

2009-2012

# STRATEGIC PLAN

and

# FINANCIAL OVERVIEW



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# CONTENTS

- DPE Portfolio of Enterprises
- Introduction to the role of the DPE and Shareholder Management
- Role of State Owned Enterprises (SOE) in the national economy
  - Areas of direct responsibility in the national economy
  - Areas of support to strategic economic imperatives
- DPE's participation in Government's Programme of Action (POA)
- Institutional advantages of SOE
- Characteristics of strong developmental SOE
- The state of the current DPE portfolio of SOE
- DPE response to these strategic challenges
  - Mission statement
  - Improved engagement capabilities
  - Organisational response
- Departmental Structure and Budgets
- Priority areas and planned activities



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# SOE REPORTING TO THE DPE

1. Alexkor
2. Broadband Infraco
3. Denel
4. Eskom
5. Pebble Bed Modular Reactor (PBMR)
6. South African Forestry Company Limited (Safcol)
7. South African Airways (SAA)
8. South African Express Airways (SAX)
9. Transnet

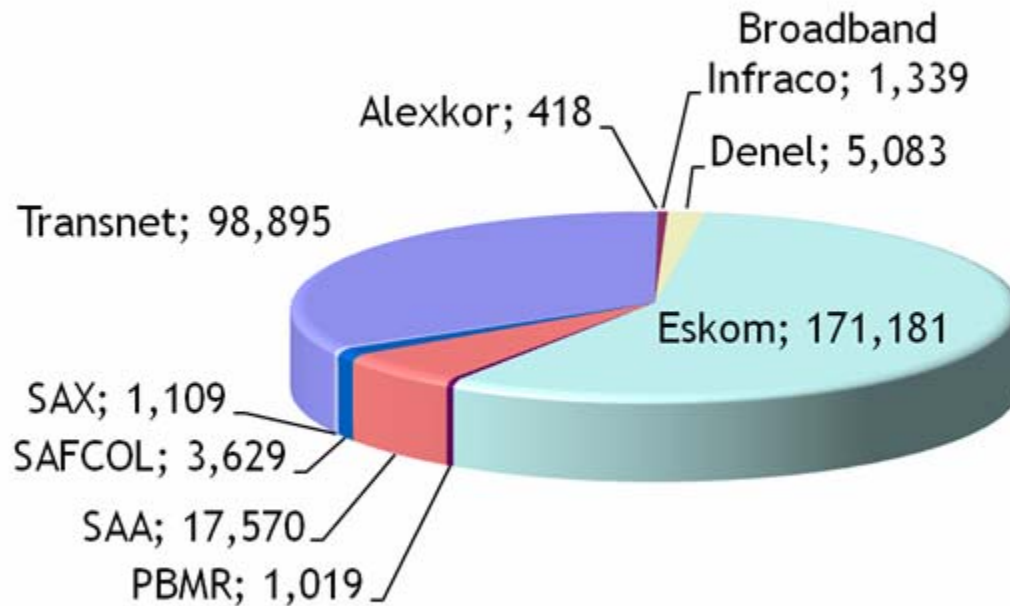


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# DPE Portfolio of SOE & relative size by asset base in 2007/08 (R' million)



❖ Formal transfer of SAX to DPE still subject to conditions precedent



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## Our vision is to have SOE that

- are efficiently managed, meeting domestic and international industry operational benchmarks
- play a role in the industry in which they operate that ensures an optimal allocation of responsibilities between the public and private sector
- undertake investment programmes with a “reserve margin” to accommodate faster economic growth
- leverage their investment programmes to the benefit of the South African and African economies on a sustainable basis



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# THE ROLE OF THE DPE

The key role of the DPE is to mediate between the enterprise interest and the national interest to ensure that government's strategic intent is achieved.

Enterprise Interest

Sustainable financial returns

Solid balance sheet

Ability to focus on core business



National Interest

Adequate investment to catalyse economic growth.

High levels of efficiency – possibly through competition.

Development of manufacturing capability in supplier base

**DPE**

**Government's Shareholder**



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# THE STATUS OF THE SHAREHOLDER

Shareholder

- Appoints Board to carry out the shareholder's strategic intent in making investment in the enterprise - Board is key interface between the government and the enterprise.

Board

- The Board is directly responsible for ensuring that the strategy is coherent, that management efforts are focused on the strategy and that reporting is accurate

Management

- Management is responsible for the formulation and implementation of the company's strategy.

Assets

- The assets or profits of a company do not belong to the shareholders, but are the exclusive property of the company – only revert to shareholders on liquidation

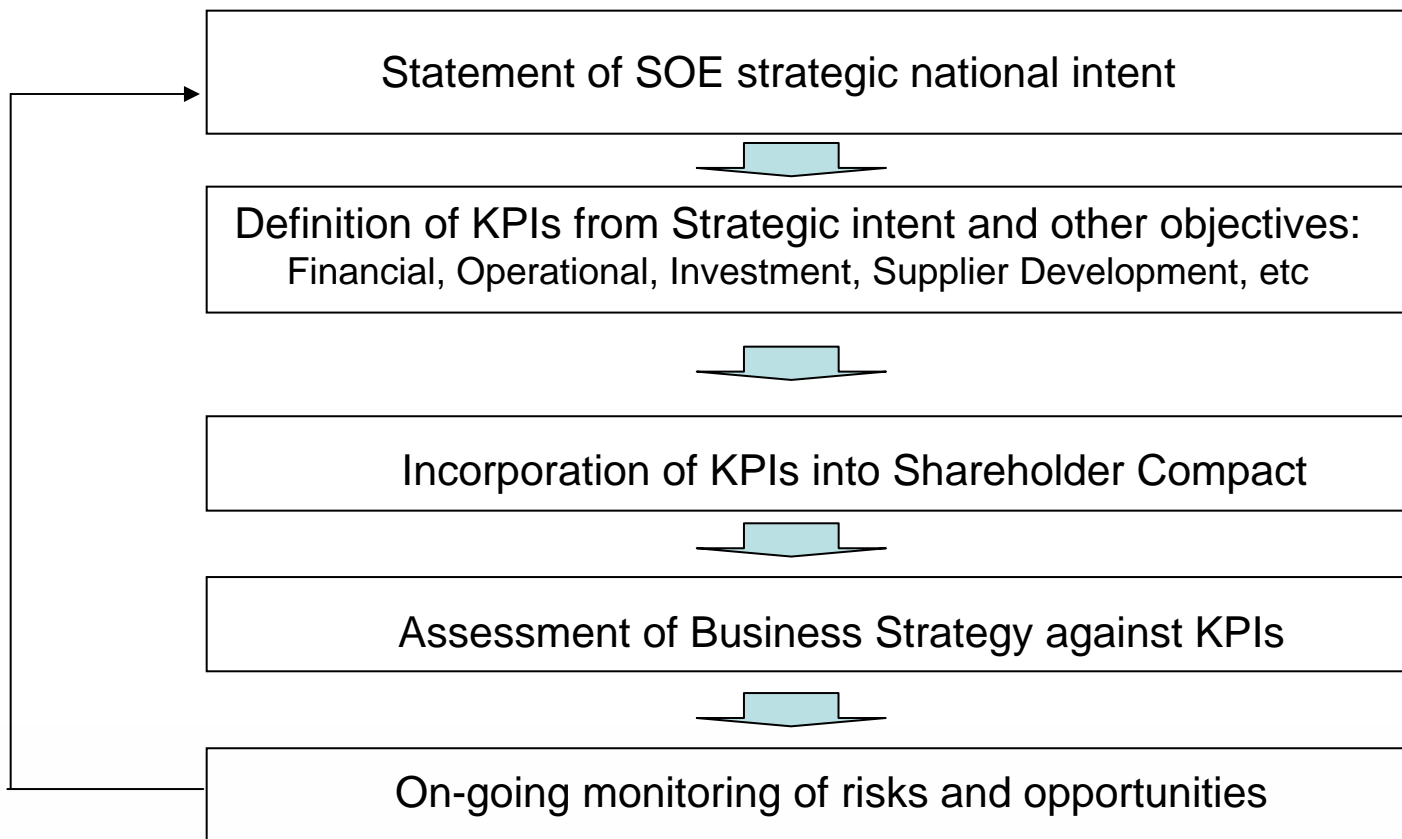


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# OVERVIEW OF THE SHAREHOLDER MANAGEMENT PROCESS



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# DPE: AREAS OF DIRECT RESPONSIBILITY IN THE NATIONAL ECONOMY

**The DPE, through the SOE, has direct responsibility for three strategic areas of the economy:**

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



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# DPE: AREAS OF SUPPORT TO RELATED STRATEGIC ECONOMIC IMPERATIVES

- DPE also has a secondary, supporting role to the programmes of other national government departments through the SOE
  - Aligning skills development programmes within the SOE with the programmes and objectives of the responsible national government departments
  - Aligning investments in and by SOE with the national innovation development programmes of the responsible national government departments
  - Supporting government strategies focused on labour absorption and rural development by providing infrastructure investments and SOE-services with marginal commercial viability
- In the context of the global recession, maintaining the pace of the SOE infrastructural programmes and leveraging these programmes to promote economic activity throughout their supply chains has become particularly important.



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# GOVERNMENT'S PROGRAMME OF ACTION (POA)

## DPE PARTICIPATION



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# DPE-LED POA ACTIVITIES

## 1. **DRAFT MTSF PROPOSED STRATEGIC PRIORITY 2 : MASSIVE PROGRAMME TO BUILD SOCIAL AND ECONOMIC INFRASTRUCTURE**

DPE focus will be on:

- **Providing critical infrastructure to prioritised small rural towns with mining, agriculture sectors, tourism and cultural industries.** Transnet to provide or revive rail infrastructure to link rural towns to big manufacturers, as part of DPE's obligations to rural development imperatives (**POA item 2.11**).
- **Developing a protocol for integrated servitude utilisation for all infrastructure projects,** using the guidelines applied by DPE in respect of Infraco (**POA item 2.12**).
- **Extending strategically important development system (SIDS) to other areas of infrastructure.** DPE has developed guidelines to fast-track Eskom and Transnet's EIAs and these will be streamlined into regulatory requirements for SIDS for all infrastructure projects (**POA item 2.12**). Might also be led by DWEA.



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# OTHER POA ACTIVITIES TO WHICH DPE CONTRIBUTES

- **Examining alternative funding mechanisms to continue with the economic infrastructure programme to support growth and employment creation**, to offset insufficient government capitalisation and restrictive tariff regimes imposed by regulators (**item 2.1**)
- **Rolling out ICT infrastructure (Broadband)** to Increase connectivity and reduce costs of international communication, through the construction of submarine cables (Infraco). (**POA item 2.3**)
- **Programme to maintain and upgrade electricity infrastructure, including generation, distribution and reticulation to ensure sufficiency and sustainability of supply**, to reverse the degradation of infrastructure aimed at ensuring the security of supply, including the finalisation of the nuclear strategy to give impetus to the development of the nuclear programme (PBMR).(**POA item 2.4**)
- **Programme to expand logistics infrastructure (road, rail, air and ports) for the transportation of goods and services including agro logistics for farming and agricultural products.** The objective is to develop a comprehensive Freight Master Plan encompassing various sub-sectoral strategies (**POA item 2.5**).
- **Ensuring adequate infrastructure for the supply of liquid fuel to inland provinces and the country at large**, including the Multipurpose pipeline by Transnet along the Johannesburg – Durban Corridor, as part of ensuring the security of fuel supply (**POA item 2.7**).



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# OTHER POA ACTIVITIES TO WHICH DPE CONTRIBUTES

- **Continue the programme to build, maintain and upgrade water infrastructure and ensure its safety for human consumption, industrial activity and for agricultural activity.** The rationale for DPE involvement is to ensure that Eskom generation requirements are incorporated into DWEA plans for water requirements. Will be driven through the FEE (**POA item 2.9**).
- **Standard policies to guide in the implementation of infrastructure projects,** to ensure that all projects are defaulted to focus on jobs, skills, local procurement, technology transfer. The DPE Competitive Supplier Development Programme is one of the enablers in this regard (**POA item 2.12**).
- **Climate change response of the Infrastructure sector to ensure an integrated response to climate change.** The DPE, through the JPF is already initiating an exercise to determine minimum standards for carbon emissions (**POA item 2.13**).
- **Awareness and education campaigns for energy efficiency.** The DPE and Eskom involved in initiatives including Solar Heating programme and ensuring the inclusion of energy efficiency requirements in building standards (**POA item 2.8**).



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# INSTITUTIONAL ADVANTAGES OF STATE OWNED ENTERPRISES



## Relevant advantages of SOE vehicle

- State ownership (of SOE) enables consistency of strategic intent
- Charges a commercial tariff thereby ensuring that the sector pays full cost for its development
- Can leverage broader capital markets
- Ability to partner the private sector because of a common underlying logic (both commercial and both companies)
- Motivation and ability as a commercial enterprise to drive dynamism, skills and technology development across the entire supply chain
- Can leverage commercial tools to incentivise and ensure management discipline



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# STRONG SOE: A PRE-REQUISITE FOR BEING DEVELOPMENTAL

- To fulfill their developmental role, SOE must be **strong enterprises** which means that they must have :
  - Adequately capitalized balance sheets
  - Adequate and predictable cash flows going forward, sufficient for the execution of their respective business plans
  - Strong Boards and Management teams
  - Solid strategic and business plans
  - Alignment with labour
  - Responsiveness to Government's strategic objectives
- The SOE must be institutionally responsive to the Strategic Intent signals of Government as shareholder.
- There must be an enabling external environment for the SOE to operate in.



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# THE STATE OF THE SOE AND THEIR OPERATING ENVIRONMENT

- All of these characteristics are of course to varying degrees not in place.
- The DPE-portfolio of SOE faces a number of challenges as they are re-positioned and directed towards playing this pivotal role.
- The DPE has identified six (6) general challenges facing the SOE that fall into the portfolio:
  - Lack of clear definition of role of SOE in national economic strategy
  - Non-commercial history of the SOE
  - Capitalisation challenges and funding constraints
  - Accumulated infrastructural investment deficit in South Africa
  - Disenabling policy and regulatory environment facing the SOE
  - Lack of clarity of DPE shareholder management powers



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# DPE RESPONSE TO THESE STRATEGIC CHALLENGES

- In response to these challenges, the DPE has reviewed its mission statement.
- **Our old mission as a department is to provide to SOE:**
  - clear mandates
  - simple, understandable and implementable governance systems
  - effective performance management

- The new mission statement is:

***“To optimize the alignment between the role of the SOE in the national economic strategy and the performance of the DPE’s portfolio of enterprises through delivering best practice shareholder management services and engaging with stakeholders to create an enabling environment for such alignment”.***



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# DPE RESPONSE: FOCUS ON KEY ENGAGEMENT AREAS

- Constantly refining the shareholder management model and methodology
- Monitoring and analyzing SOE performance, capabilities, strategy, risks and impact and using the levers available to the shareholder to take both proactive and reactive corrective actions
- Engaging with stakeholders and relevant national departments at both a sector level and a macro-economic level to create an enabling policy and regulatory environment for SOE and to define and optimise the role of the SOE in the national economic strategy
- Enhancing SOE capabilities and impact through focused projects



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# DPE RESPONSE: KEY ORGANISATIONAL ENABLING AREAS

- Building a DPE brand and reputation that creates leverage and good-will for all of the Department's activities
- Continuously growing the Department's intellectual property around the state of the Department's portfolio of SOE and shareholder management practices and levers
- Creating an environment to attract highly qualified people with relevant shareholder management skills



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# ROLE OF DG

- Overarching leadership of, and management responsibility for, the Department
- Continuous engagement with senior stakeholders and SOE leadership to create an enabling environment for SOE and recognition of the key role SOE can and do play in the economy as well as facilitating alignment between the DPE and the SOE
- Over-sight of development of knowledge management system



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# SOE-FACING UNITS

- Monitor and analyse the state of SOE strategy, risk, capabilities and impact in relation to sector industry structure and national economy.
- Provide recommendations to the DG, Minister, Deputy Minister and CIPM regarding pro-active and re-active interventions the Department should take to optimize SOE performance and minimize risks.
- Engage with relevant sectoral stakeholders to create an enabling policy and regulatory environment for SOE.



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# OTHER UNITS

- The soon to be established Economic Analysis Unit will engage with relevant national government departments responsible for national economic strategy development by
  - Providing analytical inputs for their strategy development activities
  - Participating in the dialogue to ensure that responsibilities assigned to the SOE are well-grounded
- The Joint Project Facility has the role of identifying, scoping and implementing projects that leverage SOE assets, capabilities and activities to enhance the portfolio's economic impact.
- Legal Services will provide specialist legal services to the Department relating to both engagements with external stakeholders and the management of internal stakeholders.
- Operations has the responsibility to deliver required supporting IT, financial, human resource and other key administrative and support services.



