, the destruction of trust, the alienation of staff in the organisations concerned and the exerting of undue influence on policy and business decisions. The outcomes of state capture include patronage, organisational incapacitation and inefficiency. The creation of a capable and ethical developmental state calls for all resources, especially monetary, skills, land and "minerals" to be directed towards a singular goal of ensuring a better South Africa for all.

3.2 External environment analysis – Status of global and domestic economies

3.2.1 Economic Outlook: Global[2]

Global trade and manufacturing indicators are showing signs of stabilisation with resilient services suggesting that global growth rates will be sustained. A range of downside risks to growth remain, they include: -

- geo-political developments;
- trade tensions;
- oil price shocks; and
- high levels of corporate and sovereign debt.

The International Monetary Fund (IMF) recently revised its forecast for world growth down to 3% for 2019, from 3.2% previously. Several key economic variables reflect the deteriorating economic, trade, investment and risk environments. Inflationary pressures and moderate growth underscore the accommodative monetary policy stances being maintained by central banks around the globe.

International trade volumes contracted year-on-year and global industrial production increased by a mere 0.4% in August 2019. The manufacturing PMIs for the Eurozone and United Kingdom (UK) have been negative for some time.

The slowdown in fixed investment outlays in China continues to impact the global economy. Since investment activity is highly reliant on commodity inputs, reduced capital spending is also changing the composition of China's imports.

2 Sources consulted in the compilation of this overview include:

– IDC Economic Overview – November 2019

– Investec Macro-Economic Outlook Q3 2019

– National Treasury Economic Overview 2019

– South African Reserve Bank: Statement of the Monetary Policy Committee - January 2020

Business impact

The declining growth in the world's larger economies remains a concern. Trade tensions between the US and China will continue to affect global trade and will negatively impact investor sentiment on manufacturing, investment activity, and foreign direct investment (FDI).

Consequently, South African manufacturers may face an increasingly challenging export environment, compounded by a substantial increase in competition from imports. Also, weaker Chinese demand will impact the industrial commodity markets. This has significant implications for mining and mineral-producing enterprises. The wider impact of this may affect companies in the construction sector and key supplier industries such as fabricated metal products, cement, concrete and bricks, machinery and equipment, as well as a wide range of service sectors.

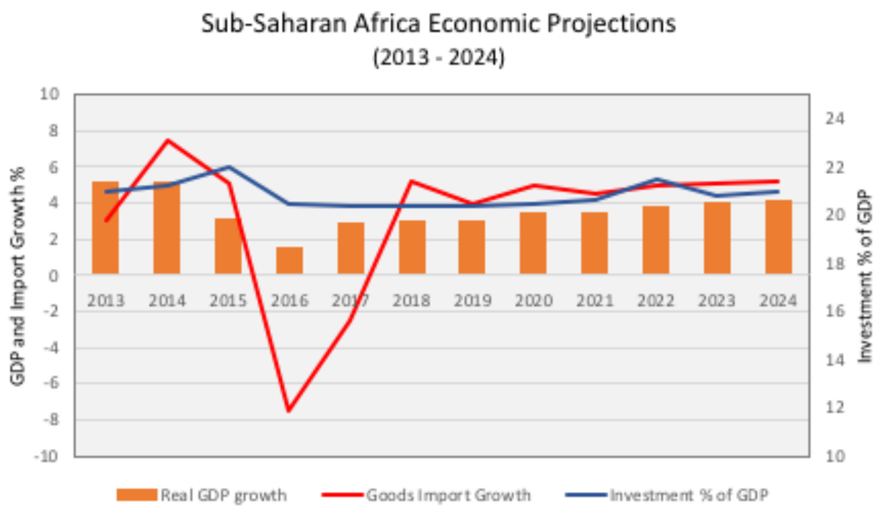
With exports under pressure, economic growth is projected to remain moderate in key markets for South African products, including the Eurozone, US, UK and China. These markets account for more than 45% of South Africa's total merchandise exports.

Some positive signs of improving business and investor confidence are emerging as evidenced by the commitments made by both local and foreign entities at the second South Africa Investment Conference hosted by President Cyril Ramaphosa on 6 November 2019. Investment pledges totalling R371 billion were made, potentially creating 412 000 direct employment opportunities over the next five years in various sectors of the economy. The realisation of these pledges, however, may be contingent on an enabling economic environment.

Sub-Saharan Africa faces strong external headwinds

The strengthening of Sub-Saharan Africa's (SSA's) economic growth momentum remains a challenge with multiple consecutive downward revisions to regional forecasts. The IMF has lowered its growth estimates for SSA to 3.2% in 2019, from 3.4% previously.

The external environment is becoming less supportive of industrial commodity markets, both in price and volume terms. This poses a significant risk to the export performance of resource-intensive economies as well as to future investment activity. Consequently, debt vulnerabilities remain high in a number of SSA economies.



Source: IMF Sub-Saharan Africa Economic Projections as at 6 February 2020

3.2.2 Economic Outlook: Domestic

The pressure on the South African economy is high as the country struggles to raise growth towards reasonable levels. Consequently, the overall South African domestic economic outlook remains fragile and business confidence continues to be negative. It is estimated that economic growth could moderate to around 1% in Q3 2020 (quarter-on-quarter, seasonally adjusted and annualised rate [saar]).

The following indices provide insight to economic trends:

- The RMB/BER Business Confidence Index improved to 26 points from 21;
- ABSA Purchasing Managers' Index fell to 47.1 points in December 2019 from 47.7; and
- The SARB's composite leading business cycle indicator continued to trend lower.

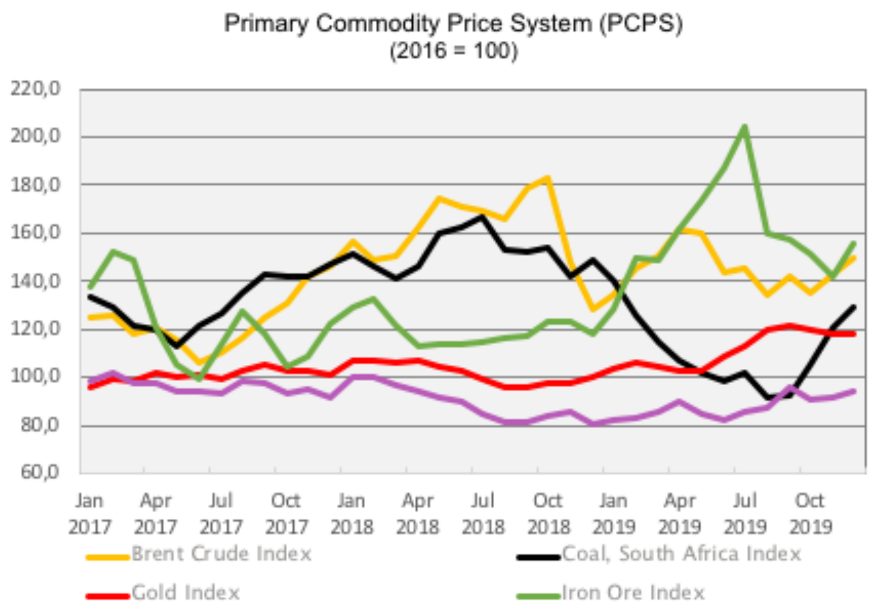
Manufacturing and mining remain under pressure

Lower outputs from mining and manufacturing bear testimony to the difficult operating and trading conditions facing these two important sectors of the economy. Weak domestic demand and increasingly challenging global markets accompanied by higher costs of doing business (particularly owing to electricity tariffs) and policy-related concerns have been affected by their productivity.

The outputs of the manufacturing and mining sectors have fallen, with business confidence down to a 20-year low. Most manufacturers remain pessimistic about investment owing to worsening global conditions and negative expectations on export performance. The retail sector shows only modest sales growth while a steep drop in new passenger vehicle sales reflects the difficult consumer environment. After having held fairly steady over the 12 months to Q2 2019, consumer confidence fell to a reading of -7 in Q3, the lowest in almost two years. Negative sentiment and a limited appetite for additional debt are constraining consumption expenditure. As a consequence, manufacturers anticipate investing less in machinery and equipment over the next 12 months.

Global sentiment continues to have a significant impact on commodity markets with mining production falling by 1.7% (year-on-year) over the period January to September 2019 mainly driven by lower output of commodities like gold and iron ore.

The poor performance of the mining sector has considerable implications for many supplying and supporting industries across the South African economy. In the main, however, the demand for precious metals has benefitted from increased investor interest as uncertainty increases.



Source: IMF Primary Commodity Price System as at 6 February 2020

Energy remains a critical risk to the economy

Eskom poses a significant risk to the fiscus and to the economy in general owing to poor performance and an unsustainable debt burden of R450 billion. Operational challenges and financial constraints at Eskom, together with higher electricity tariffs and declining demand in a low-growth environment have affected the performance of the electricity sector.

Decisive actions by both the government and Eskom itself are required. In addition to R230 billion financial support over the next ten years, as announced in the February 2019 Budget, Eskom will receive an additional R59 billion as per the 23 July 2019 Special Appropriation Bill. A two-phased timetable for Eskom's restructuring has been put forward, with the first phase comprising the functional separation of the entity into three separate units, and the second phase involving the legal separation of the distribution and generation functions.

The recently gazetted Integrated Resource Plan (IRP) 2019 provides some clarity on South Africa's electricity requirements and how they will be supplied over the period up to 2030, indicating a more diversified energy mix with increasing contributions from renewable energy sources. As part of the risk management plan, the DMRE has issued the Determination of Section 34 of the Electricity Regulation Act for both the Emergency energy procurement and the new Bid Window to assist with the low plan availability of Eskom. Sustained, reliable and cost-effective energy supply is critical to business planning, fixed investment decisions and overall economic growth.

Insufficient employment creation

Our economy's labour-absorption capacity has declined over time. Contributing factors include: -

- competitiveness pressures;
- skills shortages;

- technological change and other factors leading to increased mechanisation; and
- labour market-related matters.

New entrants into the labour market increased and continue to far exceed the economy's ability to create new jobs: for 570 000 new job seekers annually, only 250 000 new jobs are created annually. Thus, the unemployment rate continued to rise and reached a new record high of 29.1% in 2019, with 6.7 million people unable to find work.

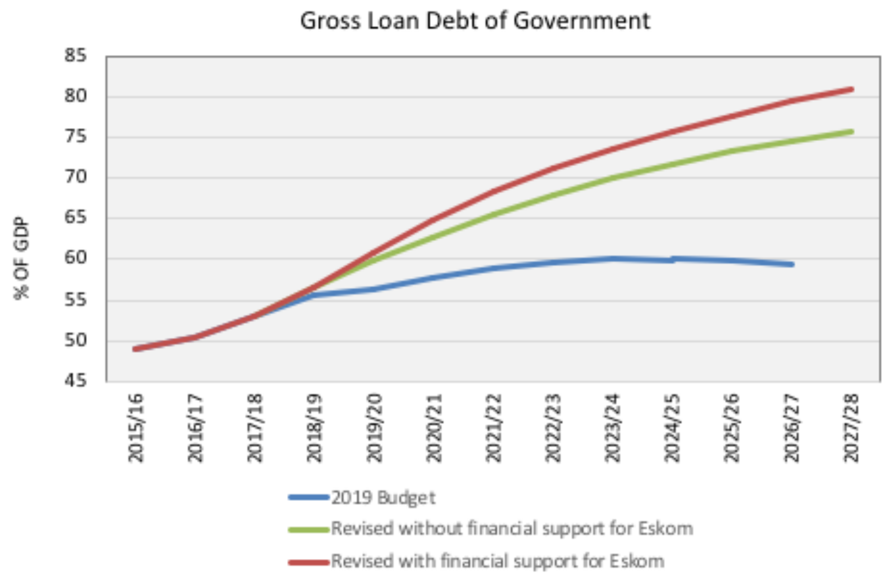
GDP recovery remains sluggish whilst debt is rising

GDP growth shows no immediate recovery with the: -

- forecast for 2019 GDP growth revised down to 0.4% from 0.5%;
- 2020 and 2021 forecast revised down to 1.2% due to lower growth than previously expected in the third and fourth quarters of 2019: and
- GDP forecast growth for 2022 at 1.9%.

The budget deficit is projected to average 6.2% of GDP over the next three years according to the Medium-Term Budget Policy Statement (MTBPS). The gross loan debt of government is expected to reach 71.3% of GDP by 2022/23.

Government finances are still under enormous pressure and revenue collection has been adversely affected by subdued economic growth, notwithstanding increases in major tax categories. On the other hand, Government expenditure has risen rapidly. The estimated budget deficit for the current fiscal year is R306.2 billion (5.9% of GDP), compared to the 4.5% deficit projected in the National Budget for 2019. The MTBPS is projecting the gross loan debt of government to rise to R4.5 trillion, equivalent to 71.3% of GDP, by 2022/23.



Source: National Treasury Medium Term Budget Policy Statement 2019

Debt servicing costs are projected to rise at an average annual rate of 13.7% over the next three years - the fastest of all expenditure items and a major contributor to the widening fiscal deficit. Foreign currency denominated debt represents 10% of the total gross loan debt of government and non-residents hold about 35% of the rand-denominated debt.

Expenditure reduction plans include reducing the massive public sector wage bill, which consumed approximately 46% of all tax revenues in 2019/20, or 35% of consolidated budget expenditure. Containing expenditure on goods and services, as well as reducing current and capital transfers, will also form part of the fiscal adjustment process to improve the situation over the outlook period.

Ratings remains negative

Ratings agencies are increasingly concerned about South Africa's worsening fiscal metrics and poor growth performance, particularly in the light of the significant risks posed by Eskom.

- Moody's kept the sovereign rating unchanged at Baa3 (1 November 2019) and altered their outlook from "stable" to "negative". Clarity on how Government plans to address the widening budget deficit and the steep rise in debt remains a critical factor in their view.
- S&P Global, which had already placed the sovereign rating two notches into sub-investment territory (November 2017), affirmed South Africa's "junk" rating and revised outlook to negative as debt metrics worsened.

3.3 Internal Environment Analysis

3.3.1 Current Organisational status

During the 2014-2019 MTSF Cycle the structure of the Department was re-aligned and the Executive Authority approved it in December 2017, after the Minister of Public Service and Administration concurred. The vacancy rate by the end of 2015-2016 was 10.8% and is estimated to reach 16% by the end of 2019-2020.

The high vacancy rate will have a negative effect on the implementation of the new Strategic Plan for the Department as it needs the required competencies and capacity to be implemented effectively and successfully. The turnover rate by the end of 2015-2016 was 12.9% and will be 7.3% by the end of 2019-2020.

The Department's Employment Equity compliance against National Targets over the past five years, in terms of employment equity's current SMS status is:

- 43% female and 57% male:
  - SMS – It is recommended that more females should be appointed to reach the 50/50 target, preferably at Chief Director level.
  - The recommended appointments on SMS level will ensure compliance to the 50/50 national target.
- People with disabilities in DPE: 1.7%
  - National targets for People with Disabilities is 2%.
  - The appointment of a person with a disability preferably on SMS level and from the African population.
- Level 1-12, the focus on appointing Coloured employees both male and female, as well as White male employees is recommended.

