



# dpe

annual report 2007/08



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“Whilst the electricity emergency captured the headlines and took a great deal of hard work to manage, the year was in fact a very busy and successful one for the DPE on many other fronts.”

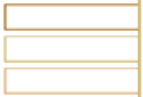
Mr Alec Erwin  
Minister of Public Enterprises



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Performance over the past year

DPE Organisational Structure

DPE Statistics

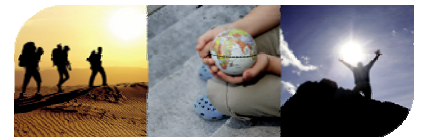
Performance review (all programmes)

Annual Financial Statements



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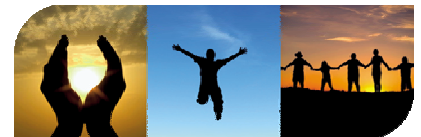
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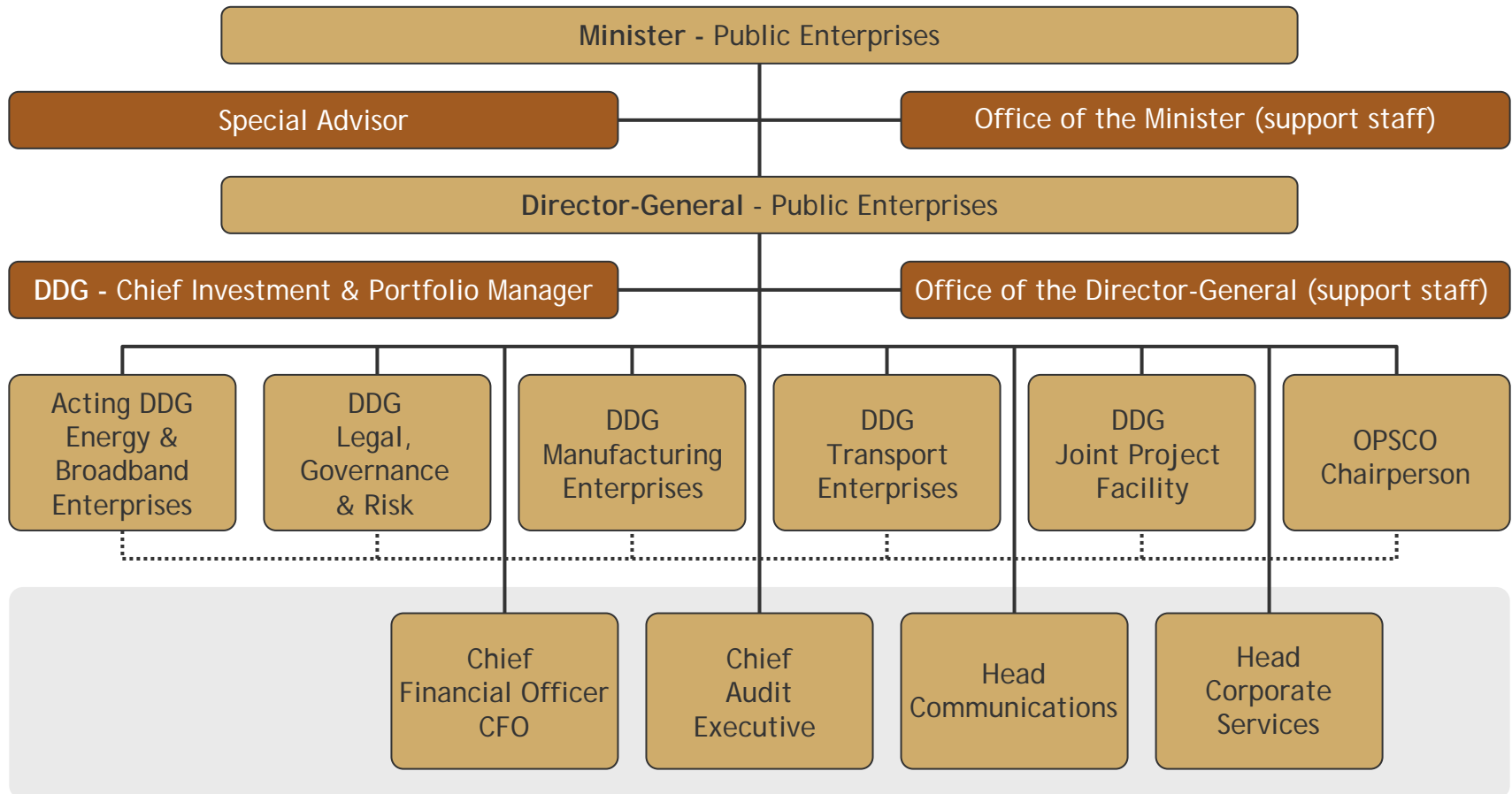
# performance over the past year

## Key achievements:

- Completion of a draft Government Shareholder Management Model
- Enactment of the Broadband Infraco and South African Express (SAX) Bills
- Settlement of the Richtersveld community land claim and setting up of Pooling & Sharing Joint Venture (PSJV)
- Establishment of the Competitive Supplier Development Programme (CSDP)
- Facilitation of the emergency recapitalisation of SAA
- Signing of shareholder compacts with Eskom, Denel, Transnet, SAA and Alexkor
- Establishment of Public Enterprise's Employment and Skills Development Agency
- Establishment of the National Energy Emergency Response Plan
- Initiation of an internal and external Energy Savings Campaign

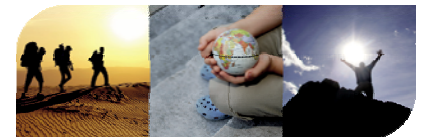


# dpe organisational structure 31 march 2008



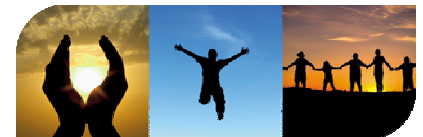
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## dpe statistics

Total establishment as at 01 April 2007	157	
Filled posts as at 01 April 2007	138	
Total establishment as at 31 March 2008	163	
Filled posts as at 31 March 2008	141	
Vacancies as at 31 March 2008	22	
Vacancies at Interview stage	4	Offer Made: 1 Advertised : 12
Total new appointments (01/04/07-31/03/08)	28	
	9	Level 13 - 16
	8	Level 9 - 12
	11	Level 1 - 8
Total exits (01/04/07-31/03/08)	24	
Contract expiry (01/04/07 - 31/03/08): 1 level 13	10	Level 13-16 (13 Resignations, 1 Contract Expiry)
	6	Level 9 -12 (2 Resignations, 4 Transfers)
	8	Level 1 -8 (4 Transfers, 2 Resignations, 1 Death, 1 Dismissal)
Vacancy Rate as at 31 March 2008	13.49%	Public Sector Vacancy Rate as at 31 March 2008: 14.6% (overall status)
Turnover Rate as at 31 March 2008 as per Oversight Report calculation (Total exits divided by Filled posts as at 1 April 2007)	17.40%	Public Sector Turnover Rate as at 31 March 2008: 30.35 % (overall status)