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# ORGANISATIONAL STRUCTURE AND BUDGET



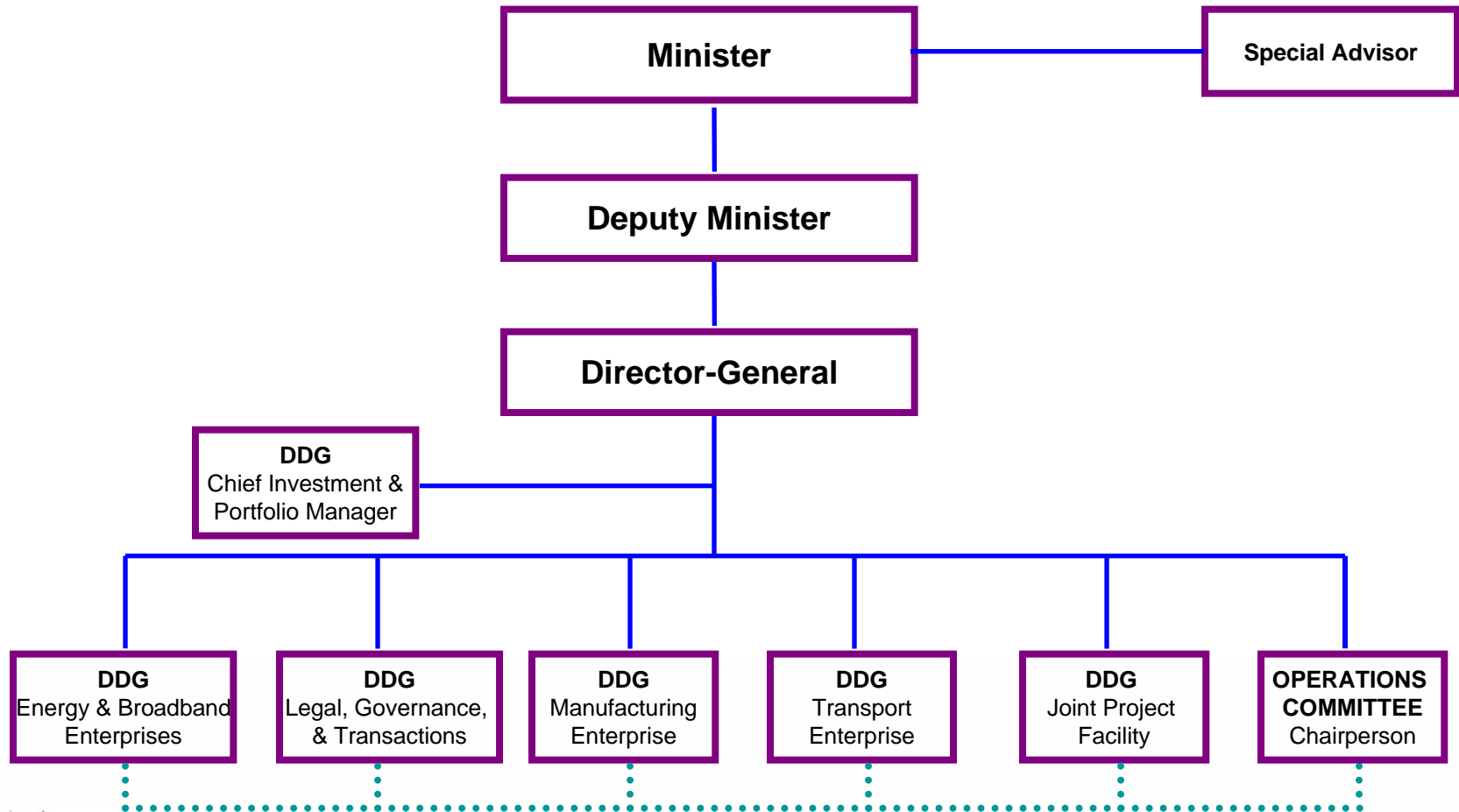
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# PRESENT ORGANISATIONAL STRUCTURE



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# DPE BUDGET – APPROPRIATION PER PROGRAMME

	2008/09	2009/10	2010/11	2011/12
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
1. Administration	78 294	78 797	82 254	87 855
2. Energy and Broadband Enterprises	2 137 317	1 957 646	148 692	12 707
3. Legal, Governance, Risk and Transactions	148 868	152 754	24 283	25 737
4. Manufacturing Enterprises	269 281	8 467	9 084	9 607
5. Transport Enterprises	605 015	1 566 004	16 235	14 733
6. Joint Project Facility	30 603	33 678	31 315	32 970
<b>TOTAL</b>	<b>3 269 378</b>	<b>3 797 346</b>	<b>311 863</b>	<b>183 609</b>

Over the MTEF period expenditure decreases from R3.3 billion in 2008/09 to R183.6 million in 2011/12. Transfers to SOE amount to R6.9 billion : R3.5 billion to PBMR, R1.5 billion to South African Airways, R724.1 million to Broadband Infraco and R259.1 million to Alexkor. The significant decline in 2010/11 is as a result of reduced transfer payments to the SOE.

**Note :** The transfer payments to the SOE reflected in the current budget cycle are those approved in the 2008/09 MTEF budget process – refer Slide 28.

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



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# DPE BUDGET – APPROPRIATION PER ECONOMIC CLASSIFICATION

	2008/09	2009/10	2010/11	2011/12
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
<b>* Current payments</b>				
Compensation of employees	72 080	79 476	85 288	90 356
Goods and services	93 893	91 487	86 665	91 888
Financial transactions in assets and liabilities	344	-	-	-
<b>Transfers and subsidies</b>				
Public corporations and private enterprises	3 101 516	3 624 450	138 600	-
Gifts and donations	650	680	710	753
<b>* Capital</b>				
Machinery and equipment	861	1 253	600	612
Software and other intangible assets	34	-	-	-
<b>Total</b>	<b>3 269 378</b>	<b>3 797 346</b>	<b>311 863</b>	<b>183 609</b>

\* **Note:** The department did not anticipate the appointment of a Deputy Minister when compiling the budgets in the previous MTEF cycle. This is currently being addressed with National Treasury and will also be taken into account when the Adjustment Estimates are compiled in September 2009.



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# DPE BUDGET – SUMMARY OF TRANSFER PAYMENTS TO SOE

## 2008/09 – 2011/12



	2008/09	2009/10	2010/11	2011/12
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Alexkor	130 000	129 090	-	-
Denel	259 516	-	-	-
Broadband Infraco	377 000	208 530	138 600	-
Pebble Bed Modular Reactor	1 750 000	1 737 750	-	-
South African Airways	-	1 549 080	-	-
South African Express Airways	445 000	-	-	-
Transnet (South African Express Airways)	140 000	-	-	-
<b>Total</b>	<b>3 101 516</b>	<b>3 624 450</b>	<b>138 600</b>	<b>-</b>



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# DPE STATISTICS

<b>Total establishment as at 01 April 2008</b>	<b>163</b>	
<b>Filled posts as at 01 April 2008</b>	<b>141</b>	
<b>Total establishment as at 08 June 2009</b>	<b>164</b>	
<b>Filled posts as at 8 June 2009</b>	<b>138</b>	
<b>Vacancies as at 8 June 2009</b>	<b>26</b>	
<b>Vacancies at Interview stage</b>	<b>2</b>	<b>Offer Made: 1; Advertised : 10</b>
<b>Total new appointments</b> (1 April 2008 to 8 June 2009)	<b>28</b>	
	<b>15</b>	<b>Level 13 - 16</b>
	<b>7</b>	<b>Level 9 - 12</b>
	<b>6</b>	<b>Level 1 - 8</b>
<b>Total exits</b> (1 April 2008 to 8 June 2009)	<b>27</b>	
	<b>15</b>	<b>Level 13-16</b> (13 Resignations, 1 Contract Expiry, 1 Transfer)
	<b>5</b>	<b>Level 9 -12</b> (3 Transfers, 2 Resignations)
	<b>7</b>	<b>Level 1 -8</b> (5 Transfers, 2 Resignations)
<b>Vacancy Rate as at 08 June 2009</b>	<b>15.85%</b>	<b>Public Sector Vacancy Rate as at 31 March 2009: 22% (overall status)</b>
<b>Turnover Rate</b> (1 April 2008 to 31 March 2009)	<b>15.60%</b>	<b>Public Sector Turnover Rate as at 31 March 2009: 18 % (overall status)</b>
<b>Turnover rate from 1 April to 8 June 2009</b>	<b>3.59%</b>	



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# EMPLOYMENT EQUITY TARGETS: 31 MARCH 2009

StatsSA mid-year population estimates	AFRICAN		INDIAN		COLOURED		WHITE		Disability
	F	M	F	M	F	M	F	M	
<b>Target</b>	40.3%	39.2%	1.3%	1.2%	4.5%	4.4%	4.7%	4.5%	DPSA Target 2%
<b>% Achieved</b>	44.2%	31.88%	2.9%	2.17%	3.61%	2.9%	9.42%	2.9%	4.34%
<b>Actual</b>	61	44	4	3	5	4	13	4	6

## Areas for Improvement

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

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

**Gender Compilation on SMS level: 52.38% male and 47.62% female**

**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%.**



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# INTERNSHIP AND GRADUATE DEVELOPMENT PROGRAMME



Interns 2008	
Number of Interns appointed in DPE	22
Employed by DPE	3
Employed in other departments and private sector organisations	11
Interns 2009	
Number of Interns appointed in DPE	22
Graduate Development Programme	
(bursaries awarded in 2008, absorbed into DPE in 2009)	
Number of graduates	4
Employed by DPE	4
Degree	B.Com (Hons)
Institutions	Unisa University of the Western Cape



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## PRIORITY AREAS AND PLANNED ACTIVITIES



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# PROGRAMME 1 ADMINISTRATION



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# PROGRAMME 1

## Administration

### Comprises :

- Ministry
- Office of the Director-General
- Office of the Chief Investment and Portfolio Manager
- Finance
- Supply Chain Management
- Information Management
- Communications and International Relations
- Corporate Services



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# PROGRAMME 1

## Chief Investment & Portfolio Management (CIPM)



### Role of the CIPM

- To collect, aggregate, analyse and communicate relevant information relating to the state of the SOE portfolio and the environment
- To monitor shareholder risk and provide proposals on mitigation as well as track and monitor implementation thereof
- To provide strategic advice to the Minister, DG and SOE facing teams based on the information and analysis.
- To develop key frameworks to enhance the focus and coherence of the shareholder management process



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# PROGRAMME 1

## Chief Investment & Portfolio Management (CIPM)

### CIPM Objective

The CIPM's objective is to progressively demonstrate improvement in value creation and reduction in exposure to the *fiscus* across the portfolio of investments that DPE manages on behalf of the State through shareholder management practices that induce:

- Commercial sustainability
- Optimization of cross-portfolio benefits towards industrialization, skills development, increased employment opportunities and BBBEE
- Co-ordinated planning of capital investments as demonstrated through an integration and synergy of network infrastructure



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# PROGRAMME 1

## Chief Investment & Portfolio Management (CIPM)

Logical planning, monitoring & evaluation framework linking SOE delivery with national strategic objectives



# PROGRAMME 1

## Chief Investment & Portfolio Management (CIPM)

### PRIORITIES FOR 2009/10

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



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# PROGRAMME 1

## Chief Investment & Portfolio Management (CIPM)

### PRIORITIES FOR 2009/10

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



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# PROGRAMME 1

## Finance, Corporate Services and Communications

### Purpose

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

### PRIORITIES FOR 2009/10

#### Finance

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

#### Supply Chain Management

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



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# PROGRAMME 1

## Finance, Corporate Services and Communications

### Information Management

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

### Communications

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

### Corporate Services

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



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# PROGRAMME 1

## Administration

	2008/09	2009/10	2010/11	2011/12
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
<b>Compensation of employees</b>	36 197	38 447	41 095	43 737
<b>Goods and services</b>	40 552	38 417	39 849	42 753
<b>Transfers – Gifts and Donations</b>	650	680	710	753
<b>Other - Financial transactions in assets and liabilities</b>	-	-	-	-
<b>Capital</b>	895	1 253	600	612
<b>Total</b>	<b>78 294</b>	<b>78 797</b>	<b>82 254</b>	<b>87 855</b>

There is very little change to this Programme other than an inflationary increase for Compensation of Employees which includes the remuneration of 21 interns for 2009/10. Maintenance and upgrading of security systems, in-house printing and reproduction services, training, bursaries, stationery, information technology services, software licences, computer equipment and telephones are centralised in this unit.



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# PROGRAMME 2

## ENERGY AND BROADBAND ENTERPRISES



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# PROGRAMME 2

## Energy & Broadband Enterprises



Oversees three SOE :

- Eskom
- PBMR (Pebble Bed Modular Reactor)
- Broadband Infraco

### Purpose

- To align the corporate strategies of **Eskom, PBMR and Broadband Infraco** with government's strategic intent and monitor their performance in respect of financial and operational performance

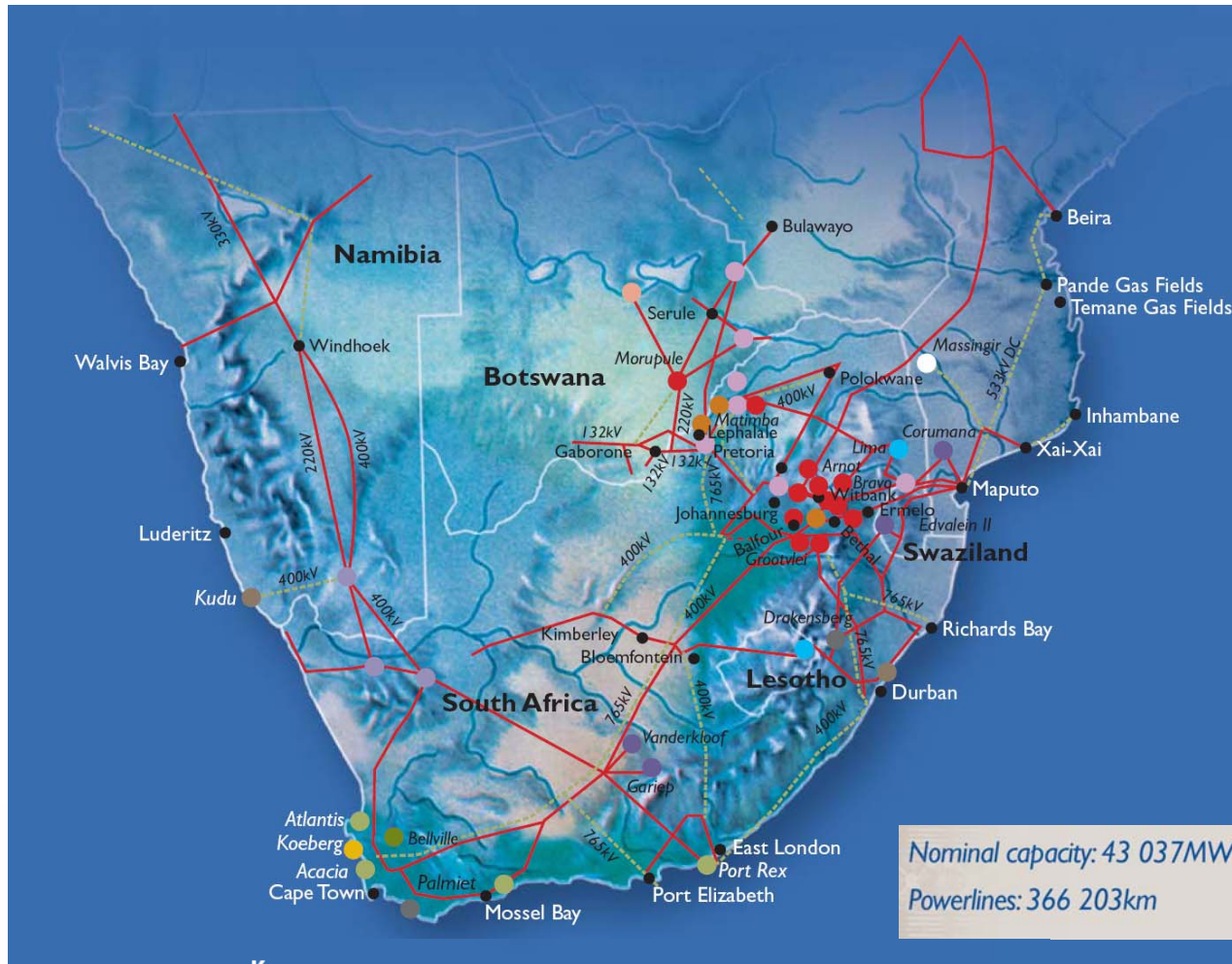


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# SOUTHERN AFRICAN ELECTRICITY GRID