During the MTSF 2020 - 2025 period, the Department will prioritise filling vacant funded posts with the required specialists to close the skills gap. The capacitation of the core functions will be done within the allocated Compensation of Employees budget during the period, given ongoing cost-cutting measures instituted by National Treasury. Any amendments to the structure, given the change in the Strategic Plan, will be done according to the Department of Public Service and Administration's directives.

Wellness programme

With regard to the DPE wellness programme, the Department will continue rolling out a comprehensive and structured employee health and wellness programme as established. To improve its services, the programme will incorporate Government's social cohesion activities as initiated by sister Departments (Health, Sports, Arts and Culture and Social Development). Internal health awareness will be intensified. A dedicated budget is allocated annually to support the programme.

Office accommodation

The DPE took a decision to relocate to alternative office accommodation in 2011/12. This was due to restricted office space in the previously occupied building which had structural deficiencies. The lease agreement between the Department of Public Works and Infrastructure (DPWI) and Growthpoint was terminated in May 2013 and from then on, the agreement was on a month-to-month basis. In November 2018 the Department officially relocated and occupied 80 Hamilton Street, Arcadia in Pretoria.

Subsequent to the occupation of the new office building the DPE has experienced numerous challenges, including malfunctioning of the Heat Ventilation and Air Condition (HVAC) system; falling ceiling panels, poor water quality and pressure, and burst water pipes which led to flooding and damaged ICT Infrastructure. The Landlord has failed to respond to the shortcomings.

The Department appointed an independent engineering consultant (Ukhozi Engineering Services) in 2019 to assess the building. Their report identified significant deficiencies and non-compliance with substantial costs estimated to correct the defects.

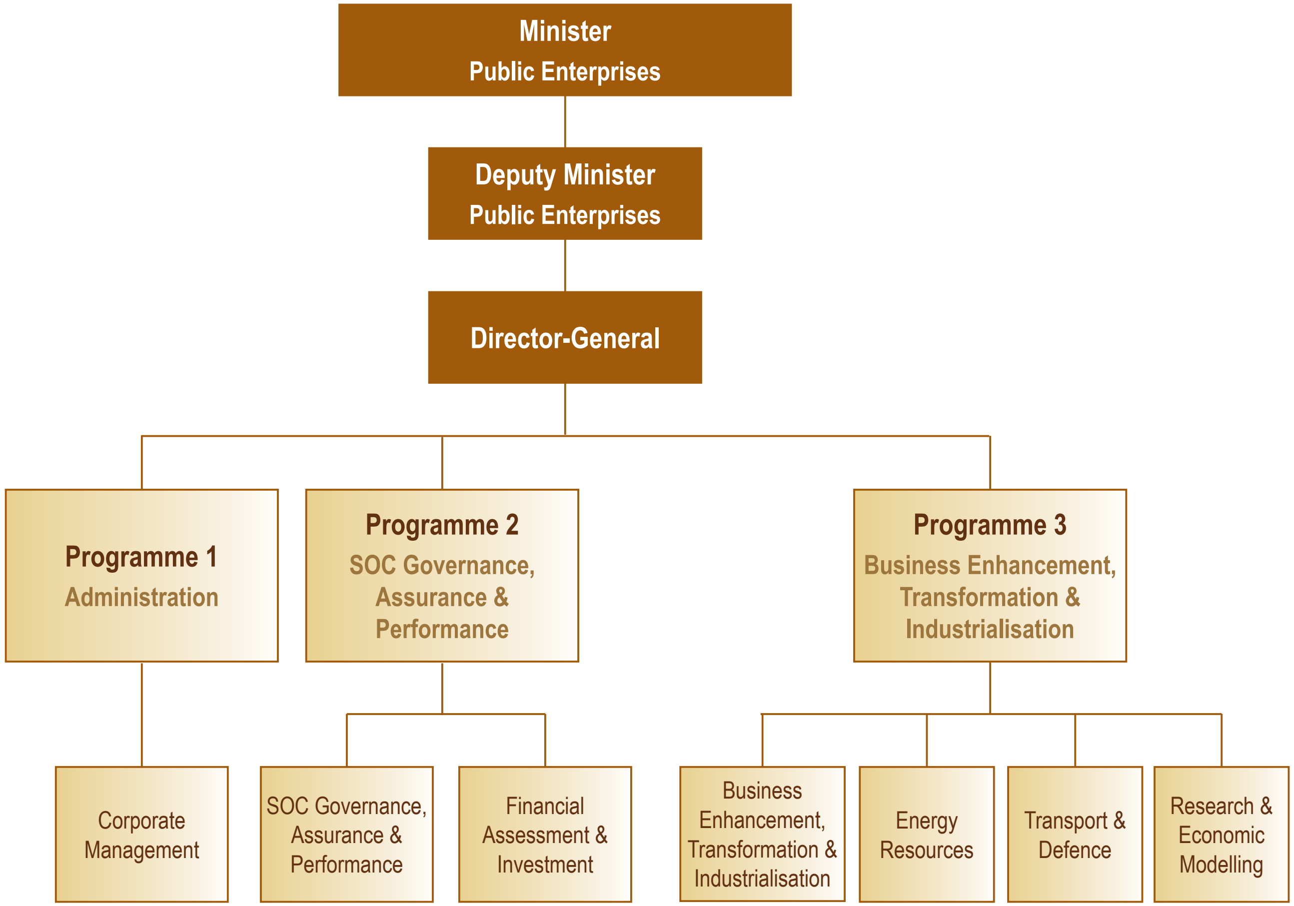
On the basis of the report, EXCO took a resolution to secure alternative office space through the DPWI. It is anticipated the process of procuring an alternative office space will be concluded in the financial year 2020/21, to allow DPE to relocate to a safe and compliant building.

3.3.2 Future organisational vision

The DPE's internal environment includes its structure, policies, processes, systems and people, all of which are required enablers of performance and delivery. The following key elements are addressed below: -

- Structure
- Capacity and capability
- Relationships

Structure



The DPE's existing legacy structure inhibits its execution capability, and the reorganisation of its internal operating model to support strategic initiatives is critical.

The current structure is hierarchical and does not facilitate effective engagement and deployment of specialist services. Roles and responsibilities are unclear, and the current structure is not conducive to integration, thereby obstructing the potential to leverage inter-departmental synergies. There are also major inefficiencies and duplications owing to outdated workflow systems and business processes.

Internal processes are not coordinated effectively, and turnaround time is protracted, resulting in delays in decision-making and delivery. Additionally, the DPE's information technology infrastructure is inadequate, leading to significant inefficiencies in the processing and flow of information.

The Department will consider a matrix organisation structure that will promote collaboration in the delivery of strategic objectives, reinforce and broaden technical excellence and facilitate the efficient use of resources.

The new structure's primary goal will be to break down the current silos and enhance the execution of effective oversight. Technical Value Chain capacity needs to be developed for each sector to ensure effective operational performance. This will determine how operational performance relates to financial and commercial viability, enabling robust oversight that ensures sound operational decision-making within SOCs.

Capacity and capability

A lack of capacity and capability coupled with an inappropriate structure impacts heavily on the performance of the Department. Unless addressed, the Department's performance will remain sub-optimal and its ability to implement this Strategic Plan constrained.

Advanced operational and engineering capacity and capability are in short supply. Deep technical skills and understanding are critical at the interface between the DPE and the SOCs to ensure informed oversight and direction-setting that is based on content and knowledge, and not simply the administration of a process.

To support the application of technical skills, the DPE will also need to improve and capacitate its strategic and analytical capabilities. This includes the need to conduct routine market scanning, the collection and analysis of information and benchmarks, and the development of appropriate models and tools to be used in the assessment of SOC performance.

The above, when implemented, will strengthen the DPE's ability to provide strategic direction and support to the business operations of SOCs, while improving the monitoring of financial, commercial and operational performance of SOCs.

Relationships

There remains a lack of clarity regarding the roles of various public sector stakeholders, unclear reporting and accountability lines and a lack of uniformity in oversight models. Oversight by shareholder departments is often weak and as a result, the mandate and role of the shareholder are not fully implemented. Moving forward the Department will clarify and define the discrete functions performed by shareholder, policymaker and regulator alike.

A focussed project will increase engagements between the DPE, SOCs and other spheres of Government; and will ensure that SOCs actively support the execution of socio-economic projects to drive meaningful change in society.

A relationship framework will also be developed to facilitate a closer relationship between the SOCs, industry and the South African public.

DPE in the next MTSF cycle will fast-track the development of the Shareholder Management Act to enforce increased alignment among SOCs, uniformity of oversight models and their execution.

3.4 SWOT ANALYSIS

The DPE's current SWOT analysis integrates both external and internal environmental perspectives.

Strengths

- Commitment and readiness to change
- Highly qualified resource base
- Experience and tenure in the oversight dynamics of large SOCs
- Baseline set of governance, tools, systems and processes for SOC planning and oversight.

Weaknesses

- Legacy structure
- Unclear roles and responsibilities
- Limited capacity and capability
- Limited agility and slow delivery
- Sub-optimal processes and systems
- Limited transparency of appointment processes
- Leadership instability over the past nine years
- Performance culture, trust and cohesion has drifted
- Lack of advanced tools and capabilities, e.g. data interrogation, analysis and solution design
- Oversight model is not dynamic enough to cater for the SOCs in the Department's portfolio e.g. distressed SOCs.

Opportunities

- Building a knowledge-based organisation
- Setting clear SOC directives
- Achieving a legislative mandate
- Restructuring for effect
- Improved collaboration with other Departments and the Executive
- Better balance of NDP goals and operational exigencies
- Creation of a people- and performance-based culture
- SOC portfolio allows significant impact through the planning and oversight role
- Current political environment supports SOC repurposing.

Threats

- Ongoing SOC under-performance will impact NDP goals
- Political interference vs intervention (overreach)
- Policy misalignment across stakeholders
- Impact of external economic factors
- Despite governance frameworks, inability to hold SOCs accountable
- Lack of political will to drive viable solutions and take tough decisions
- DPE's value proposition is challenged.

The findings of the SWOT analysis have been integrated into our strategic responses and are also addressed in more detail in our Annual Performance Plan (APP) 2020 - 2021. There is a strong correlation between the SWOT analysis and our **internal environment analysis.**

3.5 PESTEL ANALYSIS

The PESTEL analysis points to the macro-environmental factors that impact on the Department. This analysis is essentially a simplified version of our **External environment analysis** (above).

P	E	S	T	E	L
POLITICAL	ECONOMIC	SOCIAL	TECHNOLOGICAL	ENVIRONMENTAL	LEGAL
• National development plan imperatives • Lack of clarity on DPE's role • Policy misalignment across stakeholders • Political infighting	• Unstable national electricity supply • Growing national debt burden and economic stagnation • SOC under-performance impacting NDP goals • High debt:equity ratio at SOCs • Risk of international rating agency downgrades	• Growing unemployment, particularly among the youth • Increasing job losses • Growing poverty and inequality • Need for transformation of the South African economy • Shortage of technical skills	• Emergence of 4th Industrial Revolution (4IR) technologies	• Environmental compliance • International climate change priorities • Global impact of climate change	• Absence of legislation defining DPE's mandate and powers • Impact of PFMA on SOC operations • Business rescue proceedings at failing SOCs

As with the SWOT analysis, the findings of the PESTEL analysis have been integrated into our strategic responses, creating the context for our Annual Performance Plan (APP) 2020 - 2021. There is a strong correlation between the PESTEL analysis and our **External environment analysis**.

Part C: DPE PERFORMANCE

4. Part C: DPE Performance

4.1 Institutional performance information

Introduction

The year 2019 marks the end of the 5-year electoral mandate of the 5th democratic administration and it is also the end of the MTSF 2014-2019. The MTSF outlined priorities that Government needed to pursue. These priorities were drawn from the National Development Plan 2030 (NDP) in the main. The primary focus of the MTSF in relation to the DPE's scope was investment to enable infrastructure, mainly through Transnet and Eskom.

Most of our SOCs have been under pressure; they are facing operational and monetary difficulties and are recovering from years of systemic corruption. The Department in this MTSF had to review its strategy in the mid-term to try and deal with these difficulties. While the problems persist, the Department remains committed to address them.

Shareholder oversight functions

In performing its oversight role, the Department uses a number of instruments, the majority of which are prescribed by the PFMA and the Companies Act, 2008. These include: -

- **Strategic Intent Statement (SIS)**: An innovation of the Department, the SIS is informed by the NDP and Government's developmental priorities, objectives and the core mandate of the entity. The SIS is valid for three years, but it is reviewed annually.
- **Shareholder Compact (SHC)**: The Department and the SOC Executive negotiate an SHC which is a performance contract detailing Key Performance Areas (KPAs) and Key Performance Indicators (KPIs) that the SOCs must achieve. The objectives of the SIS cascade into the Compact. The forward-looking Compact is approved by the Minister ahead of the year to which it applies.
- **Corporate Plan (CP)**: In February of each year, SOCs must submit a CP as required by the PFMA and TR 29.1.1, which details how the resources under its control will be utilised to achieve the objectives detailed in the SIS and SHC. The CP includes the financial budget for the year.
- **Quarterly and Monthly Reports (QR and MR)**: The SOCs submit QRs and MRs (with the exception of some) as part of the monitoring of SOCs' performance against agreed performance targets (SIS, SHC, CP) and an Investor Brief (IB) which is issued by the Minister, after analysis by the Department, to provide feedback to the SOC Boards.
- **Annual Report (AR)**: The SOC Board as per requirements of the PFMA and the Companies Act is expected to issue an AR which is tabled at the AGM, which should be held at the most five months after the end of the Financial Year and tabled, as outlined in the PFMA Act 1 of 1999, in Parliament by 30 September of each year.

These instruments' effectiveness and their legal status in ensuring proper governance and management of SOCs is an area of great concern. Their augmentation to address the dysfunctional state of the SOCs is an area of focus for the Department.

In the interim the Minister has placed particular focus on strengthening SOC Boards by ensuring that Boards are comprised of credible and capable individuals. The process will be ongoing to ensure Boards are responsive to the challenges plaguing SOCs and capable of charting the path to sustainability and growth.

In order to further strengthen the Department's Shareholder functions, in 2017 Cabinet approved remuneration and incentive standards for non-Executive Directors, Executive Directors and prescribed officers of SOCs. To ensure that these standards are maintained and strengthened, the Department is in the process of drafting the Shareholder Management Bill, the development of which is expected to gain traction in 2020/21.