# employment equity targets

Statistics SA (mid-year population estimates)	African		Indian		Coloured		White		Disability
	F	M	F	M	F	M	F	M	
Target	40.3%	39.2%	1.3%	1.2%	4.5%	4.4%	4.7%	4.5%	DPSA Target 2%
Achieved % Actual	41.3% 57	29.71% 41	5.07% 7	0.72% 1	5.07% 7	3.62% 5	10.87% 15	3.62% 5	4% 6

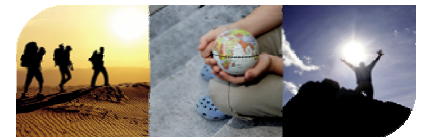
## Areas of Improvement:

**Males in DPE:** African and White: Lower level i.e. 1-12  
Coloured and Indian: All levels

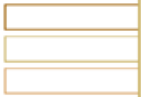
**Females in DPE:** African with the emphasis on SMS level

**Current Gender Compilation on SMS level:** 55.81% male and 44.19% female  
Target 50/50% by 31 March 2009

**Note:** Targets determined as per Statistics SA – using the mid-year population estimates  
Disability target determined by DPSA National Target of 2%. Internal target of 4%.



# intern and graduate development programme



Interns	
Number of Interns appointed in DPE	27
Employed by ESKOM	5
Employed by DPE	6
Employed in other departments and private sector organisations	16
Graduate Development Programme	
Number of graduates	4
Degree	B.Com (Hons)
Institutions	Unisa University of the Western Cape



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“I believe that the Department has also grown from strength to strength in the quality and quantity of work it performed over the year.”

Mr Alec Erwin  
Minister of Public Enterprises



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# review of programme performance



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# administration: planning, monitoring & evaluation

## Targeted output 2007/08

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

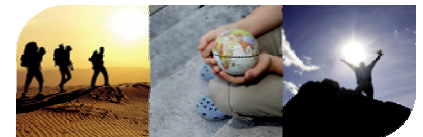
## Achievements 2007/08

- Approved Business and Strategic Plans
- Quarterly Reports



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# administration: human resources

## Targeted output 2007/08

- Identification of priority training needs
- The implementation of training programmes
- Effective staff retention strategy

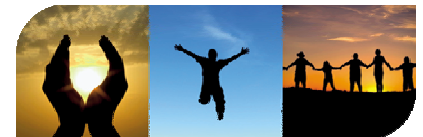
## Achievements 2007/08

- Approved training programme developed and implemented
- Key training programmes were implemented
- Retention strategy approved



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# administration: communications & international relations

## Targeted output 2007/08

- The printing and publishing of all statutory reports within the required time frames, as well as the production of other publications for the Department
- Effective media and stakeholder relations which include media briefings, articles, statements and speeches

## Achievements 2007/08

- The annual report and strategic plan were tabled in parliament on the due dates
- Publications on CSDP, Risk Framework, Eskom Build Project, Transnet Infrastructure Programme and remuneration guidelines were produced during the period under review
- Approved Media policy, cluster communication strategy and the national energy saving campaign implemented
- Six articles were published, two media briefing were held and several media statements and speeches were released



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# administration: communications & international relations

## Targeted output 2007/08

- Coordination of events to support successful projects of the core units
- Effective assistance to Minister, DG and the Department in their International Relations activities

## Achievements 2007/08

- Successful hosting of a celebratory event to mark the land claims settlement with Alexkor and the community of Richtersveld in Alexander Bay
- A number of foreign delegations (United States, France, Germany, Spain, South Korea) which were hosted by Minister, DG and the Department as well as international visits to South Korea and Japan, the United Kingdom, Germany and Switzerland was supported and coordinated successfully



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# administration: information management

## Targeted output 2007/08

- IT security upgrade
- The implementation of the SOE dashboard
- Improved physical security and front office interface
- The enhancement of the Local Area Network (LAN) configuration

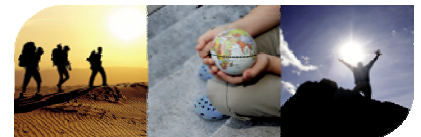
## Achievements 2007/08

- An additional firewall has been installed and is fully functional
- The SOE dashboard has been implemented
- A new identification software has been installed enabling easy access to office
- The LAN has been established



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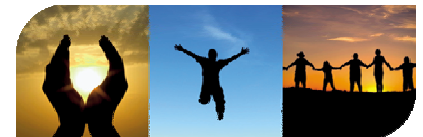
# administration: finance & supply chain management

## Targeted output 2007/08

- Unqualified audit without emphasis of matter
- Timeous submission of Adjusted Estimates, MTEF and ENE to National Treasury
- Compliance with all prescribed procurement processes
- Invoices paid within prescribed 30 day period
- Accurate Asset register

## Achievements 2007/08

- Unqualified audit without emphasis of matter achieved
- All documents were submitted to National Treasury on due dates
- No irregular expenditure
- 30 day prescripts for payments achieved
- Updated asset register





## administration: internal audit

### Targeted output 2007/08

- Effective risk management process within DPE
- Development of a three-year Internal Audit Strategic Plan

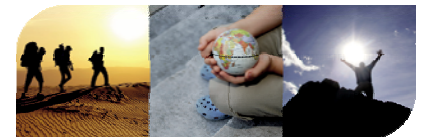
### Achievements 2007/08

- Approved Risk Register and quarterly risk management reports developed
- Approved Internal Audit Strategic Plan



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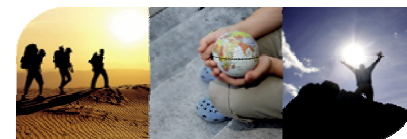
# electricity consumption reduction project: period: march 2008 to august 2008

Savings Report for March 2008 to August 2008 (March consumption was used as baseline)

Month	Total Consumption in kWh	Savings in kWh	@ Average Price per kWh R0,34	Savings in Rands & cents
March 2008	80 267.60	-	-	-
April 2008	62 518.79	17 748.81	X R0.34	R6 035.00
May 2008	49 843.78	30 423.82	X R0.34	R10 344.00
June 2008	47 780.32	32 487.48	X R0.34	R11 045.74
July 2008	48 692.86	31 574.74	X R0.34	R10 735.41
Aug 2008	41 355.58	38 912.02	X R0.34	R13 230.09
<b>TOTAL:</b>				<b>R 51 390.24</b>



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“We remain committed to ensuring that our state-owned enterprises are efficient, world-class entities which contribute substantially to the growth and development of the South African economy.”