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### Key

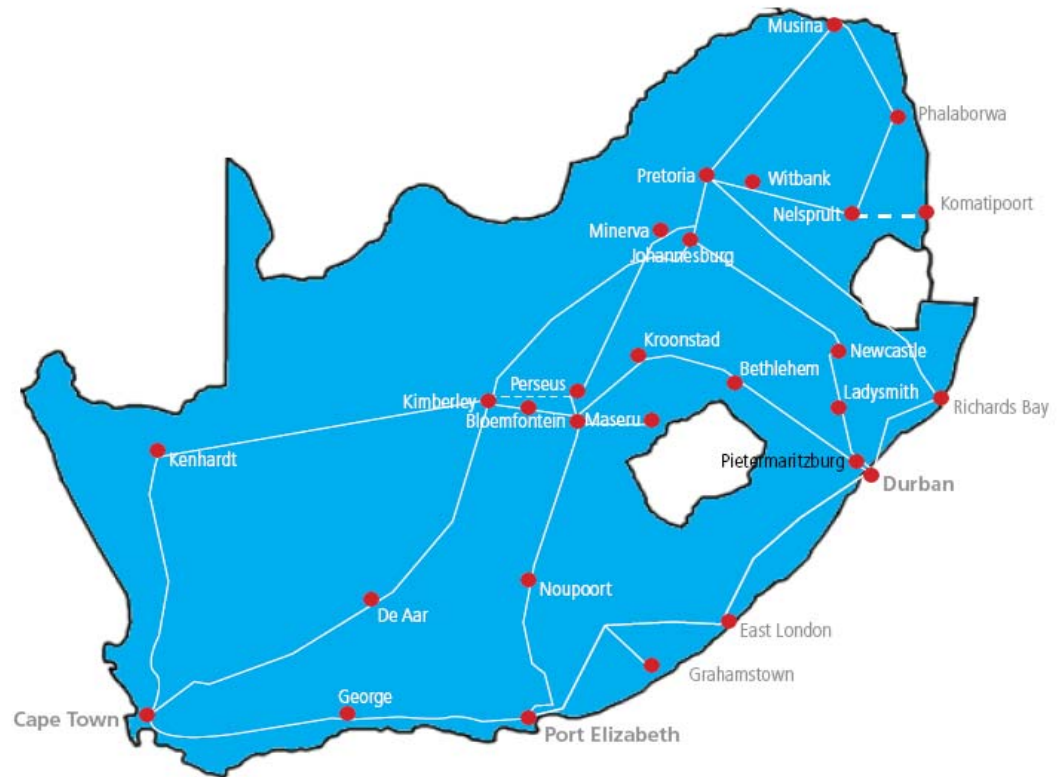
- Existing grid system
- - - Possible future grid system
- Future hydroelectric power station
- Future coal-fired power station
- Hydroelectric power station
- Interconnection substation
- Future gas station
- Future pumped storage station
- Coal-fired power station
- Future interconnection substation
- Nuclear power station
- Pumped storage station
- Gas power station
- Renewable energy
- Town

The map indicates the South African power network and some interconnections with neighbouring countries.



# Phase I: National Backbone (Progress)

Phase I of the Infraco business plan, namely the National Long Distance (NLD) fiber optic network, is fully funded and operational. Infraco acquired 5800km of fiber optic backbone infrastructure from Eskom and Transnet in 2005 and has since expanded the network to a carrier grade national coverage network extending over 12000km and have increased the available capacity six fold to approximately 40 Gigabits (40x10<sup>9</sup> bits) per second.



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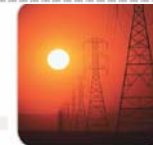
# Phase II: International Connectivity (1)

- In order to address the international marine cable connectivity (Phase II), Infraco is participating in the deployment of the West African Cable System (WACS) project. WACS is a 14500km high capacity submarine cable system along the African West Coast from South Africa to United Kingdom and Portugal (see the diagram on the right).
- The system comprises three fiber optic pairs with a maximum capacity of 3.8 Terabits ( $\times 10^{12}$ ) per second (Tb/s). Approximately 400 Gigabits per second are expected to be lit on launch. The total capacity of 3.8 Tb/s makes the cable 18 times larger than the SAT-3 cable system currently serving South Africa as the only West Coast marine cable connectivity.
- On 8 April 2009, Broadband Infraco together with major private sector telecommunication operators (Telkom SA, Neotel, MTN and Vodacom) signed a Construction and Maintenance Agreement (C&MA) and the supply contract for the implementation of the West Africa Cable System (WACS) project.
- Alcatel-Lucent has been selected as the preferred system supplier.

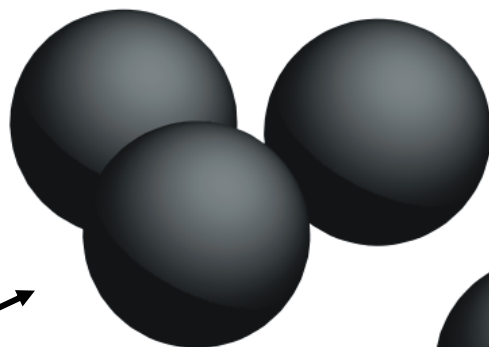
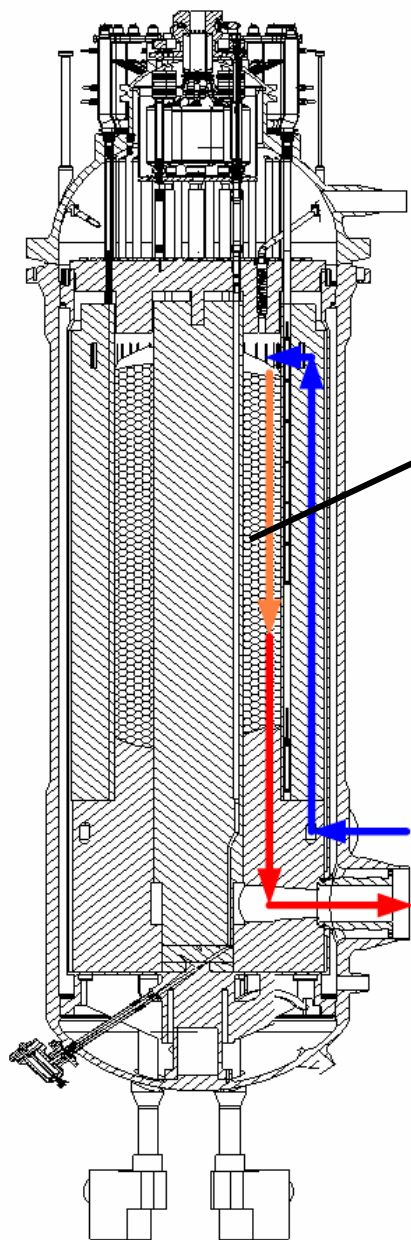


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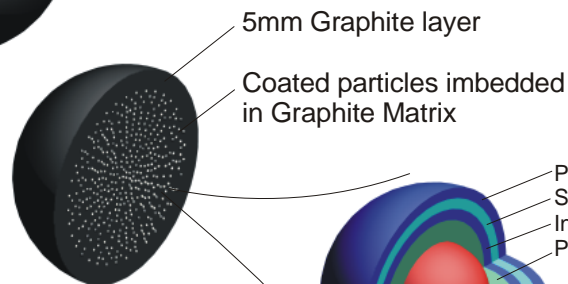
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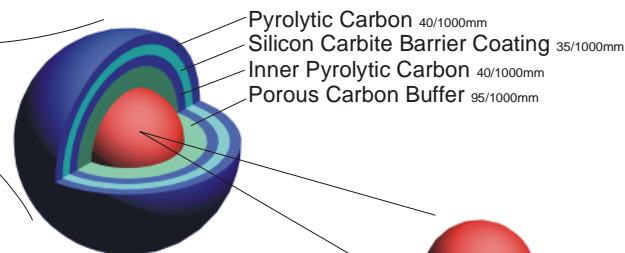
# THE PBMR REACTOR CONCEPT



**Dia. 60mm**  
Fuel Sphere



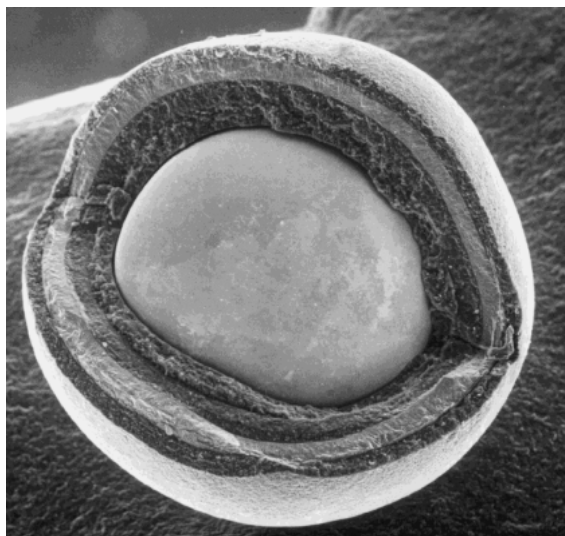
Half Section



**Dia. 0,92mm**  
Coated Particle



**Dia.0,5mm**  
Uranium Dioxide Fuel





# PROGRAMME 2

## Energy & Broadband

### PRIORITIES FOR 2009/10

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



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# PROGRAMME 2

## BUSINESS PLAN OVERVIEW



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# PROGRAMME 2

## Energy & Broadband Enterprises



All SOE: Eskom, Broadband Infraco & PBMR		
Activity / Project	Critical Path Activities	Output
Annual Report	<ul style="list-style-type: none"> <li>• Submission by SOE of its 2009 Annual Report by 30/06/2009.</li> <li>• Preparation and Submission of a Briefing Memorandum on the Annual Report to the Minister by 10 July 2009.</li> <li>• Annual Investor Brief: SOE team to compile an annual comprehensive investment report on SOE's audited 2009 Annual Results incorporating quarterly analyst investment reports.</li> <li>• Submission of the briefing to a DPE Investment Committee for interrogation.</li> <li>• Submission of the Investor Brief to the SOE Board as part of the Shareholder Statement with recommendations at the Eskom 2009 AGM.</li> <li>• Shareholder Strategic Intent Statement for Minister to present at the SOE AGM.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Briefing Memorandum: Analysis of SOE Performance, Major Issues, Risks, Financial, Regulatory and Governance.</li> <li>• Incorporation of briefing memorandum and investor brief content into the Minister's shareholder statement for the AGM.</li> <li>• Statement for Minister to present at the Eskom AGM.</li> </ul>
Corporate Plan	<ul style="list-style-type: none"> <li>• Analysis and Assessment of 2009 Corporate Plan ensuring that the plan picks up the CSDP targets.</li> <li>• Preparation and Submission of a Briefing Memorandum to the Minister.</li> <li>• Submission by SOE of its 5 year Corporate Plan (2010 start) by 28/02/2010. Ensure that SOE submission complies to the standardised DPE Corporate Plan Framework.</li> <li>• Analysis and Assessment of the Corporate Plan.</li> <li>• Compilation of a Briefing Memorandum with recommendations to the Minister.</li> </ul>	<ul style="list-style-type: none"> <li>• Briefing Memorandum: A critical assessment of the 2010 Corporate Plan.</li> </ul>



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# PROGRAMME 2

## Energy & Broadband Enterprises

All SOE: Eskom, Broadband Infraco & PBMR		
Activity / Project	Critical Path Activities	Output
Shareholder Compact	<p>SOE team to drive the process of putting an annual updated compact in place:</p> <ul style="list-style-type: none"> <li>• Review the strategic intent statement.</li> <li>• Review and benchmarking of Key Performance Indicators.</li> <li>• Negotiation with SOE and approval of KPIs by SOE Board and the Minister.</li> <li>• Shareholder Compact to be signed at SOE AGM.</li> <li>• Need to align the sign-off of the shareholder compact and corporate plan for 2010/11.</li> </ul>	<ul style="list-style-type: none"> <li>• Decision Memorandum:</li> <li>• Agreed and signed Shareholder Compact and KPIs.</li> </ul>
Quarterly Reports (2008/9Q4 to 2009/10Q3)	<ul style="list-style-type: none"> <li>• Submission by SOE of its quarterly report within 6 weeks of the end of the quarter.</li> <li>• Assessment and analysis of quarterly results by the SOE team.</li> <li>• Compilation of a Briefing Memorandum to the CIPM.</li> <li>• Ensure that the SOE updates the DPE Dashboard with its quarterly data within 1 week of submitting the quarterly report to DPE.</li> <li>• Analysis and comment by SOE team uploaded onto the DPE dashboard and approved by DDG quarterly.</li> </ul>	<ul style="list-style-type: none"> <li>• Briefing Memorandum: Critical assessment of performance including major risks.</li> <li>• Updated dashboard with SOE team comment and analysis.</li> </ul>
Assessment of SOE Board Strength	<ul style="list-style-type: none"> <li>• Develop framework for SOE Board composition.</li> <li>• Collect necessary data and information. Perform assessment of current board strengths and weaknesses and identify gaps where present with possible solutions.</li> <li>• Make recommendations regarding board composition (retirees, additions, replacements)</li> <li>• Compilation of a Decision Memorandum to the Minister.</li> </ul>	<ul style="list-style-type: none"> <li>• Decision Memorandum to the Minister assessing the board composition, identifying any weaknesses or gaps and making recommendations.</li> </ul>



# PROGRAMME 2

## Energy & Broadband Enterprises



All SOE: Eskom, Broadband Infraco & PBMR		
Activity / Project	Critical Path Activities	Output
SOE five year performance review (2004-2009)	<ul style="list-style-type: none"> <li>Perform SOE 5 year performance review (based on previous publication).</li> <li>Analysis of SOE 5 year performance.</li> <li>Input to DPE SOE 5 year review publication.</li> </ul>	<ul style="list-style-type: none"> <li>Briefing Memorandum: The 5 year performance of each SOE for input into DPE publication</li> </ul>
Economic Impact Assessment Study in support of Competitive Supplier Development Programme KPI	<ul style="list-style-type: none"> <li>Develop a Terms of Reference with milestones and scheduling for the study and submit to DG for approval by 30/06/2009.</li> <li>Work with Eskom, Infraco and PBMR to determine their current contribution to GDP and creation of decent jobs to establish a baseline (broken down into operations and infrastructure expansion).</li> <li>Looking forward this would be used to forecast, monitor and influence the contribution that Eskom makes to South Africa's economy.</li> <li>Assess the extent to which Eskom's infrastructure build programme contributes to Government's growth targets.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Briefing Memorandum to the Minister</li> </ul>
Leveraging SOE infrastructure development synergies to enhance rural development across the Energy and Broadband SOE.	<ul style="list-style-type: none"> <li>Develop the framework for a study to assess each SOE's infrastructure programme to identify rural areas where initiatives are being undertaken.</li> <li>Assess SOE infrastructure programmes and develop a proposal to leverage off existing projects to initiate or expand rural development by other SOEs (e.g. link Medupi project with a broadband community initiative for the community around the power station).</li> <li>As a first step, monitor CSDP progress and report quarterly on dashboard captured CSDP information.</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly Briefing Memorandum to the Director General</li> </ul>



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# PROGRAMME 2

## Energy & Broadband Enterprises



All SOE: Eskom, Broadband Infraco & PBMR		
Activity / Project	Critical Path Activities	Output
Ad hoc (all SOE)	<ul style="list-style-type: none"> <li>• Referrals from the Director General</li> <li>• Referrals from the Minister</li> <li>• General Comment on Cabinet Memoranda</li> <li>• PFMA Applications</li> <li>• Parliamentary Questions</li> <li>• Publication of 1 article per annum</li> <li>• Technical responses to Media Queries</li> </ul>	<ul style="list-style-type: none"> <li>• Timeous turnaround and response.</li> </ul>



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# PROGRAMME 2

## Energy & Broadband Enterprises

Eskom		
Activity / Project	Critical Path Activities	Output
Monitoring Eskom's Delivery of its Capacity Expansion (Build ) Programme	<ul style="list-style-type: none"> <li>• Implementation of the Earned Value Assessment (EVA) Methodology (Cost Performance Index, Schedule Performance Index, Project Definition Review Index)</li> <li>• Reporting of EVA parameters by Eskom in quarterly reports</li> <li>• Assessment of progress and obstacles to delivery</li> <li>• Environmental Impact Assessment Progress Monitoring, Tracking and Facilitation</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly Briefing Memorandum assessing Eskom's progress with its capital expenditure programme to the Director General.</li> <li>• Engagement with SOE Board</li> </ul>
Generation Adequacy Assessment	<ul style="list-style-type: none"> <li>• Develop a reporting framework to include:               <ul style="list-style-type: none"> <li>○ Maintenance assessment</li> <li>○ Primary Energy procurement</li> <li>○ Coal stockpile adequacy (including long term plan)</li> <li>○ Water availability</li> <li>○ Benchmarked operational indicators (e.g. unserved energy, Energy Availability Factor, etc.)</li> </ul> </li> <li>• Data gathering via quarterly reports</li> <li>• Analysis of data quarterly</li> <li>• Preparation of a quarterly briefing memorandum to the DG</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly Briefing Memorandum assessing Eskom's Generation Adequacy to the Director General</li> </ul>
Transmission and Distribution Network Adequacy Assessment	<ul style="list-style-type: none"> <li>• Develop a reporting framework to include:               <ul style="list-style-type: none"> <li>○ Maintenance and refurbishment assessment</li> <li>○ Assess adequacy of network investment programme and progress of delivery</li> </ul> </li> <li>• Data gathering via quarterly reports</li> <li>• Analysis of data quarterly</li> <li>• Preparation of a quarterly briefing memorandum to the DG</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly Briefing Memorandum assessing Eskom's Network Adequacy to the Director General</li> </ul>