4.2 DPE SOC Portfolio

a. ALEXKOR

Alexkor was established in terms of the Alexkor Limited Act (1992) to mine marine and land diamonds in Alexander Bay, Northern Cape. The diamond mining efforts focus predominantly on the Richtersveld area on the north-west coast of South Africa, south of Port Nolloth. Alexkor's concessions span an area of land equivalent to 865 square kilometres, which is mined through a Pooling and Sharing Joint Venture (PSJV). Alexkor holds a 51% stake in the Alexkor Richtersveld Mining Company's Pooling and Sharing Joint Venture (Alexkor RMC PSJV) and has no other mining operations.

With the conclusion of the 2007 Deed of Settlement (DoS) reached between Alexkor, Government and Richtersveld Community (RC), Government used Alexkor as an agent for execution of its obligations. The DoS required Government to restore the land hectares and mineral rights back to the RC, financial compensation and rehabilitation of the old Alexkor mine workings.

In terms of the implementation of the DoS, there are two obligations remaining which are; (1) the transfer of residential and business properties to the RC in parallel with the payment of a R45 million upfront rental payment by Alexkor for a 10-year lease of properties and the handover of Alexander Bay Township municipal infrastructure to the Richtersveld Local Municipality (RLM); and (2) the conclusion of rehabilitation of old mine workings.

In the process Alexkor and Government faced several challenges including the instability of community structures established to oversee the interests of the community and leadership instability in Richtersveld Local Municipality. Nonetheless, the active involvement of the office of the Director-General of the Northern Cape Provincial Government and the Department of Agriculture, Rural Development and Land Restitution has assisted DPE and Alexkor in making progress with the transfer and handover of properties to the prospective owners following years of stalling.

Alexkor RMC PSJV diamond production has been erratic over the past five years (2014 – 2019) leading to the joint venture realising irregular revenues to cover its operational costs. This has had an adverse effect on Alexkor, since the entity depends on the proceeds from the joint venture operations. The overall position of Alexkor and Alexkor RMC PSJV has declined over the past two financial years with both entities currently facing liquidity challenges.

Consequently, the Department is in a process of reviewing the operating structure of the two entities to address these challenges. The outcome of the review will be presented to Cabinet for consideration.

CHALLENGES

- Delays with the handing over of the township to the community and local government;
- Lower diamond production impacted negatively on Alexkor's balance sheet;
- The role of the PSJV and issues with the community;
- Does Alexkor have a right to exist in light of the role of the PSJV?;
- Put the company on a sound financial footing;
- Will the company need a guarantee in 2019/20 or 2020/21?;
- What are the Shareholder's plans for the entity in the next decade?; and
- Is there a sustainable business plan for it to expand and diversify?

b. DENEL

Denel was incorporated as a private company in 1992 in terms of the Companies Act (1973), with the South African Government as its sole Shareholder. It operates in the military aerospace and landward defence environment and provides strategic defence equipment.

Denel supplies the South African National Defence Force with strategic and sovereign capabilities. In doing so, it contributes to outcome 6 (an efficient, competitive and responsive economic infrastructure network) of Government's 2014-2019 medium-term strategic framework. The company's broad focus over the medium-term will be on restructuring, which entails optimising its cost structure and reviewing its business model to improve its global competitiveness.

Emphasis will be placed on the company's internal cost structure, efficiency, effectiveness, disposal of non-core businesses, improved supply chain policies and alignment of IT infrastructure with the new organisational structure. The goal is to establish a healthy strategic and operational foundation to facilitate sustainable and accelerated growth, and the ability to generate revenue and reduce reliance on financial support from Government.

As a result of these measures, revenue is expected to increase at an average of 12% over the medium-term, from an estimated R3.1 billion in 2019/20 to R5.1 billion. The company is expected to return to profitability from 2020/21. Denel plans to expand its export base and strategic partnerships to further improve market access.

CHALLENGES

- Cash-flow problems resulting in Denel not being able to pay all its creditors on time over the past 18 months;
- The company not delivering orders as scheduled;
- Putting the company on a sound financial footing;
- Retaining critical skills;
- Declining local defence acquisition budget;
- Impact of the regulatory environment on exports and market retention;
- Limited banking facilities and banks declining to support certain market opportunities; and
- Providing certainty to markets regarding the company's future.

c. ESKOM

Eskom is governed by the Eskom Conversion Act (2001) and is mandated to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural, municipal and residential customers and redistributors. Eskom generates 95% of the electricity used in South Africa and 45% of the electricity used in Africa.

In response to the financial, operational and structural issues and challenges facing Eskom, the Department released the Roadmap on Restructuring during October 2019. Furthermore, the Department is still studying the recommendations of the Chief Restructuring Officer (CRO) report in respect of the debt problem of Eskom. The roadmap focuses on unbundling Eskom into three entities (Generation, Transmission and Distribution) starting with the independent Transmission company.

Eskom is currently executing a capital infrastructure investment programme aimed at adding 17 000 MW of new electricity generation to the national grid. The major projects in the programme include the coal-fired power stations Medupi and Kusile, the pumped-storage hydroelectricity plant Ingula and high voltage (HV) transmission projects. To date, 10 750MW generation capacity, 7 848km of transmission network, and 37 440MVA sub-station transformer capacity have been added to the national grid. Remaining capacity to be added to the system until the financial year 2022/23 includes 6 382MW generation capacity, 1 252km transmission lines and 4 910MVA transmission sub-station transformer capacity.

CHALLENGES

- Aging and unreliable power stations impacting negatively on the security of supply; the performance of the generation fleet has deteriorated significantly over the past years. In 2015 and again in the 2018/19 FY, Eskom experienced unprecedented load shedding which went as far as Stage 6, signalling severe capacity shortages.

- Half of Eskom's fleet is over 37 years old and has, over the years, been run at very high load utilisation factors (EUF - over 83%). These power stations are at a stage where they require significant refurbishment to maintain adequate standards of performance.
- The results of late decisions to build new capacity (Medupi and Kusile) by the Government, were exacerbated by the late delivery and the poor performance of these new plants.
- In the implementation of the roadmap, there is a question as to the impact on Eskom's current structure and the Department's role. There is a misalignment between NERSA and Eskom, which is creating regulatory uncertainty.
- Inability to collect the outstanding municipal debt.
- Addressing the low payment levels in municipalities and residential areas such as Soweto.
- Against soaring debt of almost half a trillion Rand (R430 billion as at end of March 2019 and increasing monthly), what urgent measures must be put in place to cap this?
- How long will it take to put the company on a sound financial footing?
- How to deal with Eskom continuously borrowing its way out of its poor financial situation.
- Poor performance of new units at Medupi is mainly due to poor maintenance, operation performance and latent defects.
- Compliance to the Minimum Emission Standards (MES).
- Will the company need further guarantees in 2019/20 or 2020/21?
- How will Eskom adapt to a fast-changing electricity environment?

d. SOUTH AFRICAN AIRWAYS (SAA)

SAA is the country's national air carrier and operates a full-service network in the international, regional and domestic markets.

SAA has been undercapitalised since its transfer from Transnet in 2007. The airline relied on debt to fund its operations. Reliance on debt is as a result of financial challenges faced by the airline which spans a ten10-year period. These financial challenges were exacerbated by the R6 billion hedging loss in the 2004/05 financial year. The decline in SAA's financial position has thus resulted in numerous requests for Government support to date.

SAA therefore developed a Long-Term Turnaround Strategy (LTTS) in April 2013 to holistically address the challenges facing the airline in order to achieve long-term operational and financial sustainability for the airline. On 10 December 2014, Cabinet took a decision to transfer the administration oversight of SAA to National Treasury (NT). The President signed Proclamation No. 88 of 12 December 2014 which authorised the transfer of administration and powers and function entrusted by the South African Airways Act, 2007 (Act No. 5 of 2007), from the Minister of Public Enterprises to the Minister of Finance. In August 2018, the President transferred the Executive Authority responsibilities for the airline from the Minister of Finance to the Minister of Public Enterprises in terms of Section 97 of the Constitution.

In 2019, SAA developed the Accelerated Long-Term Turnaround Strategy (ALTTS) to halt the further decline in performance over the medium-term. The company is focusing on optimising its route network, improving its use of aircraft, enhancing maintenance efficiency and cost effectiveness, driving down procurement costs, and improving employee productivity and accountability. The ALTTS did not achieve the desired results and the performance of the airline continued to deteriorate over the 2018/19 financial year. SAA was recapitalised with R5 billion during February 2019 to assist the airline to repay its matured government guaranteed debt. The airline was recapitalised with R5.5 billion (R3.5 billion to repay debt and R2 billion for Working Capital). Despite the provision of recapitalisation, the situation remains precarious for the airline. As on 5 December 2019, the SAA Board placed the airline under business rescue and Joint Business Rescue Practitioners were appointed on 6 December 2019.

Therefore, over the medium-term, South African Airways will be focusing on the stabilisation of the airline through the business rescue plan and implementation of initiatives that will ensure its long-term sustainability.

CHALLENGES

- Lack of leadership;
- Lack of implementation of the turn-around plans;
- Unionised environment and low morale;
- Poor productivity and efficiencies;
- Deteriorating financial performance;
- Continued reliance on Government funding; and
- Loss making route network.

e. SOUTH AFRICAN EXPRESS AIRWAYS (SA EXPRESS)

As a feeder airline to South African Airways, South African Express Airways serves as a regional air carrier mandated to provide transportation and other related aviation services on low-density domestic and African regional routes. The airline was grounded by the South African Civil Aviation Authority in May 2018 but has since recovered both its air operator's certificate and licence as an airline maintenance organisation, and has been strengthening its safety management systems. It resumed operations in August 2018.

In 2018/19, the company revised its turn-around strategy to focus on stabilising its financial and operational performance to reduce its high cost structure and improve its ability to generate revenue. A number of initiatives were identified to implement the strategy, including optimising the airline's route network; cancelling or renegotiating contracts and agreements; strengthening revenue and yield management; filling key positions; enhancing organisational culture and values; ensuring that at least 90% of flights are on time; and improving schedule and aircraft reliability.

The company received R1.2 billion during the 2018/19 budget adjustments for the repayment of Government guaranteed debt. Furthermore, SA Express Airways was provided with R300 million recapitalisation for working capital purposes. This allocation was intended to assist the airline with its liquidity challenges. On the 6th of February 2020, SA Express was placed under business rescue and in the short-term, the airline will focus on submitting a business rescue plan to stabilise itself.

CHALLENGES

- Lack of aircraft available to operate;
- Poor efficiencies and productivity;
- Liquidity challenges; and
- Loss making route network.

f. SOUTH AFRICAN FORESTRY COMPANY LIMITED (SAFCOL)

The South African Forestry Company was established in 1992 in terms of the Management of State Forests Act (1992). It is mandated to ensure the sustainable management of plantation forests, increase downstream timber processing and to play a catalytic role in rural economic development and transformation.

SAFCOL's operations are surrounded by a rural community and the SOC is expected to contribute to the economic development of these communities through corporate social investment. The company is affected by land claims which have an unforeseen impact on operational continuity since the settlement of land claims.

The company revenue has remained stable in the range of R1 billion over the past three years due to dependency on log sales as the main revenue generation. There have been delays to investing in new projects such as an upgrade of the processing facility, Timbadola Sawmill. Furthermore, SAFCOL through its subsidiary Komatiland Forests (KLF) has invested in Mozambique's Industrias Florestais de Manica (IFLOMA), which has a loan of approximately R400 million.

CHALLENGES

- Poor implementation of the strategy and business plan for the company of the short-, medium- and long-term periods.
- Delays in the finalisation of a suitable settlement model and its impact on the transfer of land to claimant communities.

g. TRANSNET

Transnet plays a significant role in South Africa's freight logistics. The company is mandated to contribute to lowering the cost of doing business in South Africa to enable economic growth by providing appropriate port, rail and pipeline infrastructure. Its mandate is closely aligned with MTSF Priorities 1 and 2 of the Government's 2020-2025 MTSF.

Over the medium-term, Transnet aims to continue lowering the costs of freight transport. Acknowledging that there are some externalities in the freight sector that Transnet has no control over such as road or trucking costs, including insurance, which are exorbitantly priced areas within the freight market.

Since the inception of the entity's Market Demand Strategy (MDS) in 2012, more than R196.3 billion has been spent on infrastructure and maintenance projects. Over the 5-year period ending 2024/25, Transnet plans to invest R141.3 billion in capital expenditure, particularly in rail, port and pipeline infrastructure across its operating divisions to sustain and expand capacity. In 2018/19 the entity invested R3.2 billion in expanding its infrastructure and equipment, and R14.7 billion in maintaining capacity in its rail and ports divisions.

As a result of the improved infrastructure, Transnet Freight Rail, a division of Transnet, moved 226.3 million tonnes in 2017/18 compared to 219.1 million tonnes in 2016/17, an increase of 3.3%. This contributed to an 11.3% increase in Transnet's revenue, from R65.5 billion in 2016/17 to R72.9 billion in 2017/18. As a result, the company's profit increased by 224% over the same period, from R4.9 billion to R6.0 billion. However, growth was slower in 2018/19 owing to the challenging internal operational environment.

Performance in ports' volume operations improved by 6% from 4 396 20-foot equivalent units in 2016/17 to 4 664 in 2017/18. However, pipeline volumes decreased by 3.9%, from 16.9 billion litres in 2016/17 to 16.3 billion litres in 2017/18 owing to a two-month closure of a fuel refinery following an explosion in May 2017. Full operationalisation of the new multi-product pipeline for diesel and fuel products is expected to increase liquid fuel volume throughput over the medium-term.

CHALLENGES

- The need to put in place a business plan post-MDS.
- What measures are in place to restore the credibility of the company?

NOTES ON BOARDS

- With the exception of Eskom, Alexkor and SAA, all other 4 Boards were reviewed and rotated during 2018/19;
- Eskom's Board was rotated in January 2018;
- Transnet's Board was rotated in May 2018;
- Alexkor's 4 Non-Executive Directors were re-appointed; and
- SAA was transferred to the Department from National Treasury (NT) in August 2018.

4.3 FINANCIAL PERFORMANCE OF SOCs OVER THE MTSF

a. ALEXKOR

FINANCIAL PERFORMANCE

- The highest revenue was reported in the 2016/17 FY owing to the commencement of the deep-sea operations.
- Deep sea operations were suspended in 2018 FY owing to fire damage on the mining vessel.
- The company is unprofitable owing to low marine revenue and high operating costs. Adverse performance in marine operations is attributable to bad weather conditions. The deep-sea contractor was in operation for less than six months of the 2018/19 FY.
- A loss of R15 million is forecast for the year.

FINANCIAL POSITION

- The Shareholder has not derived value from the company's operations.
- Recapitalisation and strategic direction from the Shareholder are critical to turn the company around.
- The SOC plans to invoke section 189 in May 2019 should the Department not provide funding to the company.