Mr Alec Erwin  
Minister of Public Enterprises



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# business units overview



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## ESKOM (spark)

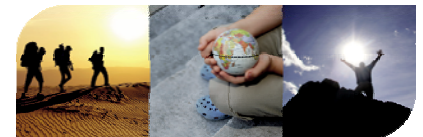
The energy sector is a challenging one not only here but in the world as a whole as we grapple with the growing demand for electricity alongside the need to reduce emissions so as to mitigate against potentially devastating climate change.

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## Targeted output 2007/08

- Introduction of private sector participation
- The National Electricity Emergency Response Plan
- The Eskom Build Programme

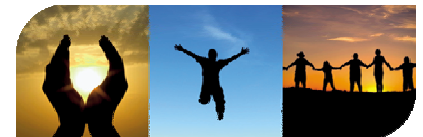
## Achievements 2007/08

- Cabinet resolution that Eskom be designated as the Single Buyer of power from Independent Power Producers (IPPs) in South Africa
- DPE co-authored the cabinet approved National Electricity Emergency Response Plan and is participating in the implementation thereof
- Cabinet approval



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### Targeted output 2007/08

- Issue Eskom's strategic intent statement
- Identification, review and benchmarking of SKPI's

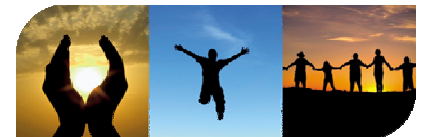
### Achievements 2007/08

- Eskom's strategic intent was approved
- The shareholder compact was signed



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# connect

“Ubiquitous, affordable broadband access should no longer be seen as the privilege of a few, but a basic right for all South Africans. Broadband Infracore - an intervention in the national backbone and international connectivity - strives to take us toward this objective.”

MINISTER ALEC ERWIN





# broadband enterprises

## Targeted output 2007/08

- Cabinet Decision on the establishment of Broadband Infraco
- Update of the Business Plan
- Recruitment of permanent Broadband Infraco employees
- Provisioning of Infraco Network Services
- Network expansion processes for Neotel requirements
- African West Coast Cable Project (AWCC) development

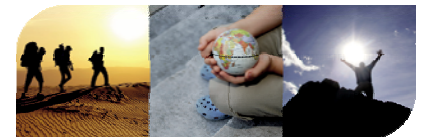
## Achievements 2007/08

- The Bill was passed and Infraco is enacted through the Broadband Infraco Act
- Signed Agreements & Updated Business Plan
- Contract for recruitment concluded with Deloitte Consulting
- Initial 2.5 Gbit/s & 10 Gbit/s services for Neotel launch were provisioned
- Approved by the Board and commenced
- AWCC design and configuration completed



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# power

“The introduction of the PBMR could not have come at a more opportune time. The world is looking for new energy technologies as resource constraints become increasingly recognised. The technology is unique in that it has both electricity generation and process heat applications. Success will mean South Africa has its first Original Equipment Manufacturer in the energy sector. The challenges remain daunting, but we remain committed and optimistic.”

MINISTER ALEC ERWIN



## Targeted output 2007/08

- The tabling of PBMR's first Annual Report in Parliament
- The granting of a hot commissioning licence for the Advanced Coater Facility at Pelindaba by the National Nuclear Regulator
- Approval of a Strategic Framework for the market development of PBMR's intermediate temperature reactor for process heat applications in the North American market
- Delivering Phase 1 of the Next Generation Nuclear Plant (NGNP) on schedule
- Securing work for Phase 2 of the NGNP contract
- Secure accident-free operating hours at the Helium Test Facility

## Achievements 2007/08

- Tabled in Parliament on 14 November 2007
- License granted
- Framework approved
- Completed
- Completed
- 100 000 accident-free operating hours achieved



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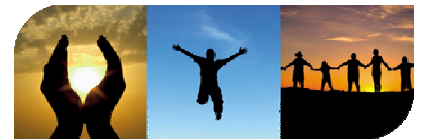
Alexkor (shine)

The finalisation of the land claim in the Richtersveld was a very important achievement, which is in large measure due to the courage and vision of the leaders of that community. This presents a very important opportunity to initiate a sustainable development process in the Richtersveld and the larger Namaqualand.

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Minister of Public Enterprises



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## Targeted output 2007/08

- Enactment of the Broadband Infraco and South African Express Acts
- Deed of settlement between Alexkor and the Richtersveld Community made an order of Court
- Transfer management of the hospital to the Northern Cape Provincial Government

## Achievements 2007/08

- Bills Promulgated & came into effect on 1 February 2008
- Movable assets transferred to Richtersveld Community
- Completed in April 2007



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### Targeted output 2007/08

- Complete an MOA with the DLA in respect of compensation to Alexkor for the assets used for restitution purposes
- Conclude an MOU with the DBSA in preparation for the handover of the Alexander Bay township development project to the DBSA as implementing agent

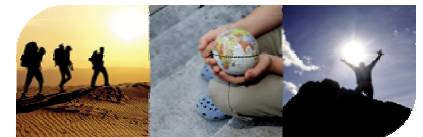
### Achievements 2007/08

- Completed
- Completed



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## Targeted output 2007/08

- Transfer of FSN metropolitan assets and network operations facilities to Neotel
- Government Shareholder Management Bill
- Promotion of Access to Information Act (PAIA) Manual
- Finalisation and closure of Aventura transaction
- ESOP/MBO Guidelines

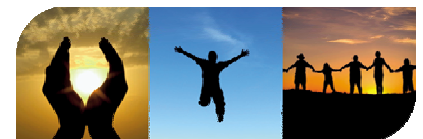
## Achievements 2007/08

- Completed
- Bill submitted to Cabinet for consideration and decision
- Completed
- Addendum concluded
- Draft Guidelines developed



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## Targeted output 2007/08

- Nabera vs. Alexkor and Government
- Claim for R2.2 billion by Umthunzi against government and Transnet
- The Pahapur Londoloza Consortium against the Minister and SAFCOL contesting the decision to terminate the Komatiland transaction

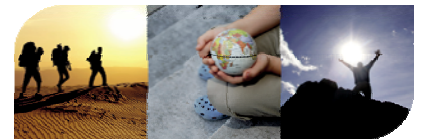
## Achievements 2007/08

- Matter held in abeyance as Nabera has not set the matter down for hearing in court
- Ongoing
- Ongoing



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## Targeted output 2007/08

- Shareholder Compacts in respect of Denel, SAA and Eskom
- Governance Frameworks and tools to contribute to effective monitoring and management of SOE corporate governance
- Governance Audit Template
- Board Induction Toolkit and Training
- Generic Founding Documents for all SOE
- Review Remuneration Guidelines