# PROGRAMME 2

## Energy & Broadband Enterprises



Eskom		
Activity / Project	Critical Path Activities	Output
Funding	<ul style="list-style-type: none"> <li>• Support credit ratings</li> <li>• Explore alternate funding structures (existing and new projects)</li> <li>• Facilitation of access to debt</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Briefing Memorandum to the Director General</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• Monitoring of:               <ul style="list-style-type: none"> <li>○ Cost management</li> <li>○ Cash flow management</li> <li>○ Embedded derivatives</li> <li>○ Adherence to reporting requirements (loans and guarantees)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Mid-Year and Annual Briefing Memorandum to the Director General.</li> </ul>
Coal transport logistics (Joint project with Transport Unit)	<ul style="list-style-type: none"> <li>• Monitoring of:               <ul style="list-style-type: none"> <li>○ coal haulage road to rail migration plan</li> <li>○ coal haulage road maintenance and refurbishment</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Mid-Year and Annual Briefing Memorandum to the Director General.</li> </ul>
Single Buyer Function	<ul style="list-style-type: none"> <li>• Facilitate that NERSA, DME and Eskom implement the consolidation of the various infrastructure planning processes including “hard-wiring” of IPPs and RE.</li> <li>• Monitoring of and participation in procurement Independent Power Producers.</li> <li>• Monitoring of renewable energy bid process.</li> </ul>	<ul style="list-style-type: none"> <li>• Mid-Year and Annual Briefing Memorandum to the Director General.</li> </ul>
Distribution Industry Restructuring	<ul style="list-style-type: none"> <li>• Monitor progress with implementation of 6 wall-to-wall REDs (constitutional amendment) and Participation in EDI Holdings committees. Develop an innovative proposal for the fast-tracking of REDs establishment or to assist smaller municipalities with maintenance and refurbishment using Eskom until REDs establishment.</li> </ul>	<ul style="list-style-type: none"> <li>• Proposal for Distribution Network Maintenance and Refurbishment support in smaller municipalities using Eskom.</li> </ul>





# PROGRAMME 2

## Energy & Broadband Enterprises



Eskom		
Activity / Project	Critical Path Activities	Output
Nuclear Fleet Procurement	<ul style="list-style-type: none"> <li>• Participation in and part leadership of Technology Partner Selection Nuclear Task Team and Government Nuclear Policy Task Team.</li> <li>• Development of a Framework for the selection of a Nuclear Technology Partner</li> <li>• Develop and implementation of a training programme on nuclear energy and procurement for an Eskom Board Sub-Committee.</li> </ul>	<ul style="list-style-type: none"> <li>• Framework for the selection of a Nuclear Technology Partner and clear Government Policy with respect to Nuclear power in association with Department of Energy.</li> </ul>
Energy Efficiency and Demand Side Management (EEDSM)	<ul style="list-style-type: none"> <li>• Monitoring and Facilitating:               <ul style="list-style-type: none"> <li>○ Implementation of the Power Conservation Programme</li> <li>○ Eskom's progress and success with the implementation of its Energy Efficiency and Demand Side Management programme</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly memorandum to the Minister on progress with the various EEDSM initiatives being undertaken around the country.</li> </ul>
Carbon Emissions Framework for the Energy and Broadband Sectors	<ul style="list-style-type: none"> <li>• Develop a Terms of Reference for the project.</li> <li>• Gather all necessary data and do stakeholder liaison.</li> <li>• Develop a carbon emissions framework for the energy and broadband sectors with targets, timeframes and associated costs.</li> <li>• Implement a carbon emissions framework for the energy and broadband sectors with targets, timeframes and associated costs.</li> </ul>	<ul style="list-style-type: none"> <li>• The development and implementation of a carbon emissions framework for the energy and broadband sectors with targets and timeframes</li> </ul>



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# PROGRAMME 2

## Energy & Broadband Enterprises



Broadband Infraco		
Activity / Project	Critical Path Activities	Output
Assessment of Infraco's Impact on Broadband Pricing in South Africa	<ul style="list-style-type: none"> <li>• Submit project Terms of Reference for approval by 30/06/2009.</li> <li>• Compile Benchmark: Price, Service level, Capacity, etc</li> <li>• Assessment of Broadband Pricing in South Africa, outside South Africa and key destinations (sourced from )</li> <li>• Analyse BMI-T results on South African Broadband pricing and produce a mid-year and annual report</li> </ul>	<ul style="list-style-type: none"> <li>• Mid-year and Annual Briefings to the Minister on Infraco's Impact on prices and Broadband Penetration</li> </ul>
Capital Expenditure Programme: International Submarine Cable and Terrestrial network	<ul style="list-style-type: none"> <li>• Monitor and Facilitate the Implementation of the International Submarine Cable (West Africa Cable System)</li> <li>• Monitor execution of projects to complete the terrestrial cable network.</li> <li>• Monitor Infraco's facilitation of the delivery of projects of national importance (SKA, MeerKAT and SANReN)</li> </ul>	<ul style="list-style-type: none"> <li>• Annual briefing memorandum to the Minister on progress</li> </ul>
Business Process Outsourcing and Off-shoring (BPO&O)	<ul style="list-style-type: none"> <li>• CSDP supplier chain contribution through National and International Telecommunication infrastructure to boost the &amp;O industry (call centre, telemedicine, back office support, etc.)</li> <li>• DPE and DTI Intergovernmental collaboration for Information.</li> </ul>	<ul style="list-style-type: none"> <li>• Briefing Memorandum to the Minister</li> </ul>



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# PROGRAMME 2

## Energy & Broadband Enterprises

PBMR		
Activity / Project	Critical Path Activities	Output
Government's role in developing a Nuclear Power sector	<ul style="list-style-type: none"> <li>• Develop a (PBMR &amp; PWR) Framework for:               <ul style="list-style-type: none"> <li>○ Premature Decommissioning Fund Proposal</li> <li>○ Nuclear Indemnity Insurance</li> <li>○ Waste Disposal Plan</li> </ul> </li> <li>• Develop a Terms of Reference for the project</li> </ul>	<ul style="list-style-type: none"> <li>• Joint proposals and recommendations with DME to submit to Cabinet for approval on each of the items.</li> </ul>
Revised Business Model and Product Offering	<ul style="list-style-type: none"> <li>• Monitor and Facilitate:               <ul style="list-style-type: none"> <li>○ Development and Implementation of the revised business model and product offering.</li> </ul> </li> <li>• Commercial and Delivery Oriented Management Structure:               <ul style="list-style-type: none"> <li>○ Benchmarking of management structure</li> <li>○ Benchmarking of engineering capability and requirement</li> <li>○ Proposal for delivery oriented management structure</li> </ul> </li> <li>• Monitor and Facilitate strategic partnerships (e.g. Technical collaboration with China)</li> </ul>	<ul style="list-style-type: none"> <li>• Decision memorandum to Minister on management structure revision and briefing on new business model and product offering.</li> </ul>
Industrialisation and the role of PBMR in nuclear industry development	<ul style="list-style-type: none"> <li>• Engage with conventional nuclear program and partners</li> <li>• Develop a holistic strategy for funding and strategic collaboration</li> </ul>	<ul style="list-style-type: none"> <li>• Briefing Memorandum to the Director General.</li> </ul>
Inter-governmental collaboration on Regulation and the enabling environment (both PBMR & PWR)	<ul style="list-style-type: none"> <li>• Nuclear indemnity</li> <li>• NNR skills development</li> </ul>	<ul style="list-style-type: none"> <li>• Adhoc Briefing Memoranda as and when appropriate</li> </ul>



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# PROGRAMME 2

## Energy & Broadband Enterprises



PBMR		
Activity / Project	Critical Path Activities	Output
Funding	<ul style="list-style-type: none"> <li>• Monitor financial contracts with partners (SASOL, M&amp;R)</li> <li>• Explore industry incentives (DTI- section 52E –tax)</li> <li>• Explore alternate funding structures</li> <li>• Facilitation of access to debt if necessary</li> </ul>	<ul style="list-style-type: none"> <li>• Adhoc Briefing Memoranda as and when appropriate</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• Monitoring of:                             <ul style="list-style-type: none"> <li>○ Cost management</li> <li>○ Cash flow management</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Monthly Report</li> </ul>



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# PROGRAMME 2

## Energy & Broadband Enterprises

	2008/09	2009/10	2010/11	2011/12
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Compensation of employees	5 805	6 355	7 030	7 401
Goods and services	4 512	5 011	3 062	5 306
*Transfers	2 127 000	1 946 280	138 600	-
Other - Financial transactions in assets and liabilities	-	-	-	-
Capital	-	-	-	-
<b>Total</b>	<b>2 137 317</b>	<b>1 957 646</b>	<b>148 692</b>	<b>12 707</b>

The transfer payments to PBMR and Broadband Infraco decrease over the MTEF, ceasing in 2010/11. The operational budget in this programme remains within the baseline for the medium term.

- **PBMR** : 2008/09 R1.75 billion; 2009/10 R1.74 billion\*
- **Broadband Infraco** : 2008/09 R377 million; 2009/10 R208.5 million  
2010/11 R138.6 million\*



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# PROGRAMME 4

## MANUFACTURING ENTERPRISES



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# PROGRAMME 4

## Manufacturing

Oversees two SOE :-

- Denel
- Safcol

### Purpose

To analyse SOE strategies (Denel, Safcol) against government's strategic intent, develop proposals around how SOE can play a catalytic role in the development of the manufacturing cluster and monitor and advise on SOE financial and operational performance.



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# OVERVIEW OF DENEL

- **The Group:**

- Established on 1 April 1992 as a private company
- SA Government sole shareholder at Group level
- Headquartered in Irene, Pretoria
- The Group's business entities operate in SA and abroad

- **Description of Business:**

- Technology-based company
- Core: aerospace, land systems and defence/security related industries
- Key capabilities: R&D, engineering and manufacturing of proprietary and commodity products throughout their lifecycles.

- **Denel's mandate is to:**

- Supply strategic defence capabilities to South Africa's armed forces
- Act as a catalyst for advanced manufacturing in the broader economy.



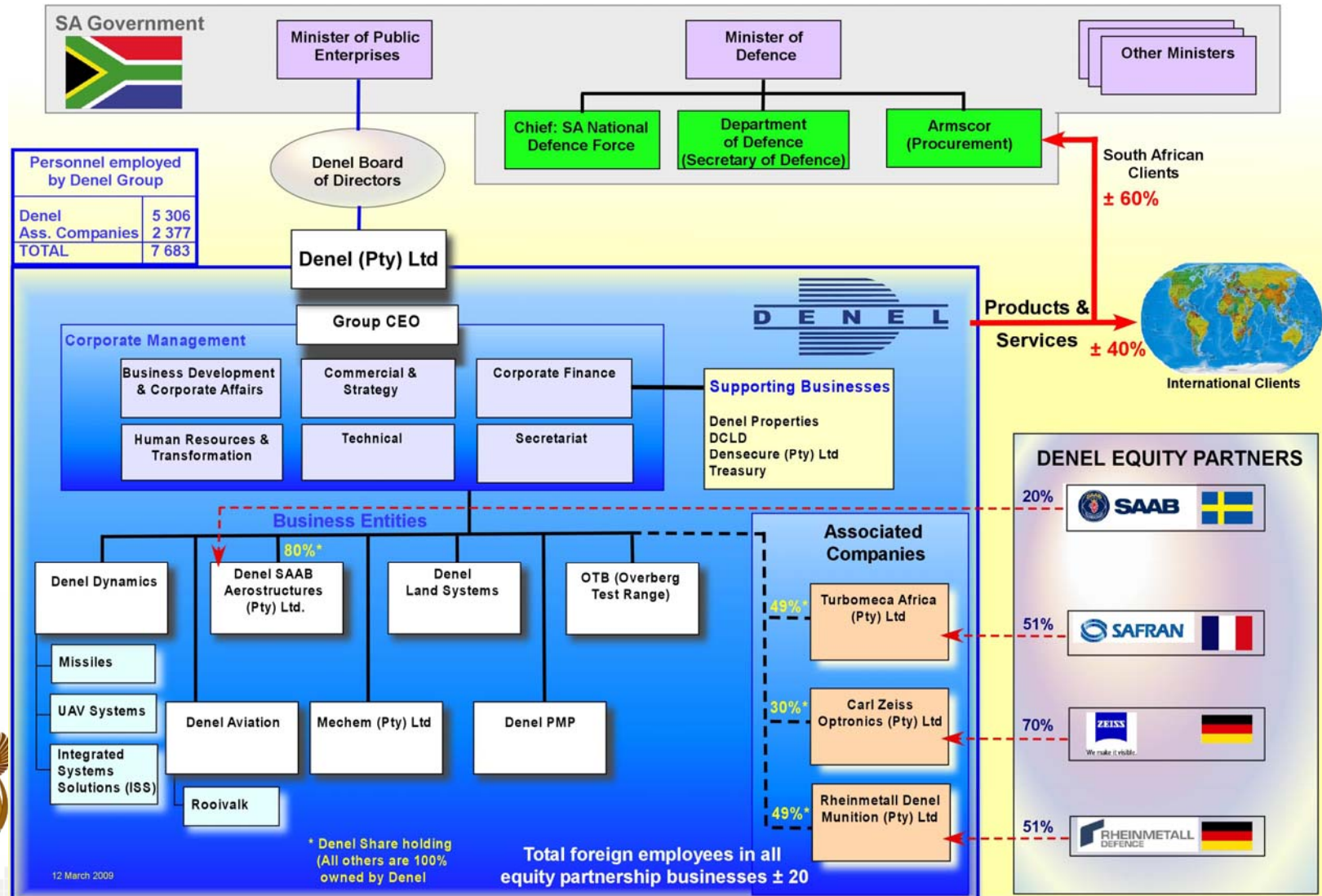
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# DENEL CORPORATE STRUCTURE



# OVERVIEW OF SAFCOL

- SAFCOL is a 100% state owned forestry company. It is a 100% shareholder of its subsidiary Komatiland Forests (KLF) which owns 80% of IFLOMA (Mozambican company)
- SAFCOL owns forests for sawlog production in three provinces, Mpumalanga, Limpopo and KwaZulu Natal, and one softwood saw mill in Limpopo.
- KLF has 18 plantations and 187 320ha of land, of which 124 170ha is planted and 90% are pine for saw log production.
- Its mandate is to maintain the sustainability of its commercial plantation forests and to supply sawlogs to industry