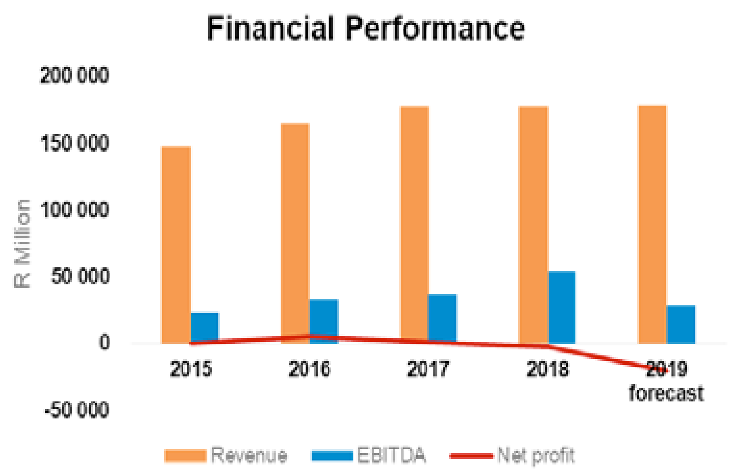
MAIN FINANCIAL ISSUES RELATING TO ALEXKOR

- Alexkor faces a going concern risk as the SOC does not have sufficient funds for operations. Operating cash was depleted in August 2019.
- Retrenchment processes resumed in May 2019 in the absence of a firm financial commitment from the Shareholder.
- Annual Financial Statements are likely to be qualified on the basis of the SOC not being a going concern.

- The Pooling and Sharing Joint Venture (PSJV) is unincorporated. As a result, the entity is unable to raise funds and utilises Alexkor's VAT registration number etc. This poses a risk for Alexkor.
- The PSJV is unprofitable. The entity is unable to settle its operating costs which include salaries; and retrenchment processes for 50% of the workforce are underway.
- Recapitalisation of Alexkor and strategic direction from the Shareholder are critical to turn the company around.

b. ESKOM

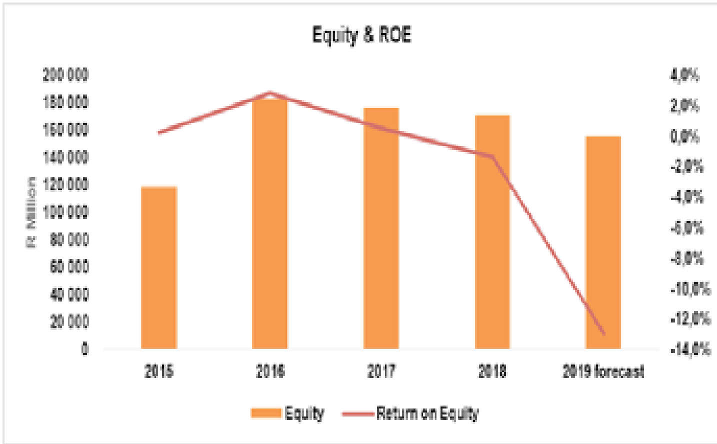
Financial Performance



- Revenue grew from R147.7 billion to R177.4 billion between the 2014/15 and 2017/18 financial years. It is forecast to increase to R178.4 billion by the end of the 2018/19 FY. It should be noted that the increase in revenue has been driven by tariff increases partially offset by a progressive decline in sales volumes.
- Eskom's profitability has been eroded and net profit worsened from R5.2 billion in the 2015/16 FY to a loss of R2.3 billion during the 2017/18 FY. Profitability is projected to decline further, and a net loss of R20 billion is projected for the 2019/20 FY.

  This massive loss is due to the high cost of producing electricity as a result of poor plant performance, where an expensive source of energy (open cycle gas turbines) was extensively utilised to minimise the occurrence of load shedding.

Financial Position



- Lack of retained earnings is stretching Eskom's balance sheet to rely on borrowings to finance the business operations and pay maturing debt.
- In the 2015/16 FY the ROE was high owing to the equity injection of R23 billion and conversion of a R60 billion loan through a Government support package.
- The gearing ratio worsened significantly between the 2015/16 and 2017/18 FYs due to poor financial performance and high levels of debt. It should be noted that more debt has been raised to support the Capital expansion programme and to repay debt obligations. The commitment by the Government to inject R23 billion in the next 3 years will improve the situation slightly in the short- to medium-term.

- The Debt/EBITDA ratio indicates that Eskom is taking a long time to repay its debt from operations. Cash generated from operations is inadequate to service both interest and debt obligations.
- The Equity injection of R23 billion will assist Eskom to repay its older debts and will minimise the risk of incurring further finance costs associated with future debts.

MAIN FINANCIAL ISSUES RELATING TO ESKOM

- Sales volumes have been declining mainly due to Industrial and Mining companies going off the grid. Therefore, the entity has relied on tariff increases to increase its revenue.
- Operating costs have been growing at levels above market increases, especially in primary energy costs and employee benefits.
- Outstanding receivables have grown significantly and now exceed R30 billion. This is mainly driven by municipal and Soweto debts.
- Eskom's long-term debt had grown from R255 billion to R390 billion in the 2017/18 FY. As at 30 March 2019, Eskom's debt had increased to R440 billion. This debt increase is mainly from financial working capital requirements and the capital expenditure programme.
- Eskom is not generating enough cash from operations to cover its interest and repay its debt obligations.

c. SAFCOL

Financial Performance

- SAFCOL posted a billion rand in revenue in 2017 for the first time. This revenue growth was mainly due to the increased selling price and volume of logs sold. SAFCOL has adequate cash reserves to fund operations.

- The Department is concerned that the company's performance has been stagnant over the years. For the 2017/18 financial year, the SOC reported a loss of R80 million, mainly as a result of the decline in revenue and an increase in operating expenses. Without a fair value adjustment, the business is loss-making.
- For the 2018/19 financial year the SOC reported its highest-ever revenue of R1 047 790 000. The increase in revenue was mainly driven by the increase in volumes sold.

FINANCIAL POSITION

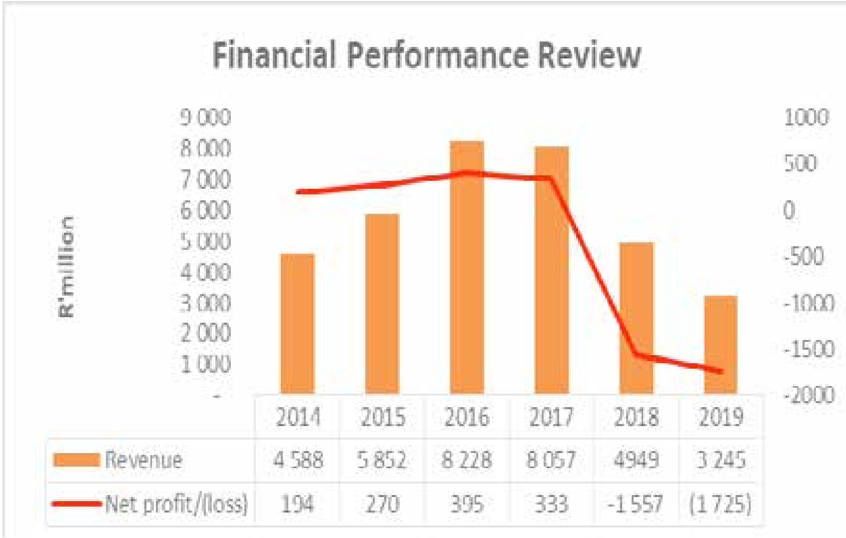
- SAFCOL has not created significant value over the recent years owing to no investment in capital projects. This has resulted in a decline in Shareholder value.
- SAFCOL has a strong financial position to raise funding from the capital markets for any future expansion projects.
- The company does not have interest-bearing debt in its books.

MAIN FINANCIAL ISSUES RELATING TO SAFCOL

- In recent years, SAFCOL relied on accounting adjustments (i.e. fair value adjustments) to report a profit. The preliminary results for the 2018/19 financial year indicate that the SOC managed to report a profit before accounting adjustments.
- For the past 5 years, the SOC has not invested in capital projects. SAFCOL's Timbadola sawmill is currently using obsolete machinery. This has resulted in increased maintenance costs and unnecessary downtime due to machine breakdowns. These unanticipated costs will be avoided once the sawmill is upgraded.
- A revised lease agreement has still not been concluded between SAFCOL and the Department of Agriculture, Forestry and Fisheries (DAFF). The SOC has failed to pay lease rentals for the past 3 years; however, a provision for this has been raised in the financial statements.
- SAFCOL does not have interest bearing debt on its books. The company will be able to raise funds in the capital market to fund its strategic projects.
- SAFCOL received Qualified Audit Opinions for the 2016/17 and 2017/18 financial years. The audit outcome for the 2018/19 financial year has deteriorated, with Safcol receiving a disclaimer.
- IFLOMA, the Mozambican subsidiary, is currently not profitable. This is expected to continue for the next couple of years owing to poor weather conditions. The recent cyclones, Idai and Kenneth, have severely impacted the plantations.

d. DENEL

Financial Performance



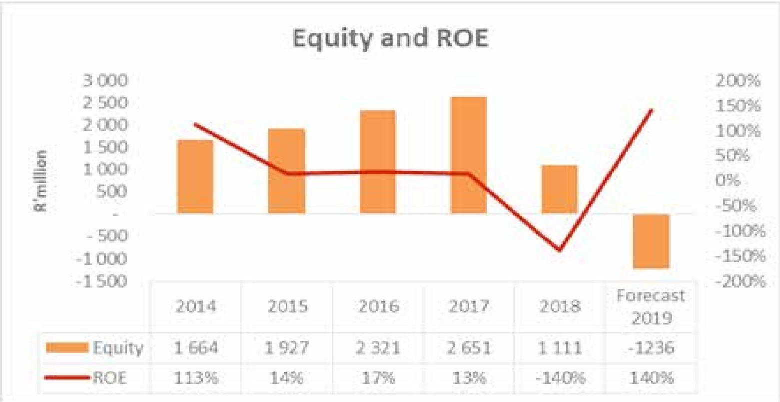
	2014	2015	2016	2017	2018	2019
Revenue	4 588	5 852	8 228	8 057	4949	3 245
Net profit/(loss)	194	270	395	333	-1 557	(1 725)

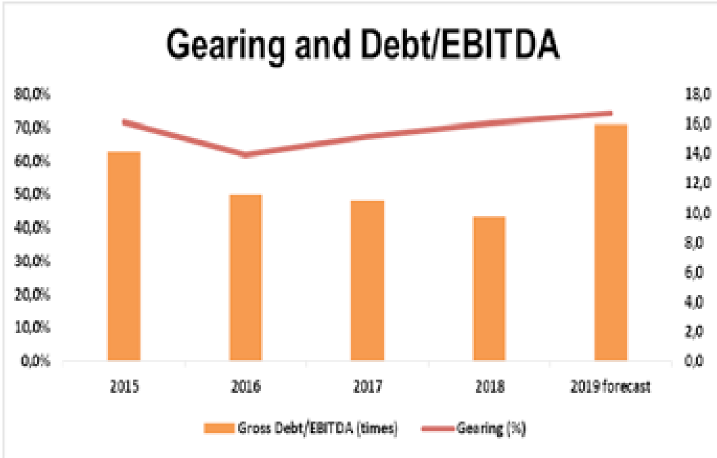
1. The decline in revenue from 2017 is mainly due to reduced volumes as a result of the liquidity constraints. Factories are at a standstill because of the unavailability of components to execute orders.

2. As a result of the decline in revenue, escalating labour under-recoveries, increases in finance costs and operational expenditure, Denel realised a record loss of R1.6 billion in 2018. The forecast loss in 2019 is slightly higher compared to other years due to an escalation in the costs highlighted above.

3. These losses are directly attributable to the current liquidity challenges.

FINANCIAL POSITION





1. Denel's equity has been significantly below the levels (R4bn) required by investors. This is mainly owing to low profits and losses recorded over the years. This is evident with the negative ROE realised in 2017/18.

2. Denel's equity level decreased substantially. Only recapitalisation will improve this decline in equity. Denel carries a significant portion of debt as opposed to earnings generated by the business. A large proportion of this debt (R4.43 billion) is secured by Government guarantees. The guarantee framework is set to expire in 2023. However, the majority of debt was set to expire in September 2020, as illustrated in Table 1. Steps will be taken to roll these debts over to prevent credit risk.

TABLE 1: DENEL DEBT MATURITY PROFILE

Issue Code	Trade date	Settlement Date	Maturity date	No. of days	TOTAL (RM)
DENG83	6-Sep-18	11-Sep-18	**11-Sep-19**	365	1,463
DENG85	20-Sep-18	21-Sep-18	**21-Sep-21**	1,096	30
DENG87	26-Sep-18	28-Sep-18	**28-Sep-21**	1,096	50
DENG84	26-Sep-18	27-Sep-18	**23-Sep-19**	361	30
DENG88	26-Sep-18	28-Sep-18	**28-Sep-23**	1,826	100
DENG86	26-Sep-18	28-Sep-18	**27-Sep-19**	364	958
DEN80	8-Jun-18	11-Jun-18	**11-Dec-18**	60	290
DENG84	20-Sep-18	21-Sep-18	**23-Sep-19**	367	233
					3,154

- For the 2018/19 financial year Denel projected revenue to be behind budget by R2 billion as operations have ground to a halt in most divisions. Cost under-recovery as a result of low labour activity is projected to add R1 billion to overhead costs. As a result, a net loss of between R1.8 billion and R2.4 billion is projected. The forecast includes Chad, Hoefyster and Airbus losses related to delays in delivery on major contracts. The forecast excludes the impact of correction from reporting errors the prior period, which are in the process of being validated by the Auditor-General.
- In April 2019, Denel was granted an additional R1 billion Government guarantee to restart working capital activities. This will bring the necessary relief by unlocking cash tied up in the cash conversion cycle. However, finance costs will increase significantly, thereby reducing profits of the entity.

MAIN FINANCIAL ISSUES RELATING TO DENEL

- **Liquidity**: Denel has reached a stage where fulfilling working capital requirements is a struggle. Creditors are overdue, plants do not have components to execute orders, payment of salaries is unpredictable and, in some instances, statutory payments to SARS and PAYE are deferred.
- **Funding**: Denel's business model is structured around debt, for which the Government stands as surety. However, this is not sustainable when compared against industry peers. A company cannot grow with only debt as the source of funding. A process is currently underway to access Contingency Reserve funds.
- **Business entities**: Operational activities are at a standstill at business units owing to liquidity constraints.
- **Decision to streamline the business by selling noncore assets and businesses as part of its turnaround plan**. The entity has mapped out those entities and assets it plans to dispose of. This is likely to be a difficult process as it could be contested by the Department of Defence in relation to some of the capabilities involved. Therefore, an alignment with the Department of Defence is paramount to the execution of critical aspects of this strategy.
- **Alignment on the matter of strategic equity partnerships is paramount**. The issue of strategic and sovereign capabilities and their preservation is critical. However, the stagnant local defence budget needs to be taken into account.
- **Department of Defence to commit to minimum annual orders to support strategic and sovereign capabilities**. The SOC has been burdened with the responsibility of safeguarding some of the SANDF's key industrial capabilities with little support from the Department of Defence in the form of minimum orders. Part of Denel's financial and liquidity challenge is that it has sustained some capabilities and capacity using its own limited resources.
- **The future of the Rooivalk combat helicopter programme**. An urgent decision is required as to whether the Department of Defence will invest in the development of the next generation of the helicopter. The critical engineering skills base related to this programme is progressively being eroded.
- About R3 billion in bonds matured in September 2019 (of this R2.8 billion is held by the PIC). Their roll-over needs to be prioritised as Denel will have no financial capacity to settle these when they mature.