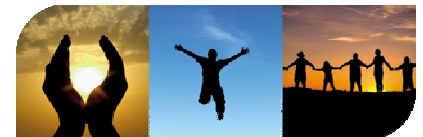
## Achievements 2007/08

- Eskom Compact signed
- Completed
- In process of finalisation and internal sign-off
- Completed and signed off by Minister
- Internal process completed
- Approved by cabinet



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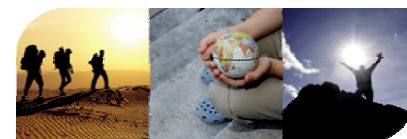


## Targeted output 2007/08

- Risk Management Framework for shareholder level risks
- MOU in respect of the Significant and Materiality Frameworks in respect of Denel, Infraco, SAA, SAX and SAFCOL
- Processing and monitoring of Section 54 (2) applications
- SOE risk reporting dashboard
- Establishment of 2010 risk task team

## Achievements 2007/08

- Completed
- Framework completed and in the process of implementation
- 38 applications received & processed
- Dashboard developed
- Ongoing, monitoring of the SOE profile affected by 2010 World Cup events

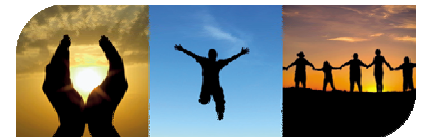


### Targeted output 2007/08

- Transaction guidelines for the Komatiland Forests transaction
- Transfer of minority shareholding
- Employee Share Ownership Scheme (ESOPs)

### Achievements 2007/08

- Concluded
- Framework completed and in the process of implementation
- all remaining transfers to employees were completed



## Targeted output 2007/08

- Coordination and management of Internal forums/Committee and DPE led external forums

## Achievements 2007/08

- Approved meeting Schedule
- 5 Economic Cluster POA Progress reports to Cabinet
- 2008 January Lekgotla Report approved



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# build

“Denel has within its operations  
very valuable capacity,  
both human and technological.

It does and will play  
an important role in the  
development of South Africa’s  
advanced manufacturing capacity.”

MINISTER ALEC ERWIN



# manufacturing enterprises: defence

## Targeted output 2007/08

- Guarantee to support Denel's short-term borrowings
- Transfer 2007/08 recapitalisation tranches to Denel
- Defence Sector Strategy

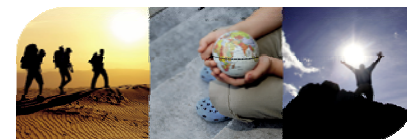
## Achievements 2007/08

- Guarantee application made in November 2007
- Completed
- Cabinet Memorandum approved
- Initiated process with DTI to develop a Customised Sector Programme for the industry
- Further work with DoD underway



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# manufacturing enterprises: defence

## Targeted output 2007/08

- Report on Denel's further restructuring and consolidation
- DERI operational
- Establishment of the National Interest Facility (NIF) to support large strategic exports
- PFMA Section 54 (2) Applications
- 10 Year R&D Strategy

## Achievements 2007/08

- Report finalised
- Corporate form report finalised by Armscor (DPE assisted)
- Agreement reached with ECIC. The DTI will be taking the process forward
- Applications processed
- Project re-prioritised due to work required on Denel end-state



A close-up photograph of a pair of hands holding a small, vibrant green basil plant. The plant is rooted in dark soil and has several healthy, pointed leaves. The hands are positioned to support the plant from below, with fingers gently cupping the soil. The background is a soft, out-of-focus teal color.

# grow

"In striving to ensure that the SOE lead the economic growth process we have to be rigorous in our analysis - 'the pessimism of the intellect' - and determined in our resolve - 'the optimism of the will'."

MINISTER ALEC ERWIN



# manufacturing enterprises: forestry

## Targeted output 2007/08

- Review of SAFCOL's role and mandate
- Input into transaction guidelines for the disposal of Komatiland Forests (Pty) Ltd (KLF)
- KLF lease
- Completion of winding-down of SAFCOL

## Achievements 2007/08

- Review finalised and approved by Cabinet
- Inputs finalised
- Dependent on resolution of land claims
- Dependent on resolution of land claims



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# shift

“Transnet has positioned itself as a provider of world-class freight logistics. Its turnaround now sees a company that is more focused and its five-year capital budget will ensure that the company’s investment in ports, rail and pipelines improves transport infrastructure, making the transportation of goods more efficient and the fast tracking of economic growth a real possibility.”

MINISTER ALEC ERWIN



# transport enterprises: transnet

## Targeted output 2007/08

- Private Sector Participation for (PSP) Ngqura
- Port and rail master plans
- Review of the Ports Act and regulations
- Transfer of Shosholoza Meyl
- Branch line restructuring

## Achievements 2007/08

- DPE framework on PSP approved by Minister
- Final master plans approved by Minister
- Review completed
- Business valuation completed
- Approved definition of core network and branch line



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# rise

"I am encouraged by the excellent progress made in the restructuring of SAA in order for it to become profitable on a sustainable basis. SAA has demonstrated superior performance within its African and domestic operations and its Intercontinental operations are vital to maintaining competitive air services and connectivity to and from South Africa due to its remote geographical location to the benefit of trade, industry and tourism essential to growing the economy."

MINISTER ALEC ERWIN

# transport enterprises: aviation

## Targeted output 2007/08

- Turnaround strategy for SAA
- Recapitalisation of SAA to strengthen its balance sheet
- Define the medium-term role of SAA, SAX and Mango
- Long range aviation strategy
- Strategic overview of State involvement in airline business

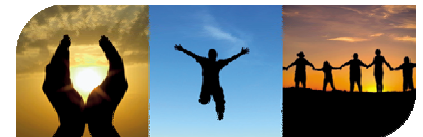
## Achievements 2007/08

- SAA reported losses of R 883m in 06/07 and will report around breakeven in 07/08 before restructuring costs
- SAA received a R 1.56bn capital injection
- New mandates incorporated into SAA and SAX Corporate Plans
- IATA appointed to advise
- Option development completed



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# transport enterprises: aviation

## Targeted output 2007/08

- Role of SAA in provision of cargo operations
- Alignment between SAA/SAX and government imperatives
- Report into major cost drivers in the airline industry

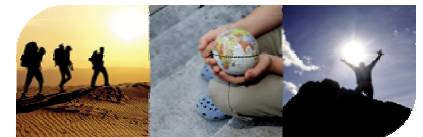
## Achievements 2007/08

- Cargo's potential and role relative to main carrier defined
- African Aviation Strategy Development complete
- Private sector feasibility studies for aircraft leasing companies. Fuel policy issues and strategic use of alternative fuels were raised



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# soar

“As one of the fastest growing regional airlines on the continent, South African Express Airways has proven to be a strong, capable airline which has potential to make regional air service more accessible in the Southern African Region.”