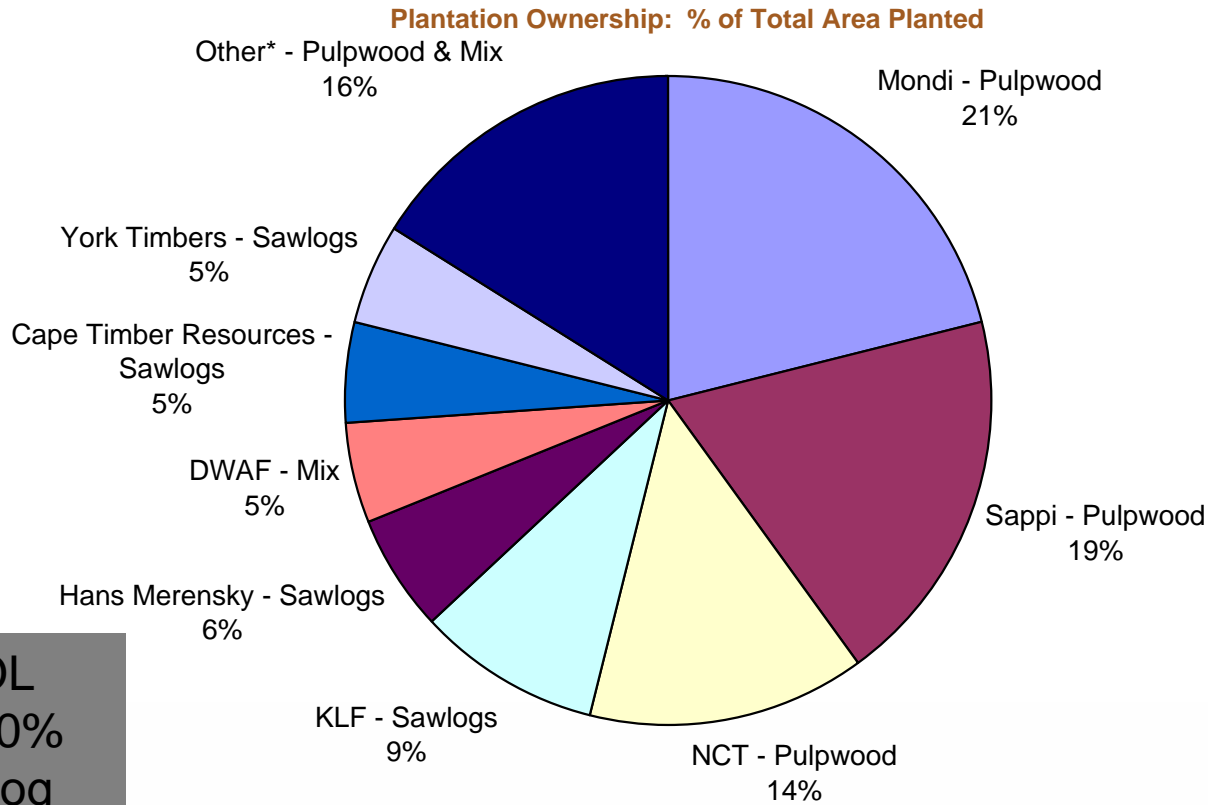


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# SIGNIFICANCE OF SAFCOL IN SOUTH AFRICAN FORESTRY SECTOR (1/2)



**SAFCOL  
owns 40%  
of Sawlog  
plantations**

*Note: TWK and Central Timber Coop accounts for a large share of this category through its farmer members*

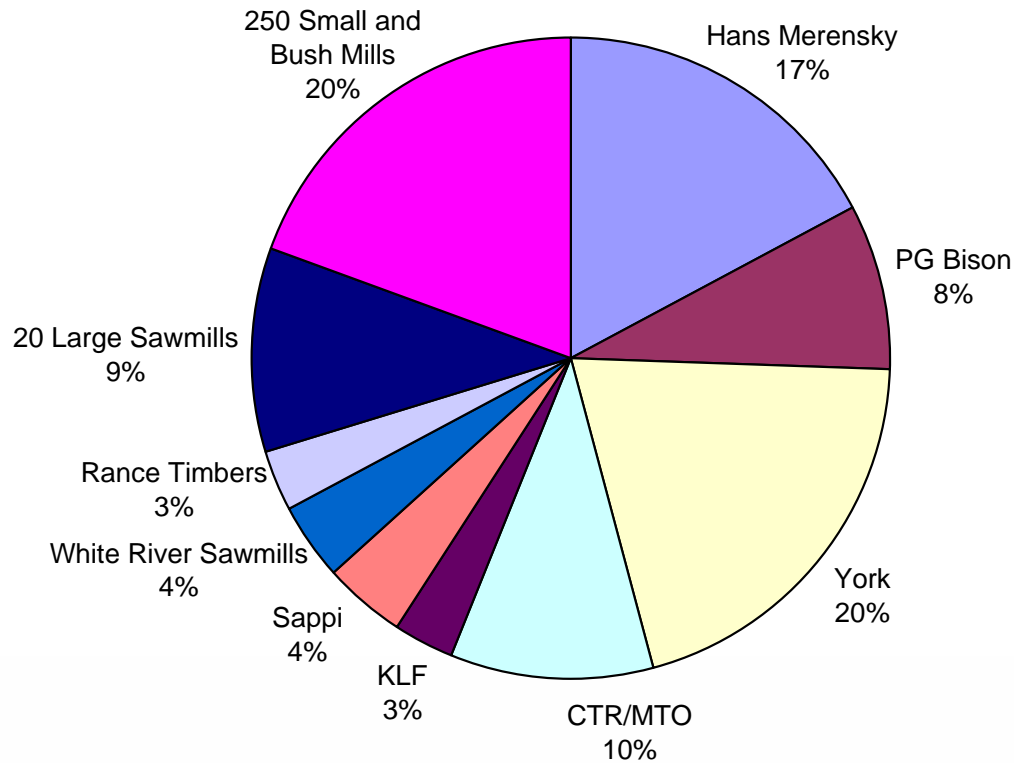


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# SIGNIFICANCE OF SAFCOL IN SOUTH AFRICAN FORESTY SECTOR (2/2)

RSA Sawmill Market Share by Ownership



SAFCOL is not vertically integrated and hence is a key supplier to other sawmills

Note: CTR = Cape Timber Resource



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# PROGRAMME 4

## Manufacturing

### PRIORITIES FOR 2009/10

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



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# PROGRAMME 4

## BUSINESS PLAN OVERVIEW



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# PROGRAMME 4

## Manufacturing

DENEL		
Activity / Project	Critical Path Activities	Output
Enabling Denel's Strategic Role in provision of Defence Capabilities	<ul style="list-style-type: none"> <li>• Submission of follow up Denel End-State cabinet memorandum to win political support for Denel's Future State</li> </ul>	<ul style="list-style-type: none"> <li>• Progress on implementation of Denel Future State, especially in areas requiring buy-in from DoD</li> <li>• Retention of strategic and sovereign capabilities in areas agreed to with DOD</li> <li>• Programme delivery to SANDF on agreed programs and contracts</li> </ul>
	<ul style="list-style-type: none"> <li>• Securing long term orders and funding thereof (incl for NRC) to retain critical mass and capabilities within strategic and sovereign BU</li> </ul>	
	<ul style="list-style-type: none"> <li>• Secretariat support for DPE, DoD and Denel quarterly meetings</li> </ul>	
Enabling Denel's Strategic Economic role in promoting advanced manufacturing	<ul style="list-style-type: none"> <li>• Strategic review of each Denel Business Unit with an emphasis on maximising industry impact, share of value add done locally strengthening domestic supply chains and aligning Denel's business strategies to relevant advance manufacturing sector development strategies (e.g., TSAPRO, Aerospace strategy etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Concepts and scoping of initiatives to improve Denel's industrial impact and deepening local supply chains</li> <li>• Begin fulfilling pre-requisites and detailed implementation plans for priority initiatives</li> </ul>
	<ul style="list-style-type: none"> <li>• Implementation of a procurement organizational certification as a means to align procurement with CSDP objectives</li> </ul>	
Enabling Denel's Business Sustainability	<ul style="list-style-type: none"> <li>• Resolution of Denel's liquidity issues (e.g., rolling of existing guarantees etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Roll over of existing guarantees and securing new guarantees to meet funding shortfall for the current financial year</li> </ul>
	<ul style="list-style-type: none"> <li>• Resolution of Denel's going concern status and long term solvency issues</li> </ul>	
	<ul style="list-style-type: none"> <li>• Resolution of A400M industry support</li> </ul>	<ul style="list-style-type: none"> <li>• On time submission of recapitalisation application to National Treasury</li> </ul>
		<ul style="list-style-type: none"> <li>• Position on Industry requirements</li> </ul>

# PROGRAMME 4

## Manufacturing

DENEL		
Activity / Project	Critical Path Activities	Output
Enabling Denel's Business Sustainability (Cont'd)	<ul style="list-style-type: none"> <li>Implementation of DSA turnaround</li> </ul>	<ul style="list-style-type: none"> <li>Visible improvement in DSA's financial and operational performance</li> </ul>
	<ul style="list-style-type: none"> <li>Oversee conclusion and execution of equity transaction in DDM</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Due Diligence of proposed transaction</li> <li>Review of PFMA application</li> </ul>
	<ul style="list-style-type: none"> <li>Oversee consolidation within the landward sector</li> </ul>	<ul style="list-style-type: none"> <li>Position Paper and implementation plan for achieving landward consolidation</li> <li>Implementation of proposed consolidation strategy</li> </ul>
	<ul style="list-style-type: none"> <li>Development of new business/growth strategy for Denel</li> </ul>	<ul style="list-style-type: none"> <li>Alignment on Roles and Responsibilities in marketing Denel capabilities and products</li> </ul>
	<ul style="list-style-type: none"> <li>Implementation of new business/growth strategy for Denel and establishing new partnership in secondary markets</li> </ul>	<ul style="list-style-type: none"> <li>As per developed strategy</li> </ul>
	<ul style="list-style-type: none"> <li>Improved performance monitoring of Denel's BU with an emphasis on                             <ul style="list-style-type: none"> <li>Outcomes and expenditure of on-going R&amp;D projects</li> <li>Performance on key programmes and contracts</li> <li>Training and skills development and succession planning</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Agreed set of KPI's aligned to Strategic Intent Statement and shareholder compact</li> </ul>
Enabling Denel's Business Efficiency	<ul style="list-style-type: none"> <li>Improved performance monitoring of Denel's BU with an emphasis on                             <ul style="list-style-type: none"> <li>Tracking and external benchmarking of key efficiency ratios</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Year on year improvement in profit margins (gross, operating and net)</li> </ul>
Enabling Denel's Developmental Contribution	<ul style="list-style-type: none"> <li>Improved performance monitoring of Denel's BU with an emphasis on components of the BEE scorecard</li> </ul>	<ul style="list-style-type: none"> <li>Year on year improvement in BEE rating of Denel Business Units</li> </ul>



# PROGRAMME 4

## Manufacturing



SAFCOL		
Activity/Project	Critical Path Activities	Output
Finalisation of SAFCOL Future Post Land Claims	Preparation of position papers on SAFCOL Future State (DPE, Forestry and SAFCOL)	Definition of role and Institutional form for SAFCOL post land claims and implementation plan thereof. Cabinet buy in to recommendations
	Joint workshop on SAFCOL Future State	
	Consolidation of workshop outcomes	
	Preparation of recommendations for Cabinet Approval	
Implementation of SAFCOL Future State Recommendations	To be determined after Finalisation of SAFCOL Future State	Implementation of SAFCOL Future State Recommendations
Input into of Land Claims Process	Participate in inter-departmental task team on Land Claims	n/a



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# PROGRAMME 4

## Manufacturing

ALL SOE : DENEL AND SAFCOL

Activity / Project	Critical Path Activities	Output
Assessment of Board Strength	<ul style="list-style-type: none"> <li>• Develop framework for SOE Board Composition analysis</li> <li>• Collect necessary data and information</li> <li>• Perform assessment of current board</li> <li>• Make recommendations regarding board composition (retirees, additions and replacement)</li> <li>• Compile memorandum to DG</li> </ul>	<ul style="list-style-type: none"> <li>• Decision memorandum to the DG assessing the suitability of board composition, identifying any weakness or gaps and making recommendations on corrective action</li> </ul>
Shareholder's Compact 2008/09	<ul style="list-style-type: none"> <li>• Strategic Intent Statement and KPI's</li> <li>• Closure on compact</li> </ul>	<ul style="list-style-type: none"> <li>• Memo</li> <li>• Input to Compact</li> <li>• Board signature</li> </ul>
Annual Report Assessment	Analysis of group: <ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Strategy implementation</li> <li>• Operations</li> </ul>	<ul style="list-style-type: none"> <li>• Memo</li> <li>• Aide Memorire for AGM</li> </ul>
SOE 5 year review	Analysis of 5 year performance i.e., <ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Strategy implementation</li> <li>• Operations</li> </ul>	<ul style="list-style-type: none"> <li>• Memo</li> <li>• Aide Memorire for AGM</li> </ul>
Monthly Report	Analysis of group: <ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Strategy implementation</li> <li>• Operations</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly report memo</li> </ul>
Quarterly Report (Q1,2,3,4)	Analysis of group and divisions: <ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Strategy implementation</li> <li>• Operations</li> <li>• 1 page investor advisory to Board</li> </ul>	<ul style="list-style-type: none"> <li>• Analyst investor report (note as a quarter report and monthly report are often combined).</li> </ul>

# PROGRAMME 4

## Manufacturing

### ALL SOE : DENEL AND SAFCOL

Activity / Project	Critical Path Activities	Output
DPE Board Presentation	Presentation to DPE Board	Presentation to the DPE Board
Dashboard	Populating and updating data	Updated Dashboard
AGM	Annual review: <ul style="list-style-type: none"> <li>• Input into AGM agenda</li> <li>• Review board composition</li> <li>• Review of: <ul style="list-style-type: none"> <li>○Financial performance</li> <li>○Strategy implementation</li> <li>○Operations</li> </ul> </li> </ul>	Memo
Corporate Plan	Analysis of: <ul style="list-style-type: none"> <li>•Financial forecasts</li> <li>•Strategy plan</li> </ul>	Memorandum on Corporate Plan
Input into assessment of PFMA section 54 applications	Economic/business assessment	Section 54 (2) memo
DSA Indemnity Agreement	<ul style="list-style-type: none"> <li>•Audit Submitted Claim</li> <li>•Make payment against audited claim</li> </ul>	Claim and accompanying memorandum
<b>Ad-Hoc Activities</b>		
Referrals from Minister and DG	Drafting of briefing and letter	Decision or briefing memo as required
Parliamentary questions	Draft/review response	Answer to parliamentary question
Review of Cab Memos	Research topic Write-up memo	Decision or briefing memo, as required
Articles	Article on economic/key issues	Article

# PROGRAMME 4

## Manufacturing

	2008/09	2009/10	2010/11	2011/12
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Compensation of employees	4 985	6 463	6 955	7 321
Goods and services	4 779	2 004	2 129	2 286
Transfers	259 516	-	-	-
Other - Financial transactions in assets and liabilities	-	-	-	-
Capital	-	-	-	-
<b>Total</b>	<b>269 280</b>	<b>8 467</b>	<b>9 084</b>	<b>9 607</b>

There is no significant increase in the operational budget for this Programme. The substantial decrease reflected over the period is due to Denel having received a transfer payment amounting to R 259.5 million in 2008/09 in respect of an indemnity granted to Denel/Saab Aerostructures during that year.



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# PROGRAMME 5

## TRANSPORT ENTERPRISES



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### Oversees three SOE

- Transnet
- South African Airways
- South African Express Airways

### Purpose

- Oversee the activities of Transnet, SA Airways, SA Express in terms of corporate strategy & structure, operational performance, industry structure, corporate governance and policy, financial and risk management, corporate transactions and benchmarking.



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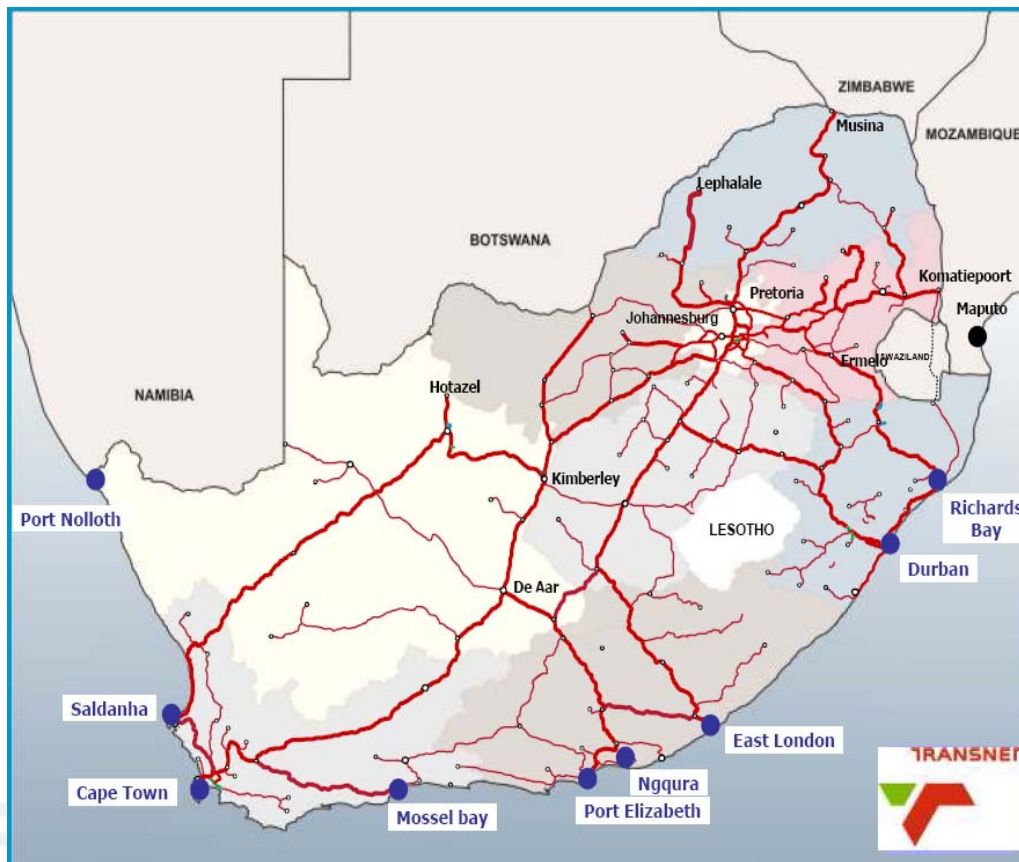


# PROGRAMME 5

## Transport

### TRANSNET

- Transnet's key role is to assist in lowering the cost of doing business in South Africa and enabling economic growth through providing appropriate ports, rail and pipeline infrastructure and operations in a cost effective and efficient manner and within acceptable benchmark standards.