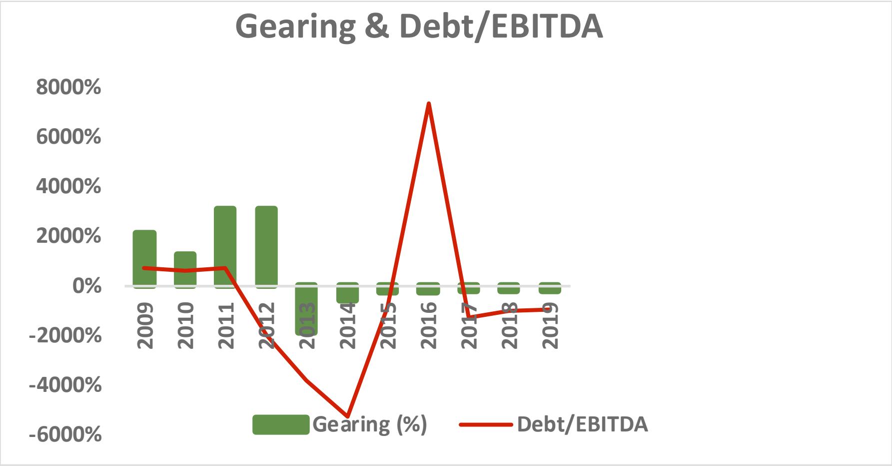
e. SOUTH AFRICAN AIRWAYS (SAA)

FINANCIAL PERFORMANCE

- SAA has had a relatively flat performance over the last 10 years. Revenue grew in the years 2013 to 2014 but remained flat thereafter. However, during the same period costs increased owing to an increase in losses on international routes.
- This resulted in successive losses from 2012 resulting in the airline borrowing to fund its operations.

FINANCIAL POSITION

- SAA has not achieved an ROE between 2013 and 2018 as the airline has had a negative equity balance.
- Prior to 2013 the only positive ROE was in 2011 when SAA earned the highest profit for the 10-year period given a low equity base.
- Due to these losses, the airline's equity base has been eroded. SAA has been technically insolvent since 2013.
- SAA is highly geared with its total debt far exceeding equity available. The airline is unable to sustain these high levels of debt.
- This is particularly evident in the debt/EBITDA ratio which is based on high and negative ratios and the inability of SAA to repay its debts.



MAIN FINANCIAL ISSUES RELATING TO SAA

- There is a funding deficit of R16.7 billion. This was part of the R21.7 billion funding request made in the 2018/19 financial year, but only R5 billion was allocated in the Medium-Term Budget Policy Statement (MTBPS).
- SAA has raised a R3.5 billion loan which was due on 31 March 2019. It has been rolled over for a month pending recapitalisation from Government. A request has been submitted to National Treasury to access funding from contingency reserves to use to settle the R3.5 billion loan.
- SAA is in debt to the value of R9.2 billion, this matured on 31 March 2019 and was rolled over for a month. Negotiations are underway to roll-over the debt for a longer period on condition that a recapitalisation of R3.5 billion occurs to settle the R3.5 billion loan.
- The airline requires R4 billion in the 2019/20 financial year for working capital purposes. SAA currently has only enough funds to operate up to 30 June 2020. Lenders are only willing to consider funding the airline if there is a debt repayment profile to reduce all its debt to a sustainable level and if there is a commitment from Government to recapitalise the airline.
- The delay in recapitalising the airline has had a negative impact on the implementation of the corporate plan and the finalising of the 2017/18 and 2018/19 annual financial statements on a going concern basis.

AREAS OF CONCERN

- Despite the airline performing well against target on the Income Statement, the cash position has weakened when compared to budget, which increases the risk that the airline will not be able to pay critical/core suppliers and salaries on time.
- The airline still does not have a clear plan on how it will address its technical challenges apart from making key appointments. The plan should also talk to investment, reskilling, addressing internal control issues, etc. SAAT operationally remains the greatest threat to the airline's continued operations and maintenance of the safety record. Capacitating the technical environment should be a priority.
- There is inadequate attention to the capitalisation of subsidiaries and key divisions such as Cargo and Voyager. These are businesses that are generating revenues and profits. However, they are unable to retain some of the business and grow in the absence of investment in infrastructure and skills.
- There is anticipated labour resistance to the redesign of the organisation, especially in relation to headcount reduction. A clear plan supported by Government is needed to support the process.
- Additional information is still needed to review the proposed Long-Haul Low-Cost Model that has been proposed by the airline.
- The airline still needs to have a natural exchange-rate hedge through increase of foreign denominated currency sales.
- The airline has not dealt with the potential withdrawal of SA Airlink from the franchise agreement. This is highly possible considering the proposed optimal structure to house all state-owned airlines.

- The airline and the Government still need to agree on the list of assets to be disposed of before its PFMA applications can be considered.
- The Government needs to provide guidance on the matter of Strategic Equity Partners (SEP), especially in the absence of a commitment to fully fund the capital requirement of SAA.

OTHER ADMINISTRATIVE ISSUES

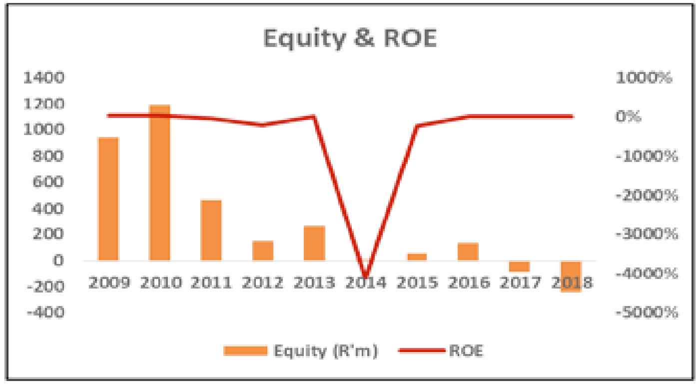
- On the Government side, there is a need to address issues of joint approval for PFMA applications. This has hampered agility in the decision-making processes of the airline. There may even be a need to consider exempting the airline from PFMA for a defined period. This should be considered as long as the targets to be achieved are clearly outlined, with timelines and consequences for failure to achieve them.
- There is a need to review some of the guarantee conditions such as weekly meetings, as these take a lot of management time. Monthly engagements should be sufficient for the purpose of reporting on progress made on identified targets.

f. SA EXPRESS AIRWAYS

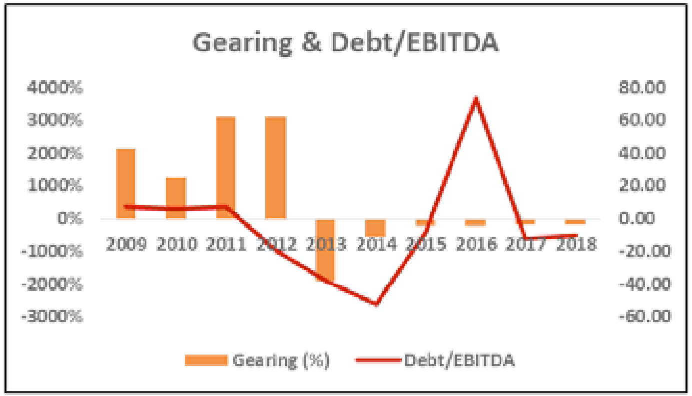
FINANCIAL PERFORMANCE

- Revenue grew steadily from 2008/2009 peaking at R2 591 million in 2014/15. Thereafter, there was a decline owing to funding constraints on operations and the grounding of the airline in 2016.
- Of concern is the high growth in operating costs over the 10-year period with operating costs exceeding revenue consistently in most years after 2011.
- SA Express Airways was able to earn high profits in 2009 and 2010. However, following the restatement of the financials in 2011, the airline has made losses in most years.

FINANCIAL POSITION



- The restatement of the financials by the Auditor-General in the 2011 FY resulted in the devaluation of assets, weakening the balance sheet.
- In FYs 2009 and 2010, ROE was high based on the high profits earned; thereafter with negative and negligible profits earned, the airline has failed to achieve a sufficient ROE.



- Gearing levels in the first two years were satisfactory; however, with the depletion of equity and heavy reliance on debt, SA Express Airways has high levels of debt.
- The debt/EBITDA is indicative of the strain on the entity to repay the debt from FY 2011.
- The recapitalisation of the airline with R1.249 million in the 2019 FY restored SA Express Airways' solvency and allowed the airline to reduce its debt levels. However, the current losses that the airline is incurring are eroding the positive equity available.

MAIN FINANCIAL ISSUES RELATING TO SA EXPRESS

CONCERNS RELATING TO THE SUBMISSION

The proposed strategy does not address the core challenges of production (aircraft availability), instead it is focussed on productivity issues. At this point productivity (focus on on-time performance, load factors, etc.) is secondary to addressing the primary issue of the availability of a reliable fleet.

The airline's inability to do proper financial mapping has led to impromptu financial requests being made to the Department.

The stated cost savings have no clear basis, i.e. cost reductions are not based on market comparisons of the same services or goods. The airline's anticipated savings are unrealistic leading to a failure to achieve targets.

Loss of critical skills in the airline and its inability to attract replacement skills given its current state.

Long-time taken to address issues related to audit findings (including repeat findings).

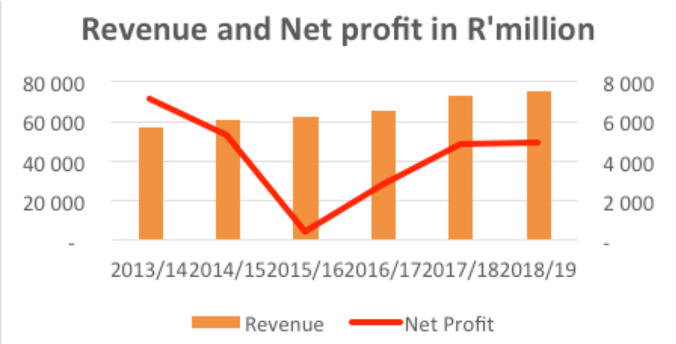
There is a lack of faith in the turnaround strategy by lessors and key suppliers.

Aircraft (CRJ900) incompatibility with some of the planned regional routes of the airline. The airline still has to explain its regional footprint in relation to its proposed fleet.

The airline's fleet plan and the logic of the proposed all-jet operation needs to be explained to the Shareholder. This is in light of jets being very inefficient over short route operations' secondary routes as set out in the mandate.

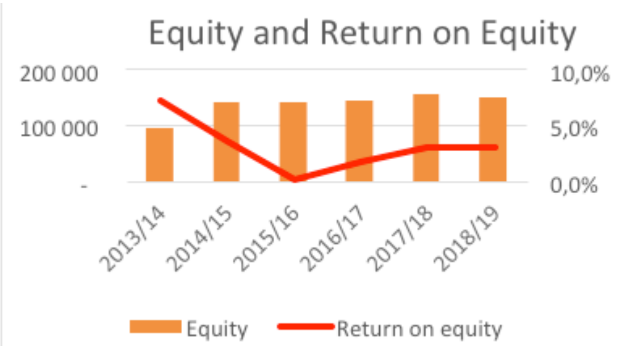
g. TRANSNET

FIVE YEAR REVIEW



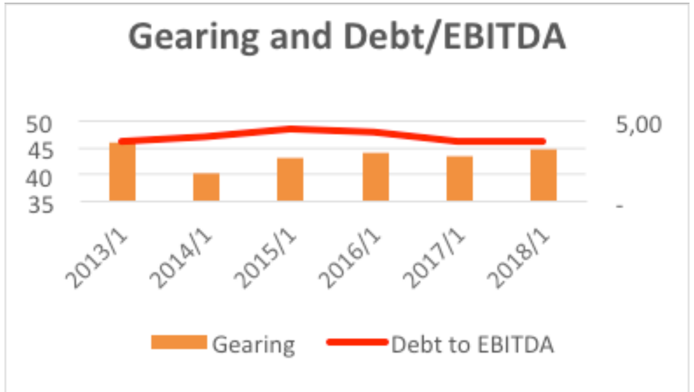
1. Transnet has remained financially sustainable since its inception in 2000. The last time any guarantees were issued was in 1999, although these will only expire in 2029.

2. However, for the second consecutive year, Transnet received a qualified audit opinion for the 2018/19 FY. The opinion was based on the fact that the auditors could not verify the full extent of Transnet's irregular expenditure, which increased from R8.2million in 2017/18 to a staggering R41.5 billion in 2018/19, the bulk of which was found in the acquisition of locomotives.



3. Revenue performance has been improving gradually over the period, from R72 billion in 2017/18 to R74.1 billion in 2018/19 with revenue of 2019/20 expected to grow to R77 billion. The growth was due to increases in volumes transported and tariffs.

4. Net profit decreased substantially to R393m in 2015/16, but bounced back to R600m in the 2018/19 FY.



5. The decline in profits in the 2015/16 and 2016/17 FYs were driven by increases in depreciation and finance costs associated with the capital investment programme. Overall, Transnet has remained financially sustainable and is expected to be so for a considerable time.

6. Transnet equity grew in line with profits throughout. Return on equity declined in line with net profits as discussed above.

GEARING:

- Transnet's gearing increased steadily over the period but remained under the threshold of 50%.
- The baseline decreased somewhat in 2014/15 as Transnet started to incorporate revaluations of rail assets during this period, which increased the asset base and consequently decreased the gearing ratio. From then on, the ratio started to increase gradually as long-term debt increased in line with the capital expansion programme.

DEBT/EBITDA:

- This ratio increased steadily with the exception of the 2017/18 FY when the ratio decreased as Transnet decreased its debt in order to return to a healthier credit status. It increased again in 2018/19.

KEY FINANCIAL ISSUES

1. PRASA debt

Transnet provides PRASA with vital infrastructure and its maintenance but does not settle their debt as expected. The budget allocated to PRASA by National Treasury is insufficient to cover their Transnet-related costs. There is also a possibility that PRASA will reduce their budget on alternative expenses instead of paying Transnet, which will result in write-offs in Transnet, impacting on Transnet's cash flow and lending capabilities. A permanent solution must be found to avoid subsidisation of the passenger industry by the freight business.

2. Corporatisation of Transnet National Ports Authority (TNPA)

In line with the National Ports Act of 2005 and the Medium-Term Strategic Framework, Transnet has to corporatise the TNPA by December 2020. A full impact assessment was conducted in the 2019/20 FY.