MINISTER ALEC ERWIN



# joint project facility: csdp

## Targeted output 2007/08

- Leverage SOE build programme to re-establish local manufacturing suppliers and create jobs and increased export competitiveness

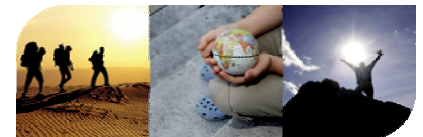
## Achievements 2007/08

- Draft Supplier Development Plans (SDPs) submitted by SOE
- Procurement Officers in SOE now hosting regular capacity - building workshops for their procurement and capital goods staff
- CSDP Practice Note circulated to SOE
- Two power and rail infrastructure supply industry studies concluded by Wits University
- DPE established and now chairs Benchmarking Working Group consisting of representatives from DTI, DST, IDC, NEF and SOE
- Supplier Benchmarking Programme developed and UNIDO appointed as the implementing agent in December 2007



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# joint project facility: south african power project

## Targeted output 2007/08

- Leverage Eskom build programme to enhance South Africa's manufacturing, technology and skills base

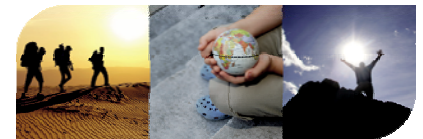
## Achievements 2007/08

- Strategy developed and presented to Cabinet and Ministerial steering committee overseeing the project



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# joint project facility: human resources & capacity building

## Targeted output 2007/08

- Contribute to alleviating the national skills shortage by utilising SOE and their supplier base to provide work experience to trainee artisans

## Achievements 2007/08

- Established Public Enterprise's Employment and *Skills* Development Agency (ESDA)
- Negotiations with PBMR, Eskom and their suppliers to host learners in progress



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# joint project facility: property project

## Targeted output 2007/08

- Disposal of non-core SOE property to provide capital for infrastructure programmes and provide BBBEE opportunities in property sector through disposals

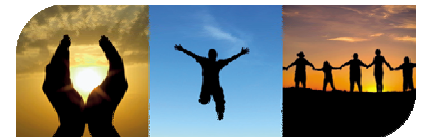
## Achievements 2007/08

- Lifting of the moratorium on SOE non-core property disposal subject to conditions and determination of materiality threshold
- BBBEE guidelines re-aligned to DTI's code of good practice and self-assessment toolkit developed, uploaded on DPE website and made available to SOE
- ACSA-Denel transaction concluded
- SAA-ACSA transaction (CT International Airport) transaction concluded
- Bulk Transnet-Servcon housing transaction concluded (disposal)
- SAA air chefs transaction concluded
- Strategic planning and valuation completed to ensure value optimisation for Eskom



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# joint project facility: rest of africa

## Targeted output 2007/08

- Contribute to developing infrastructure projects across Africa
- Joint supplier development initiatives with targeted African countries with an emphasis on potential suppliers to Eskom and Transnet

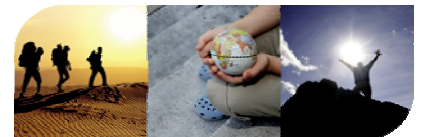
## Achievements 2007/08

- Discussions with key project stakeholders initiated
- Regional supplier benchmarking programme designed and developed with UNIDO



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## joint project facility: ict

### Targeted output 2007/08

- Support development of three call centres

### Achievements 2007/08

- Three clients identified but the funding model is being revised



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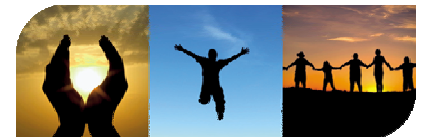
# joint project facility: environmental issues

## Targeted output 2007/08

- Coherent EIA processes to ensure swift resolution of EIA issues for SOE
- Nuclear and Environmental legislation that clearly defines the role of regulators
- Establish SOE fund to capacitate DEAT SOE unit

## Achievements 2007/08

- SIDs (Strategically Important Developments) - concept now accepted by DEAT and SOE SIDs given special consideration in EIA process
- Nuclear Legislation - made recommendations to DEAT and DME on proposed amendments
- DEAT capacity strengthening done through SOE fund: DEAT have now employed additional staff to deal with SID's EIAs
- Development of Sector guidelines being funded through SOE Fund



# joint project facility: aerostructures

## Targeted output 2007/08

- Leverage current aerostructures initiatives to build a larger aerostructures industry in South Africa

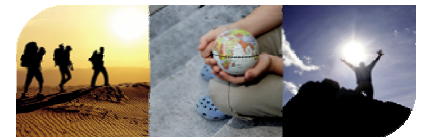
## Achievements 2007/08

- Denel - technology review leading to their focus on Wing to Fuselage Faring and the development of KPIs that will allow Denel to enter further work (e.g. Embraer) completed
- Embraer proposal for C390 formulated
- Boeing Titanium proposal under consideration
- South African Airways Technical (SAAT) under review for SEP/STP



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## joint project facility: belarus

### Targeted output 2007/08

- Establishing new markets and enhancing capabilities and capacity in production facilities in targeted areas e.g., technology and/or job creation for the mutual benefit of Belarus and SA
- Develop areas for co-operation

### Achievements 2007/08

- DPE identified areas of cooperation which was approved by minister
- Project is on hold pending feedback from Belarusians



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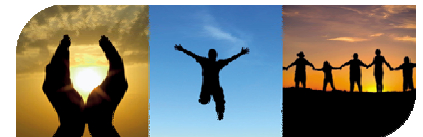
# joint project facility: technology & innovation

## Targeted output 2007/08

- Co-ordinated Technology R & D Strategy for SOE

## Achievements 2007/08

- SOE Technology Framework presented to Minister
- Denel/SAAB used SOE Technology Framework successfully to re-align strategy and business: now focusing on WFF work, building on Airbus capability and expanding this to Embraer
- Presented Technology Framework to Eskom's bi-annual technology conference



# annual financial statements



annual report 2007/08



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# financials

“The financial reporting standards of the State Owned Enterprises have to be best practice. The same applies to the Department of Public Enterprises and yet another unqualified audit keeps our proud record.”