### Investment plan (2008/09 Annual Report)

- Transnet Freight Rail (TFR) – R38.0 billion
- Transnet Rail Engineering (TRE) – R2.3 billion
- Transnet National Ports Authority (TNPA) – R16.4 billion
- Transnet Port Terminals (TPT) – R9.6 billion
- Transnet Pipelines (TP) – R11.9 billion
- Specialists units (support) - R2.1 billion



# PROGRAMME 5

## Transport

### TRANSNET PRIORITIES 2009/10

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



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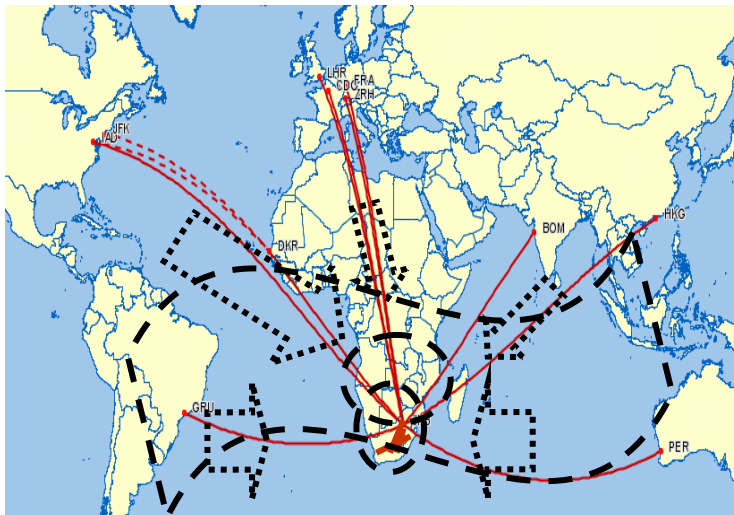




### SOUTH AFRICAN AIRWAYS (SAA)

- SAA is a full service network carrier operating international, regional and domestic scheduled services from its hub at O R Tambo. Improved operational sustainability has been achieved through the two year 'Seabury' restructuring programme. The airline however remains undercapitalised and faces a number of onerous contract liabilities. Passenger volume has declined as a result of the economic downturn.

#### SAA Intercontinental Network



#### SAA Africa and Domestic Network



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# PROGRAMME 5

## Transport

### SAA PRIORITIES 2009/10

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



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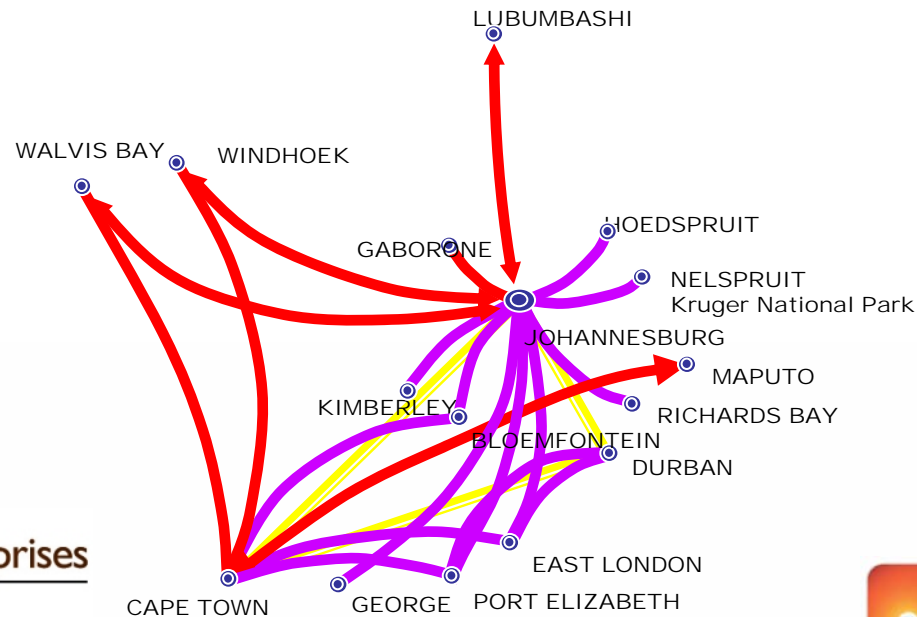
# PROGRAMME 5

## Transport

### SOUTH AFRICAN EXPRESS (SAX)

- SAX was established in 1994 and in the last year as a independent SOE reporting to DPE. It is a domestic and regional airline with links to secondary towns and cities in South Africa and Africa and often provides a feeder role for SAA traffic. SAX operates small narrow body jets and turbo props and has been consistently profitable for a number of years.

#### SAX Africa and Domestic Network



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# PROGRAMME 5

## Transport

### SAA PRIORITIES 2009/10

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



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# PROGRAMME 5

## BUSINESS PLAN OVERVIEW



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# PROGRAMME 5

## Transport

TRANSNET		
Activity / Project	Critical Path Activities	Output
<b>Corporate Plan</b>	<ul style="list-style-type: none"> <li>Assess progress with implementation of strategy</li> <li>Assess alignment of budget with strategy</li> <li>Annual review of financing and funding plans</li> <li>Proposals/Recommendations for corrective measures.</li> </ul>	Briefing Memorandum: <ul style="list-style-type: none"> <li>A critical assessment of the business plan</li> <li>Letter to Chairman of Board and Minister of Finance</li> </ul>
<b>Transnet Shareholder Compact</b>	SOE team to drive the process of putting an annual updated compact into place: <ul style="list-style-type: none"> <li>Review the strategic intent statement</li> <li>Review and benchmarking of SKPI's</li> <li>Approval of SKPI's for the Shareholder Compact</li> <li>Ensure signoff from Governance</li> <li>Signed Shareholder Compact</li> </ul>	Decision Memorandum: <ul style="list-style-type: none"> <li>Agreed Shareholder Compact</li> </ul>
<b>SOE Dashboard:</b> Monitoring of Transnet Performance	<ul style="list-style-type: none"> <li>Quarterly update of Transnet Dashboard Database</li> </ul>	Updated Transnet Dashboard (latest information)
<b>Annual Report</b>	<ul style="list-style-type: none"> <li>Analysis and assessment of annual report</li> </ul>	Memo to DG and Minister on assessment
<b>Review Transnet board strength</b>	<ul style="list-style-type: none"> <li>Analyse key skill sets and make recommendations in respect of new challenges faced by organisation</li> </ul>	Memo to DG and Minister
<b>Quarterly Reporting (Q1 to Q4)</b>	<ul style="list-style-type: none"> <li>Submission by Transnet of its Quarterly Report</li> </ul>	Briefing Memorandum: <ul style="list-style-type: none"> <li>Critical assessment of performance including major risks</li> </ul>

# PROGRAMME 5

## Transport

TRANSNET		
Activity / Project	Critical Path Activities	Output
<b>Analyse and assess Transnet's role and impact on the economy</b>	<ul style="list-style-type: none"> <li>• Population of customized models and development of investment scenarios</li> <li>• Final project report</li> <li>• Summarised report for public consumption</li> </ul>	<p>Report on the Transnet's impact on the economy</p> <p>Memo to DG and Minister on final output/report</p> <p>Publication together with Transnet</p>
<b>Implementation of Competitive Supplier Development Programme (CSDP)</b>	<ul style="list-style-type: none"> <li>• Review railway capacity study and assess the railway supply market benefits to the economy</li> <li>• Identification of CSDP opportunities in Transnet</li> <li>• Memo on leveraging of Transnet capex in the development of local supplier industries</li> </ul>	<p>Memo on the status of railway capacity study</p> <p>Memo on progress regarding contribution of Transnet to CSDP</p> <p>Final memo to DG and Minister</p>
<b>Implementation of the National Ports Act, 2005</b>	<ul style="list-style-type: none"> <li>• Develop DPE position on review of the Ports Act (in response to Executive Authority letter of 17 June 2008 to review corporatisation of NPA)</li> <li>• Senior counsel opinion</li> <li>• Monitoring of effective efficiency execution of NPA regulatory functions</li> <li>• Arrangements for separation of infrastructure from operations</li> <li>• Shareholder instruction to Transnet to make appropriate corporate adjustments to meet requirements of Act</li> </ul>	<p>Memo to DG and Ministers on DPE proposed amendments to the Ports Act. Letter to Minister of Transport.</p> <p>Memo to DG and Ministers on rationale for separation &amp; Ministerial instruction to Transnet Board to initiate corporate adjustment.</p>

# PROGRAMME 5

## Transport

TRANSNET		
Activity / Project	Critical Path Activities	Output
<b>NPA tariffs and returns in a regulated environment</b>	<ul style="list-style-type: none"> <li>Review of NPA Tariffs &amp; submission to Ports Regulator</li> </ul>	Memo to DG on NPA tariff application for 2009/10
	<ul style="list-style-type: none"> <li>Review international experience in port pricing</li> <li>assess NPA methodology for tariff setting</li> <li>Tariff benchmarking</li> </ul>	Report on (NPA) tariff setting methodology, regulatory decisions and implications for capex funding
	<ul style="list-style-type: none"> <li>Presentation/workshop to DPE/NPA and Ports Regulator</li> </ul>	Memo to DG on project outputs & final project report
<b>Private Sector Participation (PSP) in Ngqura container terminal</b>	<ul style="list-style-type: none"> <li>Working with Transnet on proposed transaction structure</li> <li>Alignment with DOT on proposed transaction framework</li> </ul>	Memo to DG and Ministers. Letter to DOT confirming alignment
	<ul style="list-style-type: none"> <li>Minister of Transport (MOT) to issue guidelines in terms of sec 80 of Ports Act</li> </ul>	Memo to DG and Ministers. Letter to MOT to issue guidelines
<b>National Multi-Product Pipeline (NMPP) policy process</b>	<ul style="list-style-type: none"> <li>Interaction with Dept of Energy, NERSA and Transnet to refine policy and regulation issues</li> <li>Procure legal opinion</li> </ul>	Clear obstacles and address constraints to implementation of NMPP Memo to DG
<b>Pipeline tariff study</b>	<ul style="list-style-type: none"> <li>Assessment of NMPP revenue and tariff structure in a regulated environment</li> </ul>	Report on TPL tariff levels
<b>Implementation of Transnet levy for pipelines</b>	<ul style="list-style-type: none"> <li>Assessment of levy mechanism with Dept of Energy and National Treasury</li> <li>Treatment of levy in Transnet</li> </ul>	Memo to DG



# PROGRAMME 5

## Transport



TRANSNET		
Activity / Project	Critical Path Activities	Output
<b>PSP in the branch lines network</b>	<ul style="list-style-type: none"> <li>Implementation of Transnet Branch Lines Strategy</li> <li>Implementation Plan &amp; Sustainability Plan (extent of subsidy required) finalised and approved</li> <li>Establishment of ring fenced branch lines entity in TFR</li> <li>Joint DPE/DOT request for Treasury to allocate budget for branch lines entity</li> <li>Transnet Freight Rail Expressions of Interest for nine Phase 1 concessions</li> </ul>	<p>Memo to DG and Ministers on progress with implementation of strategy &amp; engagements with DOT and National Treasury</p> <p>Memo to DG and Minister on branch lines funding plan</p> <p>Memo to DG and Ministers on TFR concession process &amp; first EOI for Phase 1 concessions</p>
<b>Sustainability of Transnet Freight Rail (TFR)</b>	<ul style="list-style-type: none"> <li>Detailed assessment of TFR turnaround strategy in 09/10 Corporate Plan</li> <li>Assessment of TFR's future viability and sustainability and impact on Transnet sustainability</li> <li>TFR benchmarks</li> </ul>	<p>Memo to DG and Minister</p> <p>Memo to DG and Ministers on state of rail (infrastructure, financials and performance)</p>
<b>Rail reform policy process &amp; implications for TFR</b>	<ul style="list-style-type: none"> <li>DPE position paper and comments to DOT on rail economic regulatory framework</li> </ul>	<p>Memo to DG and Ministers. Letter to Minister of Transport.</p>



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# PROGRAMME 5

## Transport

TRANSNET		
Activity / Project	Critical Path Activities	Output
<b>Assess Transnet Structure</b> <ul style="list-style-type: none"> <li>Assessment of Transnet's level of capitalisation</li> <li>Consideration of Transnet corporate structure</li> <li>Impact on Capex</li> </ul>	<ul style="list-style-type: none"> <li>Review Transnet financial statements and corporate plan</li> <li>Prepare scenarios and modelling exercise</li> <li>Finalise memo</li> </ul>	Report on Transnet's income over next 3 years and possible shortfall; Memo to DG and Minister including scenario schedules
<b>Transnet infrastructure sustainability model</b>	<ul style="list-style-type: none"> <li>Proposal on alternative sustainability model</li> <li>Assimilation of outputs from TFR and ports sustainability projects</li> <li>Sustainability of Transnet and Capex programme</li> </ul>	Memo to DG and Minister
<b>National corridor performance monitoring (NCPM) and key freight customer analysis</b>	<ul style="list-style-type: none"> <li>Undertake customer survey</li> <li>Refine terms of reference and scope of project</li> <li>Key stakeholder engagement</li> <li>Develop TOR, Appoint consultant, Develop IT platform and supply chain focus areas</li> </ul>	Leading to long range transport sector study in 09/10.
<b>Monitor Transnet Build programme</b>	<ul style="list-style-type: none"> <li>Ongoing monitoring of plan and implementation thereof</li> </ul>	Memo to DG and Ministers



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# PROGRAMME 5

## Transport



SOUTH AFRICAN AIRWAYS (SAA)		
Activity / Project	Critical Path Activities	Output
<b>Supplementary corporate plan review</b>	<ul style="list-style-type: none"> <li>Assess progress with implementation of strategy</li> <li>Assess alignment of budget with strategy and financial ability</li> <li>Annual review of financing and funding plans</li> <li>Proposals/recommendations for corrective measures.</li> <li>Assess suitability of revised optimised business plan</li> <li>Review implementation of optimised business plan</li> </ul>	Briefing Memorandum: A critical assessment of the business plan
<b>Assess financial requirement for SAA to sustain turnaround</b>	<ul style="list-style-type: none"> <li>Assessment</li> <li>Application to Treasury</li> </ul>	Briefing memorandum Application to GCC
<b>SAA Shareholder Compact</b>	SOE team to drive the process of putting an annual updated compact into place: <ul style="list-style-type: none"> <li>Review the strategic intent statement</li> <li>Review and benchmarking of KPI's</li> <li>Approval of KPI's for the Shareholder Compact</li> <li>Ensure signoff from Governance</li> <li>Signed Shareholder Compact</li> </ul>	Decision Memorandum: Agreed Shareholder Compact
<b>Annual Report</b>	<ul style="list-style-type: none"> <li>Analysis and assessment of annual report</li> </ul>	Memo to DG and Minister on assessment, including letter to Chairman of the Board and MoF

# PROGRAMME 5

## Transport

SAA		
Activity / Project	Critical Path Activities	Output
<b>Review SAA board strength</b>	<ul style="list-style-type: none"> <li>Design framework for Board composition</li> <li>Analyse board strength and make recommendations in respect of new challenges faced by organisation</li> </ul>	Memo to DG and Minister
<b>Monthly monitoring of SAA performance</b>	<ul style="list-style-type: none"> <li>Receive presentations, discuss, respond and report as applicable</li> </ul>	Key issues are included in quarterly reports and any urgent matters are raised immediately in memorandum to DG and Minister as required
<b>Quarterly Reporting (Q1 to Q4)</b>	<ul style="list-style-type: none"> <li>Submission by Transnet of its Quarterly Report</li> </ul>	Briefing Memorandum: <ul style="list-style-type: none"> <li>Critical assessment of performance including major risks</li> </ul>
<b>Redesign SAA reporting package</b>	<ul style="list-style-type: none"> <li>Develop, discuss and implement as applicable</li> </ul>	Redesigned SAA reporting package
<b>SOE Dashboard: Monitoring of SAA Performance</b>	<ul style="list-style-type: none"> <li>Analyse input and consider reasonability of information</li> </ul>	SAA dashboard
<b>IATA (International Air Transport Association) Project - Phase 2</b> (Monitoring long haul intercontinental air services to and from SA)	<ul style="list-style-type: none"> <li>Complete TOR for service provider for compiling and analysing IATA statistics of traffic volumes, average tariffs and market share as well as the impact of Gulf carriers and the need for a State Airline to support tourism (reference to Air New Zealand and Aeorlinias Argentina)</li> <li>Analysis of IATA and STATSSA data</li> </ul>	Decision Memorandum Briefing Memorandum
<b>Assessment of Airbus contract &amp; framework agreement</b>	<ul style="list-style-type: none"> <li>Review existing contract, Airbus proposals and framework agreement, pricing and delivery schedule of aircraft</li> </ul>	Briefing memo