Procurement issues and irregular expenditure

Irregular expenditure increased from R8.2 billion in 2018/19 to R41.5 billion in 2018/19. The audit thereof has highlighted substantial inadequacies in the procurement environment including lack of skills and inadequate execution of formal procedures company wide. Transnet has prioritised this area to curb wastage.

Volumes

Transnet volumes increased gradually and at times aggressively over the 29 years of its existence in its current format. However, for the 2018/19 financial year expectations had to be lowered considerably as volumes, although not declining, have grown only marginally. The COVID-19 pandemic is expected to have a significant adverse impact on the volumes moved by Transnet for the foreseeable future.

Other concerns

As a result of poor performance across strategic KPAs, Transnet could rely on tariffs which will contradict the expectation given by the Government regarding reducing the cost of doing business in the country.

4.4 SOC GOVERNANCE ASSURANCE AND PERFORMANCE OVER THE MTSF

In the 2018/19 FY, the Department continued to consult with Government on the Cabinet-approved SOC reform initiatives, including the determination of an appropriate Shareholder ownership model and overarching Shareholder policy. At the extended Cabinet Lekgotla of 7-8 August 2018, Cabinet discussed considerations for SOC reform, a SOC Roadmap, improving the performance of SOCs and continuing to address the challenges facing SOCs.

Consultations through the DG's Technical Task Team (TTT) and/or Working Group on SOC Reform will take place in the 2020/21 FY in preparation for the Government Shareholder Management Policy to be considered by the Presidential SOE Council and

Cabinet under the new administration. The work of the DG's TTT meetings is expected to proceed according to schedule. In the interim, approval is being sought from NT for the appointment of a service provider to draft the Green Paper on SOC Reform, based on the Shareholder Management Policy principles approved in November 2016.

In line with pronouncements of the 2018 SONA on eradicating fraud and corruption, the Boards in the portfolio were reviewed. Cabinet approved the appointment of new Boards for Transnet, Denel, SA Express and SAFCOL. In November 2018, the 4 existing NEDs on the Alexkor Board were reappointed to the Board.

The Department held ongoing consultations with SOCs in the DPE portfolio and Government Departments to implement the Guide for SOCs' Remuneration and Incentives for Executive Directors, Prescribed Officers and Non-Executive Directors. The Guide, approved by Cabinet in November 2016, intends to harmonise and standardise remuneration practices for Boards, executives and prescribed officers. In 2019/20, the SOCs will continue aligning their Remuneration policies to the Guide to ensure consistency in the methodologies and practices for remuneration.

Challenges

- What is the status of the SOC reform and draft legislation?
- Will the draft legislation be tabled in 2019/20 and 2020/21? Give a compelling reason why it will be tabled during the First Sitting of the 6th Parliament taking into account that this year will be a shortened session.
- Are any current Board members conflicted? If so, have they declared their interests?
- When did they declare their interests?
- If there are any conflicts of interest, what measures are in place to protect the reputation and credibility of institutions?

Oversight of SOCs

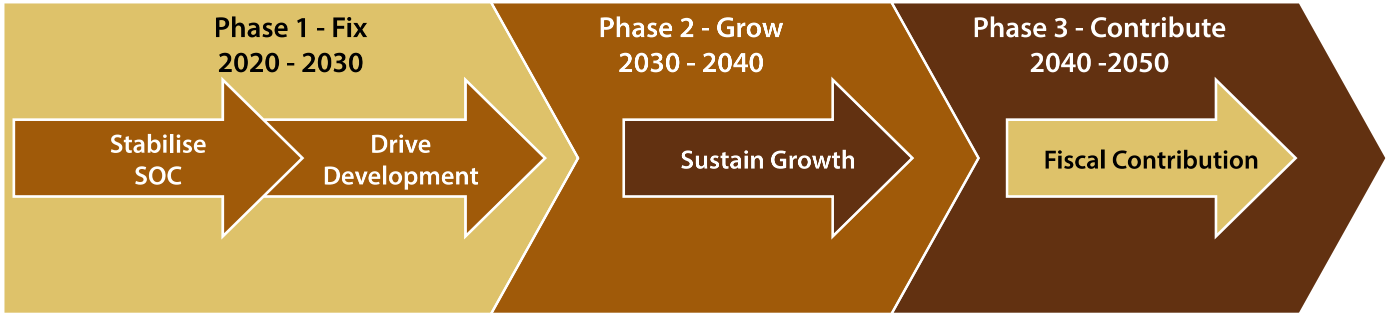
- Oversight meetings with Chairpersons of Boards as well as the Audit and Risk Committee within the portfolio, forums have been set up and meetings must be held regularly.
- Quarterly engagements with DPE officials and executive management of SOCs.
- Conclude the Government Shareholder Management Act (SOC Reform).
- Support SOCs to ensure they are financially sustainable and do not need Government support.
- Ensure clean administration for the Department in order to lead by example within the portfolio.

5. Impact statements: 2020 - 2050

The NDP outlines the development path for the South African economy and the need to ensure that, by 2030, South Africa is an industrialised economy. This is an ambitious goal and requires that all State institutions work in unison, as well as in collaboration with the private sector. The DPE's overriding goal is to ensure that SOCs have the capacity to influence this trajectory and support the Government to deliver on its long-term goals.

In the context of the progressive delivery of NDP goals, there are four top-level impacts desired over the period 2020 – 2050:

- Stabilisation (or turnaround) of SOCs in the DPE portfolio;
- Industrial development resulting in economic growth;
- Sustainable economic growth, both within and beyond our boundaries; and
- SOCs are a reliable source of income to the fiscus.

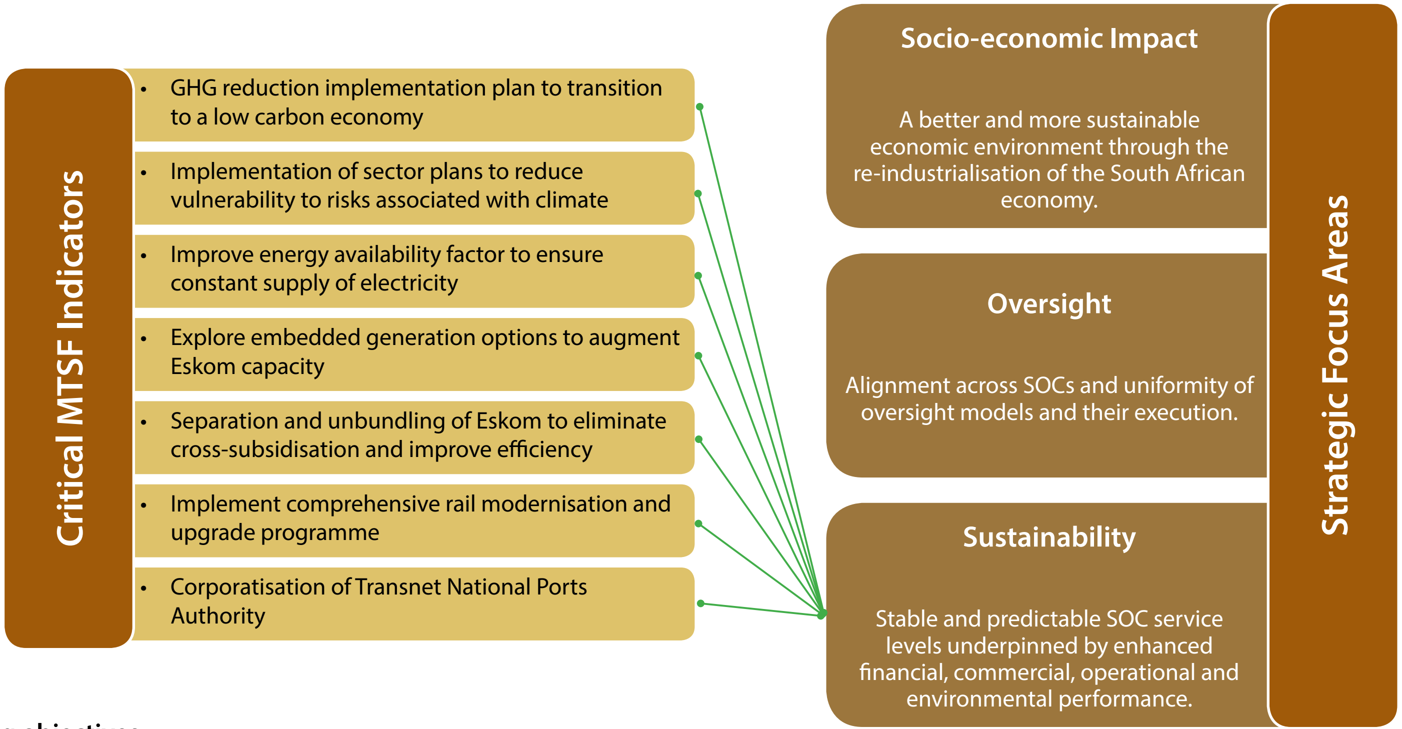


This has required the DPE to take a long-term view on how SOCs are managed and positioned to optimise their contribution to the desired developmental path. The Department's strategy seeks to ensure that SOCs both lead and drive the pursuit of the goals of a developmental state, namely responding to high levels of unemployment, poverty and inequality. This will be done in phases as follows:

- **Phase 1** of the strategy is in two parts, stabilisation and driving development. During this phase, the effectiveness of SOCs' influence on economic development patterns will be assessed and, if necessary, recalibrated.
- **Phase 2** will ensure that SOCs sustain growth, leveraging their infrastructure networks to create value for the domestic economy. This will ensure delivery of network services that will enhance the competitiveness of the economy and deepen industrialisation and industrial capabilities. It will also accelerate the expansion of SOCs' cross-border activities.
- **Phase 3** sees SOCs being active investors in a number of sectors in different jurisdictions. Emphasis will be increased on return on assets, as SOCs will be expected to contribute significantly to the fiscus through the declaration of dividends.

Alignment with the MTSF

The DPE currently owns seven key indicators in terms of the MTSF. Although the activities associated with these indicators have a wide range of both outcomes and impact, in the DPE strategic framework all of them are situated under "Sustainability" as illustrated below.



Outcomes and supporting objectives

The DPE strategy needs to contain actions that support the turnaround of the economy and the realisation of economic objectives as outlined in the MTSF and the NDP. However, it also needs to recognise that SOCs in the portfolio will continue to operate in a difficult and constrained economic environment. This recognition must be translated into actions that support SOCs to diversify and promote financial and commercial sustainability. The drafting of this strategy has sought to find this balance.

With reference to DPE's Strategic Impact Areas (above), the Department's intended key outcomes and supporting strategic objectives for the period 2020 – 2025 are set out below. Note that the outcome indicators are addressed separately under **measuring our outcomes**.

5.1 SOC Socio-economic Impact

Impact Statement	To ensure a better and more sustainable economic environment through the re-industrialisation of the South African economy.

Key outcomes

A better and more sustainable economic environment through the re-industrialisation of the South African economy (DPE).

Economic Transformation and Job Creation (MTSF).

Supporting Strategic Objectives

1. To position SOCs to support the re-industrialisation of the SA economy: -

- SOCs can play a critical role in leveraging both their investment and operational activities to support the re-industrialisation of the economy.
- By creating an enabling environment, SOCs will be instrumental in supporting an export-orientated economy.
- The focus is to ensure that SOCs localise their value chains and support the growth of manufacturing and other productive sectors.
- SOCs need to manage and consolidate demand within their supply chains, where possible, to establish base load capacity for industrialisation, without significantly increasing their own supply risk and input costs.

2. To increase the contribution by SOCs in support of the transformation of the South African economy: -

- SOCs are major players in industries/sectors in which they operate and can leverage this position to promote transformation in their value chains and their suppliers.
- The DPE will ensure that transformation remains a key principle of engagement with stakeholders and development of suppliers across the entire DPE and SOC value chain.

3. To support the development of small, medium and micro enterprises (SMMEs): -

- Explore initiatives to support the development of small, medium and micro enterprises (SMMEs), cooperatives as well as rural and township businesses, including businesses owned by targeted groups.
- The DPE and SOCs will institute a specific programme to identify specific products and services that can be used to develop community based SMMEs.

4. To accelerate the development of skills to support the needs of the economy: -

- Technical skills development is a prerequisite for successful industrialisation.
- The DPE and SOCs will institute a cross-industry collaborative initiative to develop a holistic skills development approach that will benefit all industries.

5.1.1 Measuring Outcomes: (Socio-Economic Impact)

Socio-Economic Performance Indicators

MTSF Priority	2	Economic, Transformation and Job Creation		
Outcomes		**Outcome Indicators**	**Baseline**	**Five-year Target**
Position SOCs to support the re-industrialisation of the SA economy		Increase SOCs' local content (manufactured) spend to 75%	50%	75%
Increase the contribution by SOCs in support of the transformation of the South African economy		Increase % of total annual preferential procurement spend	New	80%
		BBBEE recognition levels using a generic scorecard and or a qualifying scorecard	7	4
Support the development of small, medium and micro enterprises (SMMEs)		% spending on SMMEs development initiatives and activities as % total annual procurement spend	New	3% (NPAT)
		% spent on enterprise development beneficiaries who graduated to the supplier development level	New	1% TMPS
Accelerate the development of skills to support the needs of the economy		% of leviable amount spent in the supply of scare and critical skills in occupations in demand	2.5%	3.5%

5.1.2 Explanation of planned performance over the five-year planning period

Our strategic mandate is to make a positive contribution in transforming the industry in line with the National Development Plan (NDP) to create a better, more sustainable economic environment for all South Africans. This requires reaching a satisfactory balance between the exigencies of operational effectiveness and optimal cost on the one side and directly supporting developmental objectives on the other.

The Special Programmes are responsible to oversee the alignment and implementation of SOC economic and social transformation agenda in support of national policies and economic growth, with specific focus on Skills Development, Job Creation, Procurement (BBB-EE) and Corporate Social Investments targeted at designated groups (youth, women, PWD and Cooperatives etc). The Special Programmes therefore have a critical responsibility to ensure SOC transformation and socio-economic interventions support the objectives of the National Development Plan Vison 2030 and the MTSF 2019/24 priorities towards addressing the triple challenges of poverty, inequality and unemployment.

5.2 SOC Oversight

Impact Statement	Ensure alignment across SOCs and uniformity of oversight models and their execution.

Key outcomes

Alignment across SOCs and uniformity of oversight models and their execution (DPE).

Improved Governance and Accountability (MTSF).

Supporting Strategic Objectives

To strengthen the governance system of SOCs and promote institutional alignment in the execution of the oversight function.

- This objective is derived directly from the MTSF.
- The oversight function is important to promote coherence in the management of State assets and their impact in driving and/or delivery of a developmental state's objectives. The objective is to create a single approach in the exercise of the oversight function across SOEs and the State.
- The DPE will implement a collaborative forum with other Governmental policy and regulatory formulators and oversight stakeholders to ensure consistency in approach and alignment of roles and responsibilities.
- This must ensure that SOCs receive coherent and aligned directives.