MINISTER ALEC ERWIN

# departmental expenditure trends 2006/07 - 2007/08

The following table provides a summary of actual expenditure incurred for the 2007/08 and 2006/07 financial year's vs budget appropriated for each programme:

Programme	2007/08		2006/07	
	Final Appropriation R'000	Actual Expenditure R'000	Final Appropriation R'000	Actual Expenditure R'000
1. Administration	66 332	66 281	50 736	50 681
2. Energy, Broadband Infrastructure and Mining Enterprises	85 985	85 984	725 323	725 304
3. Legal, Governance and Risk	21 094	21 078	16 476	16 471
4. Manufacturing Enterprises	3 664 031	3 662 997	2 062 475	1 782 470
5. Transport Enterprises	752 130	752 128	3 503	3 500
6. Joint Project Facility	15 517	15 516	11 410	11 409
<b>Total</b>	<b>4 605 089</b>	<b>4 603 984</b>	<b>2 869 923</b>	<b>2 589 835</b>



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# appropriation statement per economic classification

	2007/08							2006/07	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>Current payments</b>									
Compensation of employees	61 709	(2 113)	(3 597)	55 999	55 998	1	100.0%	47 174	47 208
Goods & services	66 907	2 082	1 574	70 563	70 541	22	100.0%	53 145	53 046
Financial transactions in assets & liabilities	-	-	27	27	27	-	100.0%	108	108
<b>Transfers and subsidies</b>									
Provinces & municipalities	-	-	-	-	-	-	-	46	42
Depart. agencies & accounts	-	-	-	-	-	-	-	3 589	3 589
Public corporations & private enterprises	4 474 373	-	-	4 474 373	4 473 342	1 031	100.0%	2 762 517	2 482 517
Households	620	-	-	620	570	50	91.9%	600	584
<b>Payments for capital assets</b>									
Machinery & equipment	1 480	31	867	2 378	2 377	1	100.0%	2 520	2 517
Software & other intangible assets	-	-	1 129	1 129	1 129	-	100.0%	224	224
<b>Total</b>	<b>4 605 089</b>	<b>-</b>	<b>-</b>	<b>4 605 089</b>	<b>4 603 984</b>	<b>1 105</b>	<b>100.0%</b>	<b>2 869 923</b>	<b>2 589 835</b>



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## departmental expenditure trends 2006/07 - 2007/08

- The increase of R1.7 billion in the annual appropriation from R2.9 billion (2006/07) to R4.6 billion (2007/08), is mainly as a result of increased transfer payments (including VAT) to State Owned Enterprises.
- Under-spending, amounting to R1.1 million was recorded in the current financial year. This amount is made up of current expenditure in the sum of R74 thousand in the operational budget and the balance in the sum of R1.031 million is in respect of funds earmarked for Denel for the payment of an indemnity granted to Denel/Saab Aerostructures, where the final audited amount of the claim was less than the funds originally allocated for this purpose, which resulted in the department not having drawn the funds. The department achieved expenditure within the 2% expenditure benchmark. Expenditure disbursed from Local and Foreign Aid funds (Joint Project Facility) amounting to R2.1 million resulted in the statement of financial performance reflecting a deficit of R942 thousand. (Refer note 3 of the Notes to the Annual Financial Statements.)



# programme 1: administration

	2007/08							2006/07	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>1.1 Minister</b>									
Current payment	895	56	-	951	951	-	100.0%	887	885
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>1.2 Management</b>									
Current payment	15 033	(750)	(9)	14 274	14 274	-	100.0%	13 253	13 259
Transfers and subsidies	-	-	-	-	-	-	-	6	6
Payment for capital assets	-	-	460	460	460	-	100.0%	134	134
<b>1.3 Corporate Services</b>									
Current payment	39 714	1 311	1 650	42 675	42 675	-	100.0%	29 768	29 760
Transfers and subsidies	620	-	-	620	570	50	91.9%	615	599
Payment for capital assets	1 432	-	1 536	2 968	2 967	1	100.0%	2 372	2 372
<b>1.4 Property Management</b>									
Current payment	5 001	(617)	-	4 384	4 384	-	100.0%	3 701	3 666
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>62 695</b>	<b>-</b>	<b>3 637</b>	<b>66 332</b>	<b>66 281</b>	<b>51</b>	<b>99.9%</b>	<b>50 736</b>	<b>50 681</b>



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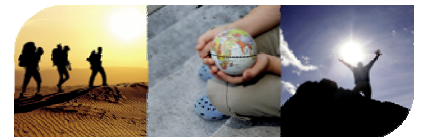


## programme 1: administration

- **Administration:** provides strategic management, direction and administrative support to the Department. The programme consists of the Ministry, the Office of the Director-General as well as Corporate Services with its sub programmes: human resources, information technology, financial management, facility management and communications, as well as property management.
- Expenditure for the programme for the year amounted to R66.3 million compared to R50.7 million in 2006/07. The increase was mainly due to centralisation of maintenance, in-house printing and reproduction services, training, stationery, information technology services and computer equipment, communication services related to the Richtersveld settlement and the energy saving project within the department. Costs for leases and accommodation charges were devolved from the Department of Public Works to individual departments. In 2007/08 the Department of Public Enterprises received R4.4 million. (Refer to Appropriation Statement for Programme 1 - Administration Sub Programme Property Management.)



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programme 2:

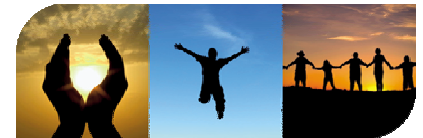
## energy, broadband infrastructure and mining enterprises

	2007/08							2006/07	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>2.1 Management</b>									
Current payment	2 441	(328)	(1)	2 112	2 112	-	100.0%	3 599	3 589
Transfers and subsidies	-	-	-	-	-	-	-	4	1
Payment for capital assets	-	-	-	-	-	-	-	16	16
<b>2.2 ICT Sector: Broadband</b>									
Current payment	1 635	(276)	-	1 359	1 358	1	99.9%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	627 000	627 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>2.3 Mining Sector</b>									
Current payment	2 168	212	(370)	2 010	2 010	-	100.0%	6 853	6 849
Transfers and subsidies	72 700	-	-	72 700	72 700	-	100.0%	82 088	82 088
Payment for capital assets	-	-	-	-	-	-	-	28	26
<b>2.4 Energy Sector</b>									
Current payment	3 892	392	3 520	7 804	7 804	-	100.0%	2 106	2 106
Transfers and subsidies	-	-	-	-	-	-	-	1	1
Payment for capital assets	-	-	-	-	-	-	-	39	39
<b>2.5 Initial Public Offering</b>									
Current payment	-	-	-	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	3 589	3 589
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>82 836</b>	<b>-</b>	<b>3 149</b>	<b>85 985</b>	<b>85 984</b>	<b>1</b>	<b>100.0%</b>	<b>725 323</b>	<b>725 304</b>



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## programme 2: energy, broadband infrastructure and mining enterprises

- **Energy, Broadband Infrastructure and Mining Enterprises:** key objective is to ensure that the corporate strategies of Eskom, Broadband Infracore and Alexkor are aligned with government's strategic objectives as defined in government policies, regulations and economic strategies. The programme analyses the strategies and investment plans of each SOE against this intent and develops frameworks to analyse and monitor their financial, operational and socio-economic performance.
- Expenditure for the programme for the year amounted to R86 million compared to R725.3 million in 2006/07. The decrease is mainly due to a reduction in transfer payments to the SOE. However, operational expenditure increased mainly as a result of the department's participation in the national energy saving campaign and the SA Power Project.