# PROGRAMME 5

## Transport

SAA		
Activity / Project	Critical Path Activities	Output
<b>Review route network and associated fleet requirement</b>	<ul style="list-style-type: none"> <li>Review and approve fleet plan and options (to be aligned to the Corporate Plan)</li> <li>Monitoring of market conditions and scenario planning</li> </ul>	Decision memo
<b>Develop a strategic Financial Model of SAA</b> for robust analysis and scenario-planning and forecasting (Jan 2010)	<ul style="list-style-type: none"> <li>Review SAA financial statements and corporate plan</li> <li>Prepare scenarios and modelling exercise</li> <li>Complete TOR for service provider</li> </ul>	Decision memo
<b>Assess compliance with conditions set by National Treasury for hedging forex and fuel requirements</b>	<ul style="list-style-type: none"> <li>Review process and compliance with conditions</li> </ul>	Briefing memorandum
<b>Voyager business plan and liability</b>	<ul style="list-style-type: none"> <li>Review calculations of liability</li> <li>Review mitigation strategies to reduce Voyager liability</li> <li>Assess available options</li> <li>Review standalone business plan for commercialisation</li> </ul>	Briefing memo Decision memo
<b>SAA ATL (Air Traffic Liability) Guarantee</b>	<ul style="list-style-type: none"> <li>Annual review of ATL requirement and alternative options for providing consumer protection</li> </ul>	Decision memo and ATL letter of support or guarantee
<b>Updated Commercial Agreement between SAA and SAX</b>	<ul style="list-style-type: none"> <li>Review new SAA &amp; SAX commercial arrangement and implementation programme</li> </ul>	Decision memo
<b>Updated Commercial Agreement between SAA and SAX</b>	<ul style="list-style-type: none"> <li>Review new SAA &amp; SAX commercial arrangement and implementation programme</li> </ul>	Decision memo

# PROGRAMME 5

## Transport

SOUTH AFRICAN EXPRESS (SAX)		
Activity / Project	Critical Path Activities	Output
<b>Corporate plan review</b>	<ul style="list-style-type: none"> <li>Assess progress with implementation of strategy,</li> <li>Assess alignment of budget with strategy</li> <li>Annual review of financing and funding plans</li> <li>Proposals/recommendations for corrective measures.</li> </ul>	Briefing Memorandum: A critical assessment of the business plan
<b>SAX Shareholder Compact</b>	SOE team to set up compact: <ul style="list-style-type: none"> <li>Review the strategic intent statement</li> <li>Review and benchmarking of SKPI's</li> <li>Approval of SKPI's for the Shareholder Compact</li> <li>Ensure signoff from Governance</li> <li>Signed Shareholder Compact</li> </ul>	Decision Memorandum: Agreed Shareholder Compact
<b>Annual Report</b>	<ul style="list-style-type: none"> <li>Analysis and assessment of annual report</li> </ul>	Memo to DG and Minister on assessment, including letter to Chairman of the Board and MoF
<b>Review SAX board strength</b>	<ul style="list-style-type: none"> <li>Analyse key skill sets and make recommendations in respect of new challenges faced by organisation</li> </ul>	Memo to DG and Minister
<b>Design SAX reporting package</b>	<ul style="list-style-type: none"> <li>Develop, discuss and implement as applicable</li> </ul>	Redesigned reporting package
<b>Quarterly Reporting (Q1 to Q4)</b>	<ul style="list-style-type: none"> <li>Submission by SAX of its Quarterly Report</li> </ul>	Briefing Memorandum: <ul style="list-style-type: none"> <li>Critical assessment of performance including major risks</li> </ul>
<b>SOE Dashboard: Monitoring of SAX Performance</b>	<ul style="list-style-type: none"> <li>Quarterly update of SAX Dashboard Database</li> </ul>	Updated SAX Dashboard (latest information)

# PROGRAMME 5

## Transport



SAX		
Activity / Project	Critical Path Activities	Output
<b>Updated Commercial Agreement between SAX and SAA</b>	<ul style="list-style-type: none"> <li>Review new SAX and SAA commercial arrangement and implementation programme</li> </ul>	Decision memo
<b>SAX ATL Guarantee</b>	<ul style="list-style-type: none"> <li>Review of ATL requirement and alternative options for providing consumer protection</li> </ul>	Decision memo and ATL letter of support or guarantee
<b>PFMA application for Joint Venture and forward looking strategy</b>	<ul style="list-style-type: none"> <li>Assess the application for JV with DRC partner</li> </ul>	Decision memorandum to DG
<b>Continue the development and implementation of the African Aviation Strategy</b>	<ul style="list-style-type: none"> <li>Further refinement</li> <li>Work with stakeholders in SAA &amp; SAX</li> <li>Ensure implementation</li> </ul>	Report & Briefing memorandum Briefing Memorandum



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# PROGRAMME 5

## Transport

	2008/09	2009/10	2010/11	2011/12
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Compensation of employees	10 542	7 672	8 052	8 488
Goods and services	9 473	9 252	8 183	6 245
Transfers	585 000	1 549 080	-	-
Other - Financial transactions in assets and liabilities	-	-	-	-
Capital	-	-	-	-
<b>Total</b>	<b>605 015</b>	<b>1 566 004</b>	<b>16 235</b>	<b>14 733</b>

The significant increase in the budget for this programme is attributed to the increase in transfer payments from R 585 million which was allocated to South African Express Airways in 2008/09 to R1.549 billion allocated to South African Airways in 2009/10.

Compensation of Employees reduces substantially in 2009/10 as a result of the department having disbursed a payment to the Government Employees Pension fund in respect of recognition of service of the former non-statutory forces pensionable service in the GEPF for a former DPE employee in 2008/09.



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# PROGRAMME 6

## JOINT PROJECTS FACILITY



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# PROGRAMME 6

## Joint Projects Facility

### Purpose

Identify synergies and co-ordinate and develop cross-cutting projects that leverage the assets, activities and capabilities of the SOE to the benefit of the SOE, the South African economy and Africa as a whole.

### Overview of Projects

- **Competitive Supplier Development Programme (CSDP):** Aimed at leveraging SOE procurement spend associated with the Build Programmes to optimise the development of competitive national supplier industries and, where possible to build export capabilities.
- **The South African Power Project (TSAPPRO):** Focused on developing long term power generation capacity in South Africa through conventional nuclear power and developing a nuclear procurement strategy.
- **Africa Programme:**
  - Regional electricity generation (Mozambique, Botswana)
  - Rail corridor development (east-west, north-south)
  - Regional Supplier Benchmarking & Development Programme



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# PROGRAMME 6

## Joint Projects Facility

- **Human Resources & Capacity Building Programme:**
  - **A DPE Employment and Skills Development Programme (ESDA):** Established and registered to facilitate the placement of artisan trainees with SOE and their supplier networks.
  - **Solar Water Heater (SWH) Skills Development Programme:** Aims to develop artisan skills within the plumbing industry to encourage SWH installation & maintenance.
  - **Management Learning Programme (MLP):** Development of a learning modular for SOE and the public sector to enhance SOE performance and effectiveness.
  - **Autumn School:** Provides a learning experience for Parliamentary Portfolio Committee on an annual basis.
- **Aerostructures Project:** Aerospace Industry Strategy to leverage South Africa's aircraft procurement plan and technology base to optimise the development of the South Africa aerospace industry.
- **Technology and Innovation Project:** Focuses on developing Technology Management Frameworks for SOE for commercialisation.



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# PROGRAMME 6

## Joint Projects Facility

- **Property Project:** Focuses on the disposal of SOE non-core property and the development of strategically located non-core property parcels.
- **Environmental Issues:** Guidelines for Strategically Important Developments (SID) have been developed to streamline the Environmental Impact Assessment (EIA) process.

### Priorities

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



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# PROGRAMME 6

## Joint Projects Facility

### Priorities (continued)

- **Aerostructures:** Strategic support to aircraft fleet procurement, DSA turnaround plan finalisation & implementation.
- **HR & Capacity Building Programme:**
  - DPE ESDA: Artisan trainees placed by suppliers for workplace experiential learning to attain artisan status through strategic partnerships; FET programmes on key artisan trades aligned to industry needs, monitor placements and review of possible relocation of ESDA.
  - SWH Skills Development Programme: Secure funding, plumbing and services industries enrol learners to attain SWH certification, monitor implementation.
  - MLP: Launch programme and embed in host institution, monitoring.
  - Autumn School.
- **Technology & Innovation:** SOE TMF to manage innovation and technology in SOE and commercialisation opportunities.
- **Property:** Monitor disposals (dashboard), project close-out and impact report.
- **Environmental Issues:** Monitor EIA (dashboard), Climate Change policy input.



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# PROGRAMME 6

## BUSINESS PLAN OVERVIEW



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# PROGRAMME 6

## Joint Projects Facility

Activity / Project	Critical Path Activities	Output
Competitive Supplier Development Programme (CSDP)	<p>Monitor implementation of Supplier Development Plans (SDP).</p> <p>Ensure supplier benchmarking and supplier development.</p> <p>Align SOE procurement to CSDP.</p> <p>Extend CDSP as part of response to economic crisis.</p>	<p>SOE to report on KPI in terms of SDP on quarterly basis.</p> <p>Database of benchmarked suppliers, gap analysis &amp; support to upgrade equipment &amp; skills.</p> <p>CSDP-procurement process flow implemented in SOE.</p> <p>Definition of DPE-union position on leveraging procurement.</p> <p>Definition of government approach to leveraging procurement..</p> <p>Obtain agreement with select companies to adopt CSDP.</p>
The South African Power Project (TSAPPRO)	Finalisation of nuclear fleet procurement strategy and implementation	Clear statement of national vision, definition of procurement strategy, procurement process launched and supporting initiatives established.
Africa Programme: Regional Electricity and Rail Projects	<p>Development of the Moamba and Mmamabula power stations.</p> <p>Work with the Mozambican government, Eskom, EdM &amp; others on the construction of North-South backbone.</p> <p>Accelerate Moatize &amp; Mphanda Nkuwa Power Stations Projects.</p> <p>Investigate and finalise the regional railways connection programme.</p> <p>Investigate new catalytic projects.</p>	<p>Intergovernmental consensus on rail and power projects and signed PPA. Commissioning of power projects.</p> <p>Definition of expanded Africa programme and implementation started.</p>

# PROGRAMME 6

## Joint Projects Facility

Activity / Project	Critical Path Activities	Output
<p>Africa Programme: Regional Supplier Benchmarking and Development Programme</p>	<p>Recruitment and country capacitation. Install monitoring platform in Subcontracting Partnership Exchange (SPX) host institution &amp; in Southern African countries. Link benchmarked suppliers with buyers (TNC &amp; SOE)</p>	<p>Five SPX in Southern Africa and extension to other African countries. Benchmarking and development of regional suppliers and linkages developed with buyers.</p>
<p>HR and Capacity Building Programme: ESDA</p>	<p>ESDA establish partnerships and utilise suppliers to provide experiential training to trainee artisans. Facilitate FET College Industry Partnerships to ensure programmes are aligned to industry needs/ Facilitate partnerships with SETA to ensure SOE and suppliers access grants</p> <p>Obtain SOE internal skills development needs and align to dashboard Dashboard analyse and consolidation</p> <p>Ensure quality learning at Denel Centre for Learning &amp; Development.</p>	<p>Artisan trainees placed by suppliers for workplace experiential learning to attain artisan status. SOE suppliers access grants from SETA for placements. FET programmes (welding &amp; electrical) trade qualifications aligned to industry needs. Workplace learning guides available and approved by regulatory body. Skills development framework in place. Analysis of skills development plans and implementation reports from SOE. Optimal usage of DCLD across industry users.</p>



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# PROGRAMME 6

## Joint Projects Facility

Activity / Project	Critical Path Activities	Output
HR & Capacity Building Programme: Solar Water Heater (SWH) Skills Development Programme	Address bottlenecks to deliver on skills requirement for SWH geyser installation & maintenance. Access funding to accelerate skills delivery. Facilitate development of innovative learning programmes for Renewable Energy Programme. Develop M&E framework for SWH skills development interventions.	Plumbing & Services Industries enrol learners to attain SWH certification.  Funds acquired from DoL and SETA.  M&E framework in place
Management Learning Programme (MLP)	Finalisation of module content. Service Level Agreement in place with host institution. CIPS accreditation of procurement module. Finalise Reader. Launch UCT MLP.	A postgraduate Management learning programme hosted at UCT for the benefit of the SOE, DPE, regulators and others
Autumn School	Annual hosing of Autumn School for Parliamentary Portfolio Committee	Learning experience provided for PC



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# PROGRAMME 6

## Joint Projects Facility

Activity / Project	Critical Path Activities	Output
Aerostructures	Finalisation and implementation of DSA turnaround plan.	Strategic support provided to enhance business viability and global repositioning of SA aerostructures manufacturing in the long term.
Technology and Innovation: Technology Management Framework	Technology Management Framework to manage innovation and technology in SOE and commercialisation. Corporate plan with SOE management teams for revision of corporate technology plans.	Framework for assessment of SOE innovation performance. Framework for strategy formulation to manage innovation and technology in SOE.
Property Project	Facilitate conclusion of public sector transactions. Facilitate property for development negotiations and entrench optimal land use through Spatial Development Framework city approvals. Monitor dashboard and complete assessment of project as part of close-out.	SOE non-core property disposals.  Conclusion of process to develop Key Integrated Projects  Property Impact Assessment Report.
Environmental Issues	Monitoring of Environmental Impact Assessments (EIA) for Strategically Important Development (SID)	Streamlined EIA procedure in support of build programme.



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# PROGRAMME 6

## Joint Projects Facility

	2008/09	2009/10	2010/11	2011/12
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Compensation of employees	5 341	8 947	9 575	10 167
Goods and services	25 262	24 731	21 740	22 803
Transfers	-	-	-	-
Other - Financial transactions in assets and liabilities	-	-	-	-
Capital	-	-	-	-
<b>Total</b>	<b>30 603</b>	<b>33 678</b>	<b>31 315</b>	<b>32 970</b>

There is no significant increase in the operational budget for this Programme.