To promote the development of a strong shareholder representative: -

- This is focused on strengthening the Department's capacity to oversee SOCs and lead in the creation of standards for the oversight function across the different spheres of Government.
- The DPE will conduct a total review and re-engineering of the oversight methodology, procedure, process and structure in order to prevent future oversight failures at SOCs.

To oversee the implementation of infrastructure programmes within SOCs: -

- SOCs play a central role in facilitating the movement from consumption-driven to investment-driven growth. The delivery of infrastructure programmes is consequently central to turning around the economy and moving to a different growth path. The key is to ensure that SOCs play an increasing role in scaling public sector investments from 7% of GDP to 10% as outlined in the MTSF.
- The DPE will agree with the SOCs and other stakeholders on a comprehensive macro-economic life cycle model to plan future demand and supply response in a coherent manner to limit the disruption of short-term crises on SOC operations.
- See also the infrastructure programmes relating to rail and port networks under Sustainability below.

5.2.1 Measuring Outcomes: (Oversight)

Oversight Performance Indicators

MTSF Priority	1	Capable, Ethical and Developmental State		
Outcomes		**Outcome Indicators**	**Baseline**	**Five-year Target**
Strengthen the governance system of SOCs and promote institutional alignment in the execution of the oversight function		Independent Board Performance Index	New	80% per Board
Oversee the implementation of infrastructure programmes within SOCs		SOC Planned Capacity Adherence (percentage)	New	98%
Improve governance and accountability		Integrated monitoring and evaluation system for public governance and accountability	Previous intervention by NT, DPE, and Presidency	Integrated monitoring reports produced bi-annually to Cabinet.
		Establish the SOE Council and improve performance and governance of the SOEs by 2020	New Indicator	Presidential State-owned Enterprises Council established by 2020.

5.2.2 Explanation of planned performance over the five-year planning period

To further strengthen the governance system within the SOCs the Department will on an annual basis evaluate the Boards' performances. In the fight to curb corruption within SOCs, a hotline has been established for the public and SOC employees to blow the whistle anonymously on fraud and corruption; this is monitored and reported to authorities quarterly.

There remains limited clarity on the roles of various stakeholders, unclear reporting and accountability lines, and a lack of uniformity in oversight models. Oversight by shareholder departments is often weak and, as a result, the mandate and role of the Shareholder are not fully implemented. For the MTSF to be realised, the State will need to separate and clearly define the functions performed by shareholder, policymaker and regulator alike. Through this focus, the DPE will make recommendations to the State on policies or policy amendments needed to ensure increased alignment among SOCs' uniformity of oversight models and their execution.

5.3 SOC Sustainability

Impact Statement	Ensure stable and predictable SOC service levels underpinned by enhanced financial, commercial, operational and environmental performance.

Key outcomes

- Stable and predictable SOC service levels underpinned by enhanced financial, commercial, operational and environmental performance (DPE).
- Increased access to affordable and reliable transport systems (MTSF).
- Securing the supply of energy (MTSF).

Supporting Strategic Objectives

To promote the independent financial sustainability of SOCs:-

- Improve the financial sustainability of SOCs through the design and implementation of programmes that will reduce costs and/or develop new markets.
- The DPE will, in collaboration with SOCs and stakeholders, develop a coherent empirical financial life cycle model to ensure the competitive advantage of SOCs in the markets they serve or wish to pursue.

To promote the commercial viability of SOC operations: -

- Ensure that services provided by SOCs meet the user requirements through setting clear service standards and continuously evaluate progress focused on network services such as rail, ports and electricity.
- The DPE will, in collaboration with SOCs and stakeholders develop a coherent commercial operating model to ensure SOCs remain commercially relevant to the markets they serve.

To promote the operational excellence of SOCs: -

- Put operational excellence and performance at the centre of their strategy execution. Their core purpose is to provide a clear competitive advantage to the industries they serve and enhance the ability of those industries to create jobs.
- Form a clear understanding of the competitive drivers and best practice operating models required for global competitiveness in collaboration with industry.
- Streamline their operating models, implement best practice and establish globally competitive targets.

In addition to the objectives above, the DPE is committed to the delivery of the following more specific MTSF-derived objectives that support enhanced financial, commercial, operational and environmental performance:

- Reduce vulnerability to risks associated with climate crisis;
- Monitor SOCs' contribution to the National Climate Change Response Commitments to the Paris Agreement;
- Improve the energy availability factor to ensure constant supply of electricity;
- Explore embedded generation options to augment Eskom's capacity;
- Separate and unbundle Eskom to eliminate cross-subsidisation and improve efficiency;
- Implement a comprehensive rail modernisation and upgrade programme; and
- Corporatise Transnet National Ports Authority.

5.3.1 Measuring Outcomes: (Sustainability)

Sustainability Performance Indicators

MTSF Priority	2	Economic, Transformation and Job Creation		
Outcomes		**Outcome Indicators**	**Baseline**	**Five-year Target**
Improved independent financial sustainability of SOCs		% increase on SOCs' financial performance	New	60% (minimum) financial targets achieved
Improved operational efficiency of SOCs		% of SOCs operational efficiency	New	60% of SOCs achieving set operational targets
Eskom Specific MTSF Outcomes				
Secure supply of energy		Increase infrastructure investment by public and private investors.	73.74%	Increased energy availability factor to ensure constant supply of electricity above 80% by 2024
			4.3%	Increased electricity reserve margin 15% by 2024
			New Indicator	Separate Transmission Company established by 2020.
			New indicator	Explore embedded generation (SSEG) options to augment generation capacity Eskom capacity by 1000 MW by 2024.
			New Indicator	Implementation of the ESKOM Roadmap commitments by 2024.
Transnet and National Ports Authority MTSF Specific Outcomes				
Increase access to affordable and reliable transport system		Increase infrastructure investment by public and private sector.	18.20%	Roll out new ruling stock to various priority corridors.
			New indicator	Transnet National Ports Authority Corporation completed by 2020.

5.3.2 Explanation of planned performance over the five-year planning period

Over the years, Eskom plant performance has been deteriorating leading to the current constrained system which is unreliable and unavailable to meet the demand. This is due to lack of critical maintenance at some stations; no refurbishment of key components resulting in increased unplanned failures which are difficult to predict and manage.

Eskom has developed a comprehensive Generation Recovery Programme that aims to address the short-term failures and deal with the long-term sustainability of the generation fleet. Its focus is to apply prudent asset management practices that will restore the integrity of the generation fleet. This will allow Eskom to fast-track improvement in generation performance and ultimately improve availability of plant in the long run.

The Corporate Plan and the Shareholder Compact will reflect the agreed targets for improvement in the Energy Availability Factor with the aim of reaching 80% by the end of the MTSF period.

While improving the Generation EAF to 80%, there must be an inclusion of embedded generation from the private sector to increase Eskom's electricity supply capacity. The process of including embedded generation into the grid is done according to the registration and licencing process outlined by the National Energy Regulator of South Africa (NERSA) and grid connection process from Eskom.

The 2019 Integrated Resource Plan (IRP) assumes that 2 600 MW of embedded generation will be added to the national grid by households and industry. The embedded generation capacity will supplement Eskom's generation capacity, resulting in a diversified and competitive electricity generation industry.

Unbundling Eskom into separate companies responsible for the different functions – starting with the creation of a Transmission entity, combined with the system operator – will set the electricity sector on a new path. This proposed restructuring is in line with the 1998 Energy Policy White Paper, which recommeded that Eskom be restructured into separate generation and transmission companies and that independent distributors would be established.

The main benefit of separation will be to reduce information asymmetries, mitigate and distribute risks and strengthen incentives for efficiency. The process will: -

- Enable greater management attention to be focused on turning around the different parts of the business and enhance accountability;
- Improve transparency, reducing the opportunities for fraud, corruption and rent-seeking; and
- Mitigate the risk arising from an Eskom that is "too big to fail" and limit financial contagion from the underperforming parts of Eskom's generation business, where most of the current problems have originated.

In October 2019, DPE published a Special Paper on Eskom which sets out the roadmap and timelines for the separation. The first phase will entail functional unbundling of the holdings company into 3 separate divisions each with their own separate board and management. The next phase entails legal separation and the establishment of the Transmission Company. Government and Eskom will continue to engage on the legal and regulatory requirements for successful implementation. The targets have been cascaded to the Eskom Shareholder Compact with the milestones.

Roadmap highlights

SOCs in the Department are experiencing financial challenges and most of them depend on Government support to sustain their operations. Therefore, stabilisation of SOCs is critical before they turnaround both their operational and financial performance. The Department is endeavoring to set SOCs' financial targets which are aimed at transitioning the SOCs to become financially sustainable and to reduce their reliance on the fiscus. All SOCs must be profitable by the year 2025.

6. Key risks and their mitigation

The DPE continues to implement an integrated system of risk management in accordance with the enterprise risk management framework. This enables the effective management of key risks that could prevent the Department from achieving its objectives.

The DPE's Executive Committee, chaired by the Director-General, fulfils the role of the Risk Management Committee, supported by the Audit Committee in overseeing the management and mitigation of key risks. Our key risks are identified below and addressed in more detail in **Annexure D: Key Risks**.

Outcome	Risk	Mitigation Strategy
Position SOCs to support the re-industrialisation of the SA economy	NDP: Policy incoherence and uncertainty	Agree on specific policies regarding dividends and capitalisation of the SOCs with National Treasury. Develop and implement a plan to foster effective collaboration and alignment between the DPE, policy and regulatory mechanisms and all key stakeholders to ensure that SOCs remain relevant.
	NDP: Poor performance of SOCs jeopardises the NDP	Requires additional resources/incentives to assist in the enablement of small to medium-sized businesses. Create a culture of ethical manufacturing in South Africa. Requires a re-think in industrial policy to create future competitive industries that are less reliant on SOCs or not impacted by the current underlying challenges.
Position SOCs to support the re-industrialisation of the SA economy. Oversee the implementation of infrastructure programmes within SOCs. Increase the contribution of SOCs in supporting the transformation of the South African economy. Support the development of small, medium and micro enterprises.	Policy alignment in Capital Acquisition	Collaborate with other policy and regulatory stakeholders to ensure alignment on industrial development objectives and strategy. Assess the entire value chain opportunity and impact when directing investment to support establishment of new value adding suppliers. Facilitate alignment of a sourcing strategy with economic value-adds from new value-adding suppliers.

Outcome	Risk	Mitigation Strategy
Promote the development of a strong shareholder. Strengthen the governance system of SOCs and promote institutional alignment in the execution of the oversight function.	Inadequate tools and ineffective use of existing tools	Re-engineer all methodologies, procedures, and processes to ensure the effective implementation of oversight instruments. Identify specific gaps and weaknesses within current tools to enhance automated reporting systems, machine learning technologies and the ability to collect and analyse Big Data sets for predictive analytics in oversight. Develop capacity to ensure compliance and enforcement with intelligent performance management dashboards.
Strengthen the governance system of SOCs and promote institutional alignment in the execution of the oversight function.	Failure of Governance in SOCs	Finalise and implement the SOE Act to mandate and formalise oversight policies and procedures. Introduce policies that clearly define roles and responsibilities of each stakeholder within the SOC value chain. Establish a new oversight architecture and coordinate interventions through the Presidential SOE Coordinating Council (PSCC), chaired by the President and the DPE as the Secretariat. Repurpose the DPE organisational structure and enhance capacity to provide effective oversight.
Promote the development of a strong shareholder. Strengthen the governance system of SOCs and promote institutional alignment in the execution of the oversight function.	Organisational structure and limited capacity constrain effective technical oversight	Focus on the restructuring and re-engineering of DPE to enable effective oversight in terms of people, process and systems.
Promote the development of a strong shareholder representative. Strengthen the governance system of SOCs and promote institutional alignment in the execution of the oversight function.	Leadership continuity	Implement the plan to ensure the stability of DPE leadership. The appointment of long-term leadership performance contracts based on technical ability and merit.
Improved operational efficiency of SOCs. Improved independent financial sustainability of SOCs.	Unsustainable business model	Introduce specific targets for cost containment and revenue "output" generation in the Shareholder Compacts. Enhance the SOC Operating Model to focus on growth and business rightsizing initiatives through the SIS. Foster SOCs' investment in R&D to ensure their operating models are competitive and respond to disruptive business changes in the operating environment.

Outcome	Risk	Mitigation Strategy
Strengthen the governance system of SOCs and promote institutional alignment in the execution of the oversight function. Improved operational efficiency of SOCs. Improved independent financial sustainability of SOCs.	Failure of SOCs to deliver on their mandate	Align remuneration, performance and consequence management with Cabinet guidelines. Agree and implement a new Logical Planning Framework with specific adherence to prescripts. Enhance and streamline the DPE's internal processes to ensure rapid response and timeous decision making throughout the SOC Value Chain. Capacitate core technical functions, develop and enhance technical skills. Implement sound operational and systems engineering business processes to ensure effective technical oversight.
Improved operational efficiency of SOCs. Improved independent financial sustainability of SOCs.	SOC: Corruption, Fraud and Maladministration	Enhance the methodology and manner in which Boards are appointed to ensure independence. Ensure effective Board performance review with due consequence management. Ensure the effectiveness of financial, internal and value chain audits to provide credible unbiased independent oversight on the performance of SOCs. Ensure that SOCs have effective internal controls to ensure all audit recommendations are implemented.
Improved operational efficiency of SOCs. Strengthen the governance system of SOCs and promote institutional alignment in the execution of the oversight function.	SOC Boards lack the depth of skills to ensure operational excellence	Review composition of Boards and ensure appropriate mix of skills to improve SOCs operational efficiency.
Improved operational efficiency of SOCs.	Negative turnaround sentiment (reputation of SOCs damaged)	Develop and implement a plan to deal with fraud and corruption in SOCs. Agree on a leadership code of conduct to deal with corruption and state capture issues.

7. Public entities intended outcomes

The following 7 SOCs are currently under the DPE's oversight; However, due to the financial position our SOCs find themselves in, budget could not be determined.