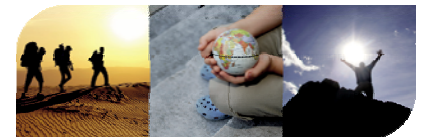
# programme 3: legal, governance and risk

	2007/08							2006/07	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>3.1 Management</b>									
Current payment	2 714	(260)	(246)	2 208	2 192	16	99.3%	2 146	2 147
Transfers and subsidies	-	-	-	-	-	-	-	1	1
Payment for capital assets	16	-	-	16	16	-	100.0%	-	-
<b>3.2 Legal &amp; Litigation</b>									
Current payment	8 425	849	(81)	9 193	9 193	-	100.0%	5 643	5 641
Transfers and subsidies	-	-	-	-	-	-	-	2 035	2 035
Payment for capital assets	-	31	-	31	31	-	100.0%	15	14
<b>3.3 Governance &amp; Secretariat</b>									
Current payment	8 356	(505)	(340)	7 511	7 511	-	100.0%	4 923	4 922
Transfers and subsidies	-	-	-	-	-	-	-	4	3
Payment for capital assets	-	-	-	-	-	-	-	140	140
<b>3.4 Risk Management</b>									
Current payment	2 529	(115)	(279)	2 135	2 135	-	100.0%	1 567	1 566
Transfers and subsidies	-	-	-	-	-	-	-	2	1
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>22 040</b>	<b>-</b>	<b>(946)</b>	<b>21 094</b>	<b>21 078</b>	<b>16</b>	<b>99.9%</b>	<b>16 476</b>	<b>16 471</b>



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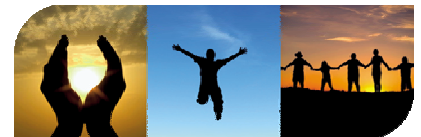


## programme 3: legal, governance and risk

- **Legal, Governance and Risk:** is responsible for providing effective legal services, corporate governance systems, risk management frameworks, the implementation of all legal aspects of strategically important transactions as well as secretariat services to the department and SOE, and ensures alignment with government's strategic intent.
- Expenditure for the programme for the year amounted to R21.1 million compared to R16.5 million in 2006/07. The increase is mainly due to the legal costs incurred as a result of the Alexkor/Richtersveld land claims settlement as well as specialist services acquired for the drafting of the Infraco and SAX Bills, a study that was conducted on the Risk Management Framework, the development of the SOE board remuneration guidelines as well as the board induction toolkit.



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## programme 4: manufacturing enterprises

	2007/08							2006/07	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>4.1 Management</b>									
Current payment	1 920	-	(416)	1 504	1 503	1	99.9%	2 435	2 434
Transfers and subsidies	-	-	-	-	-	-	-	1	1
Payment for capital assets	16	-	-	16	16	-	100.0%	-	-
<b>4.2 Forestry Sector</b>									
Current payment	2 222	-	(1 356)	866	865	1	99.9%	6 683	6 682
Transfers and subsidies	-	-	-	-	-	-	-	2	2
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>4.3 Nuclear Sector</b>									
Current payment	1 509	-	(728)	781	780	1	99.9%	615	613
Transfers and subsidies	2 502 273	-	-	2 502 273	2 502 273	-	100.0%	1 204 400	1 204 401
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>4.4 Defence Sector</b>									
Current payment	6 215	-	(2 624)	3 591	3 591	-	100.0%	1 338	1 336
Transfers and subsidies	1 155 000	-	-	1 155 000	1 153 969	1 031	99.9%	847 001	567 001
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3 669 155</b>	<b>-</b>	<b>(5 124)</b>	<b>3 664 031</b>	<b>3 662 997</b>	<b>1 034</b>	<b>100.0%</b>	<b>2 062 475</b>	<b>1 782 470</b>



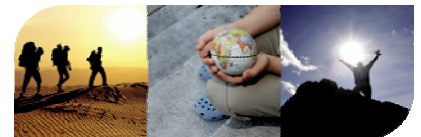
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## programme 4: manufacturing enterprises

- **Manufacturing Enterprises:** is responsible for oversight of Denel, SAFCOL and the PBMR. It also ensures that SOE activities contribute to building South Africa's manufacturing base by establishing industry wide linkages and partnerships with local and global players.
- Expenditure for the programme for the year, amounted to R3.7 billion, compared to R1.8 billion in 2006/07. The increase is mainly due to a substantial increase in transfer payments to the SOE. An amount of R1.031 million which was earmarked for the payment of an indemnity granted to Denel Aerostructures was not drawn by the department as the final audited amount of the claim was less than the funds originally allocated for this purpose.



# programme 5: transport enterprises

	2007/08							2006/07	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>5.1 Management</b>									
Current payment	1 804	(250)	(809)	745	745	-	100.0%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	16	-	-	16	16	-	100.0%	-	-
<b>5.2 Transport Sector</b>									
Current payment	5 320	(279)	(552)	4 489	4 486	3	99.9%	2 300	2 298
Transfers and subsidies	-	-	-	-	-	-	-	1	1
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>5.3 Aviation Sector</b>									
Current payment	2 455	529	(504)	2 480	2 481	(1)	100.0%	1 201	1 200
Transfers and subsidies	744 400	-	-	744 400	744 400	-	100.0%	1	1
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>753 995</b>	<b>-</b>	<b>(1 865)</b>	<b>752 130</b>	<b>752 128</b>	<b>2</b>	<b>100.0%</b>	<b>3 503</b>	<b>3 500</b>



## programme 5: transport enterprises

- **Transport Enterprises:** is responsible for oversight of the activities of Transnet, SAA and the soon to be transferred SAX to ensure that the strategy, investment plans, commercial philosophy and operational performance are aligned with government's strategic intent for these enterprises.
- Expenditure for the programme for the year amounted to R752.1 million compared to R3.5 million in 2006/07. The increase is due to a transfer payment of R744.4 million to SAA.