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# PROGRAMME 3

## LEGAL , GOVERNANCE AND TRANSACTIONS



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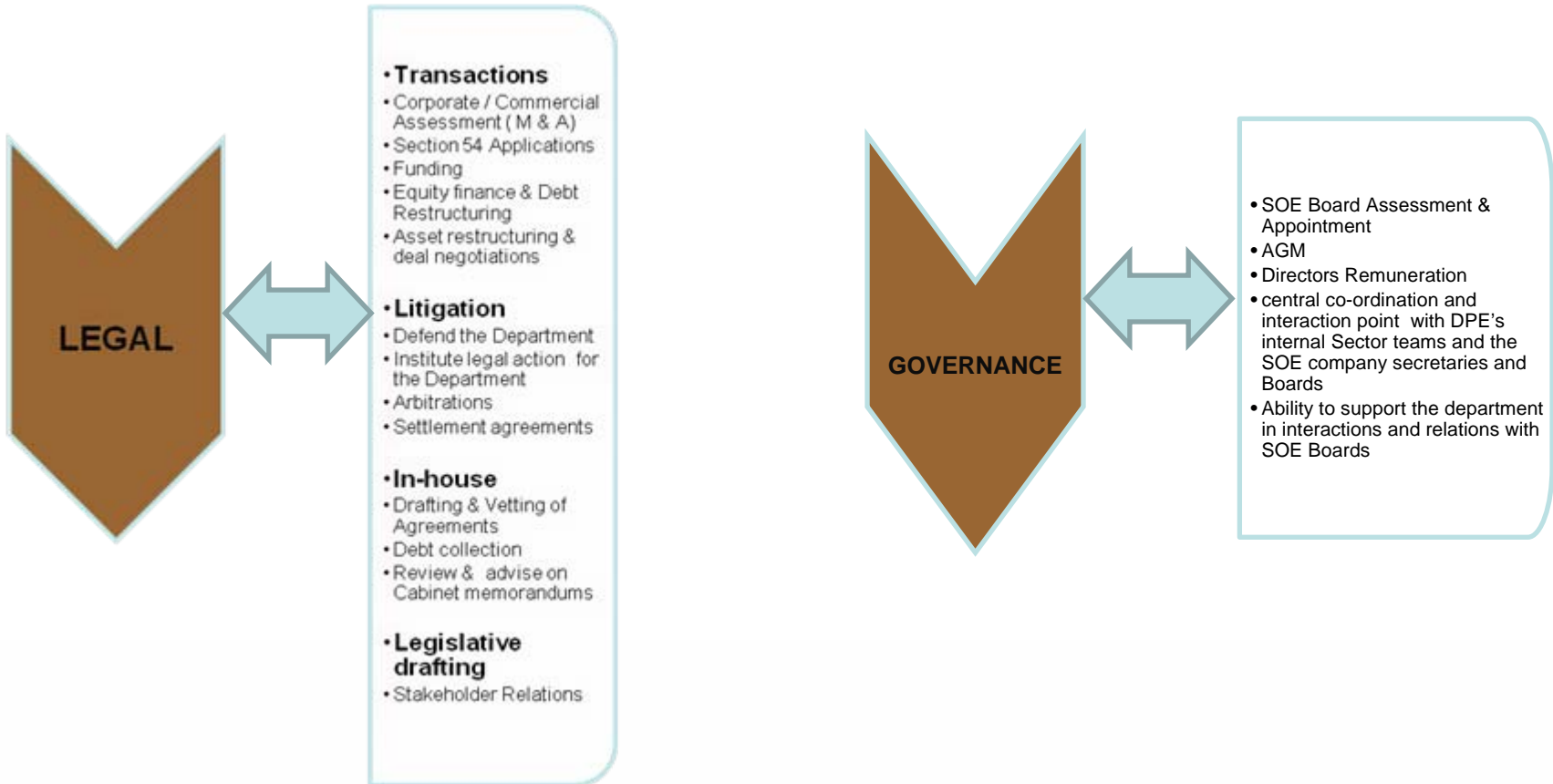
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# PROGRAMME 3

## Legal, Governance and Transactions

### SERVICES



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# PROGRAMME 3

## LEGAL, GOVERNANCE AND TRANSACTIONS

### Purpose

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

### Priorities for 2009/10

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



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# PROGRAMME 3

## LEGAL, GOVERNANCE AND TRANSACTIONS

### ■ Priorities for 2009/10

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



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# PROGRAMME 3

## LEGAL, GOVERNANCE AND TRANSACTIONS

### Legislation Administered by DPE

- Eskom conversion Act 13 of 2001
- Alexkor Act 116 of 1992
- Management of State Forests Act 128 of 1992
- Overvaal Resorts Limited Act 127 of 1993
- Legal succession to the South African Transport Service Act 9 of 1989
- Transnet Pension Fund Act 62 of 1990 ( as amended)
- South African Airways Act 5 of 2007
- Broadband Infraco Act 33 of 2007
- South African Express Act, 34 of 2007

### Legislation applying to DPE and SOE

- Constitution of the Republic of South Africa Act 108 of 1996
- Public Finance management Act 1 of 1999
- Public Service Act of 1994
- Promotion of Access to Information Act 2 of 2000
- Promotion of Administrative Justice Act 3 of 2000
- Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000
- Competition Act 89 of 1998
- Companies Act 61 of 1973
- Institution of Legal Proceedings against certain organ of the State Act 40 of 2002
- Restitution of land Rights Act 22 of 1994
- Expropriation Act 63 of 1975
- Nuclear Energy Act of 46 1999
- Electronic Communications Act 36 of 2005
- Aviation Act 74 of 1962( as amended)
- State Liability Act 20 of 1957( as amended)
- National Ports Act 12 of 2005
- Petroleum Pipelines Act 60 of 2003
- Petroleum Pipelines Levy Act 28 of 2004
- Preferential Procurement Framework Act
- Electricity Regulation Act 4 of 2006



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# PROGRAMME 3

## BUSINESS PLAN OVERVIEW



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# PROGRAMME 3

## Legal, Governance and Transactions



LEGAL		
Activity / Project	Critical Path Activities	Output
Legislative Review	<ul style="list-style-type: none"> <li>Engage the Cluster and undertake the review of the SOE legislative environment</li> </ul>	<ul style="list-style-type: none"> <li>Recommendation to Minister for approval</li> <li>Recommended approach to Cabinet</li> </ul>
	Review Companies Act and PFMA and submit recommendation on appropriate shareholder management practices to Minister for approval and onward submission to Cabinet	
Legislative Compliance	<ul style="list-style-type: none"> <li>Develop a legal compliance toolbox</li> </ul>	<ul style="list-style-type: none"> <li>Monitor and advise on Adherence by SOE with applicable legislation</li> </ul>
	<ul style="list-style-type: none"> <li>Use Dashboard to monitor compliance by SOE with applicable legislations such as Companies Act PFMA, Competition Act, National Archives Act</li> </ul>	<ul style="list-style-type: none"> <li>Provide regular reports to Minister on SOE legal compliance</li> </ul>
Assist the Department in debt recovery	Tracing debtor <ul style="list-style-type: none"> <li>Letter of demand</li> <li>Instructions to State Attorneys to issue summons</li> </ul> <ul style="list-style-type: none"> <li>Obtain acknowledgment of debt and section 58 certificate</li> <li>Determine debtor's ability to pay and property to be attached, if necessary</li> <li>Instructions to State Attorneys to issue summons</li> </ul> Obtain judgment if the debt is not paid.	<ul style="list-style-type: none"> <li>Successful debt recovery</li> </ul>

# PROGRAMME 3

## Legal, Governance and Transactions



LEGAL AND TRANSACTIONS		
Activity / Project	Critical Path Activities	Output
Legal Advisory Services to internal clients	<ul style="list-style-type: none"> <li>Legislative drafting and processing</li> </ul>	<ul style="list-style-type: none"> <li>Enactment of law</li> <li>Successful defense strategy and resolution of legal action</li> </ul>
	<ul style="list-style-type: none"> <li>Assisting and advising the Department on litigation instituted by external parties</li> </ul>	
	<ul style="list-style-type: none"> <li>Drafting, advising the Department and ensuring conclusion of Service Level Agreements</li> </ul>	Executed service agreement and protection of Department's legal rights and mitigation of legal risks
	<ul style="list-style-type: none"> <li>Providing legal opinions and advice to the Department on specific legal issues</li> </ul>	<ul style="list-style-type: none"> <li>Sound legal advice on legal risks and exposures and legal mitigation strategies</li> </ul>
Section 54 PFMA applications	<ul style="list-style-type: none"> <li>Update transaction guidelines</li> <li>Assess SOE applications</li> <li>Liaise with SOE teams and obtain their input</li> <li>Advise Minister on recommended response</li> </ul>	<ul style="list-style-type: none"> <li>Recommendation to Minister and response to SOE on application in line with applicable law and transaction guidelines</li> </ul>
Litigation: Claim by Umthunzi against government and Transnet	<ul style="list-style-type: none"> <li>Receive trial date and brief counsel to prepare defense for court</li> </ul>	<ul style="list-style-type: none"> <li>Successful resolution of legal action</li> </ul>
Litigation: Londoloza/Parhapur	<ul style="list-style-type: none"> <li>Prepare pleadings</li> <li>Pre-trial proceedings</li> <li>Receive trial date and brief counsel to prepare defense for court</li> </ul>	<ul style="list-style-type: none"> <li>Successful resolution of legal action</li> </ul>

# PROGRAMME 3

## Legal, Governance and Transactions



LEGAL TRANSACTIONS		
Activity / Project	Critical Path Activities	Output
Litigation: Equity Aviation	<ul style="list-style-type: none"> <li>• File plea</li> <li>• Exchange pleadings</li> <li>• Pre-trial proceedings</li> <li>• Receive trial date and brief counsel to prepare defense for court</li> </ul>	<ul style="list-style-type: none"> <li>▪ Successful resolution of legal action</li> </ul>
Diabo Trust	<ul style="list-style-type: none"> <li>▪ Obtain Trustee Concurrence to indemnity</li> <li>▪ Transfer Trust assets to Government</li> <li>▪ File for deregistration of Trust</li> <li>▪ Trace and payout beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>▪ Successful winding up of Diabo Trust</li> </ul>
Alexkor	<ul style="list-style-type: none"> <li>• Support Alexkor team and CIPM to comply with the Court Order and deed of settlement and to ensure compliance with the MPDRA and other sector regulations</li> </ul>	Agreement between Alexkor and the Richtersveld Community that all conditions as per the Court Order have been complied with
	Defending Nabeira legal action	Successful defense or settlement of court action
Eskom	<ul style="list-style-type: none"> <li>• Drafting and conclusion of Eskom Guarantee to support the Eskom capital expenditure programme</li> </ul>	Executed guarantee
	<ul style="list-style-type: none"> <li>• Support Eskom team and assist Department of Energy with enactment of constitutional amendment and EDI Bill and other legal aspects relating to the establishment of REDS</li> </ul>	<ul style="list-style-type: none"> <li>• Enactment of Constitutional Amendment and EDI Bill</li> <li>• Establishment of EDI and REDS</li> </ul>
Aventura	<ul style="list-style-type: none"> <li>• Finalise outstanding property, and financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Submit certificate of transfer to Deeds Registry</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Realization of assets and liabilities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset and Liability register</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Registration of special resolution</li> </ul>	<ul style="list-style-type: none"> <li>▪ Successful winding up of Aventura by Master of the High Court</li> </ul>

# PROGRAMME 3

## Legal, Governance and Transactions



LEGAL TRANSACTIONS		
Activity / Project	Critical Path Activities	Output
Transnet	Provide legal support and assistance to Transnet team around review and implementation of ports Act	<ul style="list-style-type: none"> <li>▪ Advice to DG and Minister on implications of Ports Act through briefing memo</li> </ul>
	Provide support to the Transport team in relation to COEGA	<ul style="list-style-type: none"> <li>▪ Memo advising Department on appropriate legal structure, rights and risks relating to the transaction</li> <li>▪ Conclusion of relevant legal documents</li> </ul>
	Provide legal support to the Transport team required to implement the branchline strategy	<ul style="list-style-type: none"> <li>• Memo advising on appropriate legal transaction structure and adequate protection of legal rights and mitigation of legal risks</li> </ul>
PBMR	<ul style="list-style-type: none"> <li>▪ Review , assess and advise the Department on the Conclusion of legal agreements and necessary legislative processes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Signed and concluded agreements adequately protecting Government's legal rights and mitigating legal risks</li> </ul>
Denel	Review, assess and advise the Department on suite of transaction documents for DDM	<ul style="list-style-type: none"> <li>▪ Advice on appropriate legal transaction structure and adequate protection of legal rights and mitigation of legal risks</li> <li>▪ Signed and concluded agreements</li> </ul>



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# PROGRAMME 3

## Legal, Governance and Transactions



LEGAL TRANSACTIONS		
Activity / Project	Critical Path Activities	Output
Infraco	<ul style="list-style-type: none"> <li>• Monitor ICASA licensing process to ensure licensing of Infraco and Infraco compliance with its Act, Electronic Communications Act and its licence, once licensed</li> </ul>	<ul style="list-style-type: none"> <li>▪ ECNS and ECS licences for Inraco</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Monitor implementation of construction and maintenance agreement for the deployment of the WACS submarine cable</li> </ul>	
SAFCOL	<ul style="list-style-type: none"> <li>• Finalise execution plan with NEF and obtain sign-off with stakeholder departments.</li> </ul>	<ul style="list-style-type: none"> <li>Concluded and signed transaction documents to transfer SAFCOL minority shares to rural communities</li> </ul>
	<ul style="list-style-type: none"> <li>• Provide legal support to Safcol team on all legal aspects relating to the compliance of the land restitution and the Forestry legislation</li> </ul>	<ul style="list-style-type: none"> <li>• Recommendation to Cabinet on Definition of role and Institutional form for SAFCOL post land claims and implementation plan thereof.</li> </ul>
	<ul style="list-style-type: none"> <li>Execution of IFLOMA divesture process and governance structure</li> </ul>	<ul style="list-style-type: none"> <li>• Successful transfer of SAFCOL's holdings in IFLOMA to new investors</li> </ul>
SAA	<ul style="list-style-type: none"> <li>• Provide legal support to SAA team on sustaining SAA turnaround</li> </ul>	<ul style="list-style-type: none"> <li>Advice to Department on legal issues, including protecting legal rights and mitigating legal risks and liabilities in the turnaround</li> </ul>
	<ul style="list-style-type: none"> <li>• Provide legal support to SAA team if decision to establish SAAT as a new Soe in the execution and the implementation of the transaction.</li> </ul>	<ul style="list-style-type: none"> <li>• Advise Department on appropriate legal transaction structure, legal rights and risks relating to the introduction of private sector participation</li> <li>• Draft and process legislation for establishment of new SOE</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Provide legal support on Annual review of ATL requirements and alternative options for providing consumer protection</li> </ul>	<ul style="list-style-type: none"> <li>▪ Advice to Department on legal issues, including protecting legal rights and mitigating legal risks and liabilities in the turnaround</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Review new SAA &amp; SAX commercial arrangement and implementation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Advice to Department on legal issues, including protecting legal rights and mitigating legal risks and liabilities in the turnaround</li> </ul>

# PROGRAMME 3

## Legal, Governance and Transactions

GOVERNANCE		
Activity / Project	Critical Path Activities	Output
Board appointments	<ul style="list-style-type: none"> <li>• Conduct appointment processes</li> </ul>	<ul style="list-style-type: none"> <li>• Appoint appropriately skilled Board members</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Obtain Cabinet approval and notify Board chairperson and candidates of appointments</li> </ul>	
Generic shareholders agreements and founding documents for SOE	<ul style="list-style-type: none"> <li>• Standardization of founding documents in line with new Companies Act</li> </ul>	<ul style="list-style-type: none"> <li>▪ Approved and agreed generic shareholders agreements and revised founding documents for SOE at their respective AGMs</li> </ul>
	<ul style="list-style-type: none"> <li>• Engagement with company secretaries to ensure amendment articles at AGM for all SOE.</li> </ul>	
Annual General Meetings	<ul style="list-style-type: none"> <li>• Develop proposed Agenda</li> </ul>	
	<ul style="list-style-type: none"> <li>▪ Co-ordinate assessment and input from SOE teams and prepare memo to Minister regarding the annual report, annual financial statements, resolutions, shareholder rights, duties and responsibilities, SOE performance as per Board evaluation and agreed shareholder's compact as well as other Governance specific comments and concerns (e.g. other Directorships, directors' interests, etc).</li> </ul>	<ul style="list-style-type: none"> <li>• Successful exercise of shareholder rights and communication of shareholder expectations and alignment of Government's strategic intent with SOE corporate and Board mandate</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Review and update Board remuneration</li> </ul>	<ul style="list-style-type: none"> <li>▪ Appropriate guidelines for Board remuneration implemented by Government and SOE</li> </ul>

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GOVERNANCE		
Activity / Project	Critical Path Activities	Output
Governance Toolbox and Audit	Monitor, assess and advise Department on SOE corporate Governance Compliance and impact of Companies Act, 2009, King Codes on Corporate Governance and PFMA	<ul style="list-style-type: none"> <li>• Adequate SOE adherence to corporate governance</li> <li>• Development of SOE governance champion approach</li> </ul>
CEO appointment Guidelines	<ul style="list-style-type: none"> <li>• Prepare CEO appointment guidelines and obtain approvals</li> </ul>	Approved guidelines
Director's and Board Induction	<ul style="list-style-type: none"> <li>• Liaising with SOE company secretaries to implement minimum requirements for director induction.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure that Non-executive directors aware of shareholder expectations – to exercise duties in accordance with shareholder expectations, governments polices and applicable legislation.</li> </ul>
	<ul style="list-style-type: none"> <li>• Induction modules presented to Boards by DPE on shareholder expectations.</li> </ul>	
	<ul style="list-style-type: none"> <li>▪ Incorporation into annual evaluation of Board.</li> </ul>	
Owners expectation manual	<p>Draft and obtain Minister's and Cabinet approval of maunal</p> <p>Workshop manual with SOE</p> <p>Implement manual for SOE adherence</p>	<ul style="list-style-type: none"> <li>▪ Clear statement of Government's shareholder expectations and strategic intent to ensure achievement of government strategic objectives</li> </ul>
Shareholder Compacts	Support SOE teams in negotiating and preparing Shareholder's Compacts based on SOE corporate plan	<ul style="list-style-type: none"> <li>▪ Signed shareholder compacts</li> </ul>



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	2008/09	2009/10	2010/11	2011/12
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Compensation of employees	9 209	11 592	12 581	13 242
Goods and services	9 315	12 072	11 702	12 495
Transfers	130 000	129 090	-	-
Other - Financial transactions in assets and liabilities	344	-	-	-
Capital	-	-	-	-
<b>Total</b>	<b>148 868</b>	<b>152 754</b>	<b>24 283</b>	<b>25 737</b>

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

Transfer payments to Alexkor for the finalisation of the settlement reached with the Richtersveld community cease in 2009/10.



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**THANK YOU**

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