Public entity	Intended outcomes	Budget
Alexkor	A growing, profitable and sustainable mining organisation that contributes to the development needs of its communities.	N/A
Denel	Global strategic partner for innovative defence, security, aerospace and related technology solutions.	N/A
Eskom	Economic growth delivered by being a financially sustainable provider of cost-effective energy solutions across Africa.	N/A
SAA	Under business rescue review and will not be assigned additional outcomes.	N/A
SAFCOL	A commercially sustainable forestry industry in South Africa.	N/A
SAX	Under business rescue review and will not be assigned additional outcomes.	N/A
Transnet	Cost-effective, reliable, integrated and seamless transport solutions for the bulk and manufacturing sectors in Southern Africa.	R100 billion (estimated)

Part D:

TECHNICAL INDICATOR DESCRIPTIONS (TIDS)

PART D: TECHNICAL INDICATOR DESCRIPTIONS (TIDS)

A. SOCIO-ECONOMIC IMPACT

Indicator title	Increase SOCs' local content (manufactured) spend to 75%
Definition	To position SOCs to support the re-industrialisation of the SA economy for SOCs to procure locally manufactured goods and services as per Preferential Procurement Policy Framework Act regulation 8 (4) and 9.
Source of data	SOCs' Annual Reports/Quarterly Reports.
Method of calculation or assessment	% spent on locally manufactured or produced goods and services (total procurement spend).
Assumptions	This index is an overall measure of South Africa's industrialisation effort. Our assumption is that we will be able to infer SOCs' overall contribution to this index.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Desired performance	Improved year-on-year percentage spent on procurement of locally manufactured goods and services.
Indicator responsibility	DDG: Business Enhancement and Industrialisation.

Indicator title	Increase % of total annual preferential procurement spent
Definition	To ensure we increase the contribution of SOCs to support the transformation of the South African economy. A % Procurement Spend on locally manufactured goods and services will be used to measure performance. This will be aligned with a measure in the Mining Charter.
Source of data	Individual SOC procurement data.
Method of calculation or assessment	Designated percentage targets.
Assumptions	SOCs to provide summary of procurement spend with trend analysis aligned to transformation, local content and developmental goals.
Disaggregation of beneficiaries (where applicable)	• % Produced by women (services 15%, goods 5%); • % Produced by youth (services 5%, goods 5%); • % BBBEE Compliant (services 100%, goods 44%).
Spatial transformation (where applicable)	None
Desired performance	Goods: • % SA manufactured – 70%; • % SA manufactured by HD-owned company – 21%; • % Produced by women or youth – 5%; • % B-BBEE Compliant – 44%; Services: • % SA manufactured –80% • % SA manufactured by HD-owned company – 50% • % Produced by women – 15% • % Produced by youth – 5% • % B-BBEE Compliant – 100%
Indicator responsibility	Programme DDGs

<table>
<tr><th>Indicator title</th><th>BBBEE recognition levels using generic scorecard and/or qualifying scorecard.</th></tr>
<tr><td>Definition</td><td>Assess the level at which transformation and empowerment is implemented.</td></tr>
<tr><td>Source of data</td><td>SOC BBBEE verification information/certificates.</td></tr>
<tr><td>Method of calculation or assessment</td><td>
<table>
<tr><td>Level 1</td><td>≥100 points on the generic scorecard</td><td>135%</td></tr>
<tr><td>Level 2</td><td>≥95 but <100 points on the generic scorecard</td><td>125%</td></tr>
<tr><td>Level 3</td><td>≥90 but <95 points on the generic scorecard</td><td>110%</td></tr>
<tr><td>Level 4</td><td>≥80 but <90 points on the generic scorecard</td><td>100%</td></tr>
<tr><td>Level5</td><td>≥75 but <80 points on the generic scorecard</td><td>80%</td></tr>
<tr><td>Level 6</td><td>≥but <75 points on the generic scorecard</td><td>60%</td></tr>
<tr><td>Level 7</td><td>≥55 but <70 points on the generic scorecard</td><td>50%</td></tr>
<tr><td>Level 8</td><td>≥40 but <55 points on the generic scorecard</td><td>10%</td></tr>
<tr><td>Non contributor</td><td>< 40 points on the generic scorecard</td><td>0%</td></tr>
</table>
</td></tr>
<tr><td>Assumptions</td><td>SOCs understand the fundamental principles for measuring BBBEE compliance with substance taking precedence over legal form. SOCs should not merely comply with the legal form for BBBEE but should also ensure meaningful impact.</td></tr>
<tr><td>Disaggregation of beneficiaries (where applicable)</td><td>It targets precisely Blacks, Indians and Coloureds.</td></tr>
<tr><td>Spatial transformation (where applicable)</td><td>None</td></tr>
<tr><td>Desired performance</td><td>All SOCs are BBBEE compliant and achieve BBBEE level 4.</td></tr>
<tr><td>Indicator responsibility</td><td>DDG: BES</td></tr>
</table>

Indicator title	% spending on SMME development initiatives as % total annual procurement spend.
Definition	To measure the support provided to the development of small, medium and micro enterprises (SMMEs) including procurement spend on SMMEs. Procurement to be offset against Supplier Development (SD) initiatives value.
Source of data	SOC procurement data.
Method of calculation or assessment	Designated percentage targets as: • % of total procurement offset against Supplier Development for goods; • % of total procurement offset against Supplier Development for services.
Assumptions	SOCs to provide summary of procurement spend with trend analysis aligned to transformation and developmental goals.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Desired performance	• % of total procurement offset against supplier development for goods – 30%; • % of total procurement offset against supplier development for services – 10%;
Indicator responsibility	DDG: Business Enhancement and Industrialisation.

Indicator title	**% of enterprise development beneficiaries who graduated to the Supplier Development level.**
Definition	To measure the development of beneficiaries.
Source of data	SOC supplier development data.
Method of calculation or assessment	Designated percentage targets as: • % of total procurement offset against supplier development for goods; • % of total procurement offset against supplier development for services.
Assumptions	SOCs to provide summaries of procurement spend with trend analysis aligned to transformation and developmental goals.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Desired performance	More SMMEs which graduated into suppliers.
Indicator responsibility	DDG: Business Enhancement and Industrialisation

Indicator title	**% of leviable amount spent in the supply of scarce and critical skills in occupations in demand.**
Definition	To accelerate the SOC's contribution to the development of scarce and critical skills in occupations in demand to support the needs of the economy, by measuring the % spent of the mandatory leviable amount. Track numbers trained per skills category and the equity profiles of beneficiaries.
Source of data	Quarterly SOC Reports and data on skills development.
Method of calculation or assessment	Number of reports produced on SOC's skills contribution.
Assumptions	Continued funding availability to support training and skills development initiatives.
Disaggregation of beneficiaries (where applicable)	Skills development beneficiaries profiled according to equity and/or demographics.
Spatial transformation (where applicable)	Skills development beneficiaries profiled according to their geographical/locations
Desired performance	Increased supply of scarce and critical skills in occupations in demand.
Indicator responsibility	DDG: BES

B. OVERSIGHT

Indicator title	**Independent Board Performance Index**
Definition	To strengthen the governance system of SOCs and promote institutional alignment in the execution of the oversight function a new Board performance. The index will be agreed and implemented.
Source of data	Independent Board evaluations and reviews
Method of calculation or assessment	A composite measure based on multiple performance indicators
Assumptions	Board members will complete a minimum 1-year cycle and sign shareholder compacts (agreements) with the Minister within the stipulated timeframe.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None

Desired performance	Improved governance and accountability.
Indicator responsibility	DDG: Governance, Legal Assurance, Risk Profiling and Mitigation.

Indicator title	**% of SOC Planned Capacity Adherence**
Definition	To oversee the implementation of infrastructure programmes within SOCs. A measure will be developed to verify an SOC's ability to prove capacity against their long-term capacity plan.
Source of data	PICC capacity guidelines and SOC long-term capacity and capital acquisition plans.
Method of calculation or assessment	SOC Planned Capacity Adherence (Percentage) = (PC-AC)/PC • PC – Planned Capacity • AC – Actual Capacity Notes: • It will be important to measure how SOCs are tracking against approved capacity provision vs actual capacity supplied in their long-term plans.
Assumptions	SOCs have budget to complete planned infrastructure projects.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Desired performance	90% Capacity Adherence to plan.
Indicator responsibility	DDG: (all)

4.1 Indicator title	**Integrated monitoring and evaluation system for public governance and accountability**
Definition	The RIMF is meant to foster maintenance of high standards of ethical conduct in SOEs' promote accountability in management of public funds, promote integration between risk and performance and promote enhanced risk reporting by SOEs.
Source of data	Output of SOE risk maturity survey, Engagements between service provider and SOEs representatives.
Method of calculation or assessment	Simple Count
Means of verification	Meeting Invites, Presentation, Draft Document
Assumptions	Covid-19, Poor Performance by Service Provider and non-availability of key stakeholders.
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Desired performance	Improved and effective risk reporting culture from SOEs
Indicator responsibility	Chief Risk Officer

4.1 Indicator title	SOE Council and improve performance and governance of the SOEs established.
Definition	To measure the establishment of Presidential State-owned Enterprises Council to improve performance and governance by 2020.
Source of data	Council reports, list of Presidential State-owned Enterprises Council.
Method of calculation or assessment	Simple counts
Means of verification	Quarterly reports
Assumptions	Presidential State-owned Enterprises Council will be established.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Desired performance	Improved performance and governance of SOCs
Indicator responsibility	DDG: Governance, Legal Assurance, Risk Profiling and Mitigation.

C. SUSTAINABILITY

Indicator title	% increase in SOCs' financial performance
Definition	KPAs will be used to measure SOC performance in terms of their respective independent financial sustainability through the Shareholder Compact.
Source of data	Signed Shareholder Compacts and audited Annual Financial Statements.
Method of calculation or assessment	% of aggregated financial targets achieved over the total aggregated number of financial targets in the signed Shareholder Compacts for a particular financial year.
Means of verification	Report on SOCs' financial performance.
Assumptions	Only signed Shareholder Compacts will be used to calculate the measure and audited annual financial statements will be used to verify Shareholder Compacts' performance. This will include an additional KPA measure that is related and relevant to financial performance.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Desired performance	SOCs must be financially sustainable by 2025.
Indicator responsibility	DDG: Financial Assessment and Investment Support.

Indicator title	% of SOCs' operational efficiency
Definition	To measure operational efficiency of SOCs **Energy Sector** 1. EAF (Generation); 2. System minutes lost (Transmission); 3. SAIDI (Distribution). **Rail and Port Sector Efficiency** Measure percentage increase in General Freight Business (GFB) volumes moved annually. (3 GFB Corridors) i.e. Natal Corridor, Cape Corridor, South Corridor. % improvement on rolling stock (locomotives, wagons) reliability and infrastructure maintenance. % increase in Port Terminal Equipment reliability. % increase on road, rail and ports interface. **Denel (Defence Industrial Sector)** Achieving contracted cashflow targets on major programmes.
Source of data	SOCs' Quarterly reports, Corporate Plans, (SOC) Bilateral engagements and client surveys.
Method of calculation or assessment	Energy Sector EFA = Time (Hrs) Energy Plant in Production Total Available Production Time (hrs)
	Denel (Defence Industrial Sector) Denel simple count.
	Rail and Port Sector Efficiency Simple count (mtpa) moved per annum. Simple counts GCM/H.
Means of verification	DPE Quarterly Reports (Memo) approved by Minister.
Assumptions	No disclosure of information and late submission. Policy uncertainty and poor government coordination in policy development. Availability of equipment due to global supply chain disruption. Availability of capital.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Desired performance	Operationally viable SOCs
Indicator responsibility	DDG: Energy and Resources

SAA, SA Express Airways and Alexkor's operational efficiency were not included as they were under Business Rescue and Administration.

Indicator title	Increased Energy Availability Factor (EAF) to above 80% by 2024.
Definition	Energy availability factor (EAF) measure of power station availability, taking into account of energy losses not under the control of plant management and internal non-engineering constraints.
Source of data	Eskom's plant availability data and new capacity.
Method of calculation or assessment	EFA = (Time (Hrs) Energy Plant in Production) Total Available Production Time (hrs)
Means of verification	Eskom quarterly reports and quarterly internal report approved by the DDG.
Assumptions	EAF in terms of lagging indicator.

Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Desired performance	EAF 78%
Indicator responsibility	DDG: Energy and Resources

Indicator title	**Increased electricity reserve margin.**
Definition	Monitor increase of electricity reserve margin by 15% to counter load shedding by 2024 in South Africa.
Source of data	Eskom's plant availability data and new capacity.
Method of calculation or assessment	Electricity reserve margin.
Means of verification	Eskom quarterly reports and quarterly internal report approved by the DDG.
Assumptions	The system adequacy is assessed by the reserve margin and the EAF.
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Desired performance	15% reserve margin.
Indicator responsibility	DDG: Energy and Resource

Indicator title	**Separate Transmission Company established.**
Definition	To measure unbundling of Eskom to eliminate cross-subsidisation and improve efficiency an unbundling by 2020.
Source of data	Eskom Special Paper. Report will be commissioned to explore all options.
Method of calculation or assessment	Separate audited statements of the subsidiaries
Means of verification	Annual reports
Assumptions	Eskom will be unbundled into three separate subsidiaries with separate Boards and CEOs.
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Desired performance	Efficient Eskom with increased generation capacity.
Indicator responsibility	DDG: Energy and Resource

Indicator title	**Explore embedded generation (SSEG) options to augment generation capacity Eskom capacity.**
Definition	To measure increase electricity generation capacity in the country, to augment generation capacity Eskom capacity by 1000 MW by 2024.
Source of data	NERSA reports
Method of calculation or assessment	Simple counts

Means of verification	Progress report approved by DDG.
Assumptions	NERSA will finalise reports on time
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Bi-annually
Desired performance	Secured supply of energy
Indicator responsibility	DDG: Energy and Resource

Indicator title	**Implement ESKOM Roadmap for reformed electricity supply industry.**
Definition	To implement the unbundling of Eskom into 3 separate entities to enable the expansion of generating capacity, to promote transparency by 2024.
Source of data	ESKOM reports
Method of calculation or assessment	Simple counts
Means of verification	Progress report approved by DDG.
Assumptions	ESKOM will submit progress timeously
Disaggregation of beneficiaries (where applicable)	N/A

Spatial transformation (where applicable)	N/A
Desired performance	Separate Transmission Company established by 2024.
Indicator responsibility	DDG: Energy and Resource

Indicator title	**Roll out new ruling stock to various priority corridors**
Definition	To review the current freight rail network capacity's (rolling stock and network) ability to contribute to the economic development and priorities.
Source of data	Transnet's long-term planning framework, National Rail Policy, Transport White Paper Policy 1996 (as amended).
Method of calculation or assessment	Simple count
Means of verification	Inputs in the draft strategy
Assumptions	Policy uncertainty, depletion of the steel industry and cost of electricity.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Desired performance	Safe, efficient, reliable, cost effective and fully integrated railway infrastructure and operations that meet the need of the customers.
Indicator responsibility	DDG: Transport and Defence

Indicator title	Transnet National Ports Authority Corporation completed
Definition	To measure corporatization of Transnet National Ports Authority by 2020.
Source of data	National Ports Act No 12 of 2005 i.e. (Section 3, 4 and 27). Commercial ports policy of 2001.
Method of calculation or assessment	Simple count.
Means of verification	A memorandum describing the process followed to corporatize the National Ports Authority.
Assumptions	Financial impact assessments for both Transnet SOC Limited and TNPA.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Desired performance	Independence of the Authority to address the port sector requirements
Indicator responsibility	DDG: Transport and Defence

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