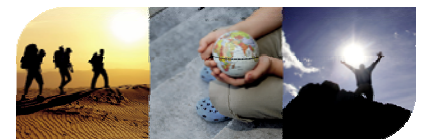
# programme 6: joint project facility

	2007/08							2006/07	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>6.1 Management</b>									
Current payment	2 211	5	289	2 505	2 503	2	99.9%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>6.2 Transport Sector</b>									
Current payment	12 157	(5)	860	13 012	13 012	(1)	100.0%	11 409	11 408
Transfers and subsidies	-	-	-	-	-	-	-	1	1
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>14 368</b>	<b>-</b>	<b>1 149</b>	<b>15 517</b>	<b>15 516</b>	<b>1</b>	<b>100.0%</b>	<b>11 410</b>	<b>11 409</b>



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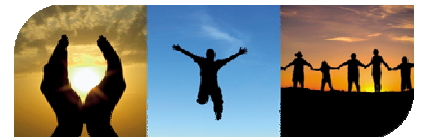
## programme 6: joint project facility

- **Joint Project Facility:** identifies and unlocks synergies among the SOE, coordinates cross-cutting projects that leverage the assets, activities and/or capabilities of the SOE to the benefit of the SOE and the economy as a whole.
- Expenditure for the programme for the year amounted to R15.5 million compared to R11.4 million in 2006/07. The increase is mainly due to the expansion of existing projects as well as the sourcing of specialist and technical expertise required to meet the objectives of the unit.



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# virements

	Adjusted Appropriation 2007/08 R'000	Virements R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000
Programme 1	62 695	3 637	66 332	66 281	51
Programme 2	82 836	3 149	85 985	85 984	1
Programme 3	22 040	(946)	21 094	21 078	16
Programme 4	3 669 155	(5 124)	3 664 031	3 662 997	1 034
Programme 5	753 995	(1 865)	752 130	752 128	2
Programme 6	14 368	1 149	15 517	15 516	1
<b>Total</b>	<b>4 605 089</b>	<b>-</b>	<b>4 605 089</b>	<b>4 603 984</b>	<b>1 105</b>

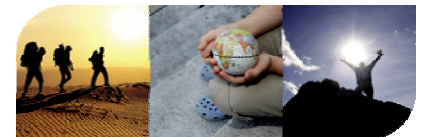


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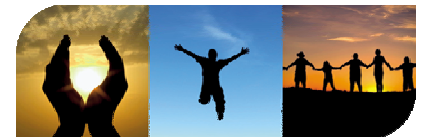
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- **Programme 1 - Administration:** increased substantially primarily due to the centralisation of maintenance, in-house printing and reproduction services, training, stationery, information technology services and computer equipment, communication services related to the Richtersveld land claims settlement and the energy saving project within the department. Virements were effected from savings in Programme 4 to accommodate these expenses.
- **Programme 2 - Energy, Broadband Infrastructure and Mining Enterprises:** increased due to funding required for the department's participation in the national energy saving campaign and the SA Power Project. Virements were effected from savings in Programmes 3, 4 and 5 to accommodate these expenses.



- **Programme 3 - Legal, Governance and Risk:** decreased due to provisions having been made for legal fees in various actions which were not concluded within the time frames anticipated as well as certain projects not being completed within the financial year. Virements were effected from savings in this programme and reallocated to Programme 2.
- **Programme 4 - Manufacturing Enterprises:** decreased substantially, primarily due to the re-prioritisation of core projects during the course of the year as well as vacancies not having been filled due to difficulties encountered in sourcing suitably qualified sector specialists in the respective fields within this programme. A virement was effected from the savings in this programme and reallocated to Programme 1.



- **Programme 5 - Transport Enterprises:** decreased due to certain projects not having been completed within the financial year as well as vacancies in sector specialist positions not being filled. Virements were effected from savings in this programme and reallocated to Programmes 2 and 6.
- **Programme 6 - Joint Project Facility:** increased due to the early completion of certain projects. Virements were effected from savings in Programme 5 to accommodate the additional expenses in this programme.
- All virements were effected in consultation with Programme Managers and final approval was signed off by the Accounting Officer.

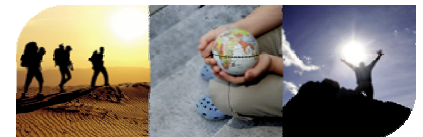


# departmental revenue

Departmental revenue to be surrendered to Revenue Fund

	Notes	2007/08 (R'000)	2006/07 (R'000)
Sales of goods and services other than capital assets	2.1	34	33
Interest, dividends and rent on land	2.2	4	19
Sales of capital assets	2.3	0	18
Financial transactions in assets and liabilities	2.4	31	39
<b>Total revenue collected</b>		<b>69</b>	<b>109</b>

- 2.1 Administrative Fees: Parking and commission on insurance
- 2.2 Interest received on debts
- 2.3 Income from sale of redundant furniture in previous year
- 2.4 Other receipts including recoverable revenue : lost access cards, bursary payments in previous year transferred to debt account in current year



# goods and services: major expenditure items

*R'000*

## **Advertising**

**1 549**

Made up of mainly

- Gifts and promotional items
- Marketing
- Recruitment
- Tenders

## **Communication**

**2 492**

Made up of mainly

- Telephone / fax / cellular phones
- Rentals on private bag
- Postage / stamps / franking machine

## **Computer services**

**2 406**

Made up of mainly

- Computer software licences
- System development
- Data lines / internet service charges / mainframe time



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# goods and services: major expenditure items

R'000

## Consultants, contractors and special services

30 117

Made up of mainly

- Specialist contractors and consultants / internal auditors / accountants
- Audio visual specialists / photographers / event promoters
- Employee wellness programme
- Security services

## Inventory

2 325

Made up of mainly

- Departmental printing
- Publications / reference manuals / newspapers / audio visual material
- Stationery / computer consumables
- Audio visual material

## Operating leases

6 333

Made up of mainly

- Equipment leases
- Lease on premises

## Travel and subsistence

10 423

Made up of mainly

- Flights and accommodation
- Car hire and shuttle services
- Daily allowance, subsistence claims and any other incidental travel costs



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## compensation of employees

	2007/08 (R'000)	2006/07 (R'000)
Basic salary	32 999	29 065
Performance award	4 269	2 380
Service Based	235	171
Compensative/circumstantial	744	620
Periodic payments	643	177
Other non - pensionable allowances	13 930	11 837
Employer contributions	3 178	2 958
<b>Total</b>	<b>55 998</b>	<b>47 208</b>

**Performance awards:** Awards were granted based on individual performance appraisals as well as the overall performance of the department which was carried out by an independent assessor for the year 2006/07 but paid in 2007/08

**Service based:** Leave discounting and overtime

**Compensative/circumstantial:** Sessional Allowance/ Parliamentary Non- Pensionable Allowances/ clothing allowance/ Private secretary allowances

**Periodic payments:** Interns salaries

**Other non-pensionable allowances:** Balance of structured packages

**Employer contributions:** Pension, Medical Aid and Bargaining Council fee

