



# dpe

Annual Report 2008/09



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Some Key Achievements over the past year

DPE Organisational Structure

DPE HR Statistics

Performance review (all programmes)

Financial Highlights

5 Year Portfolio Performance



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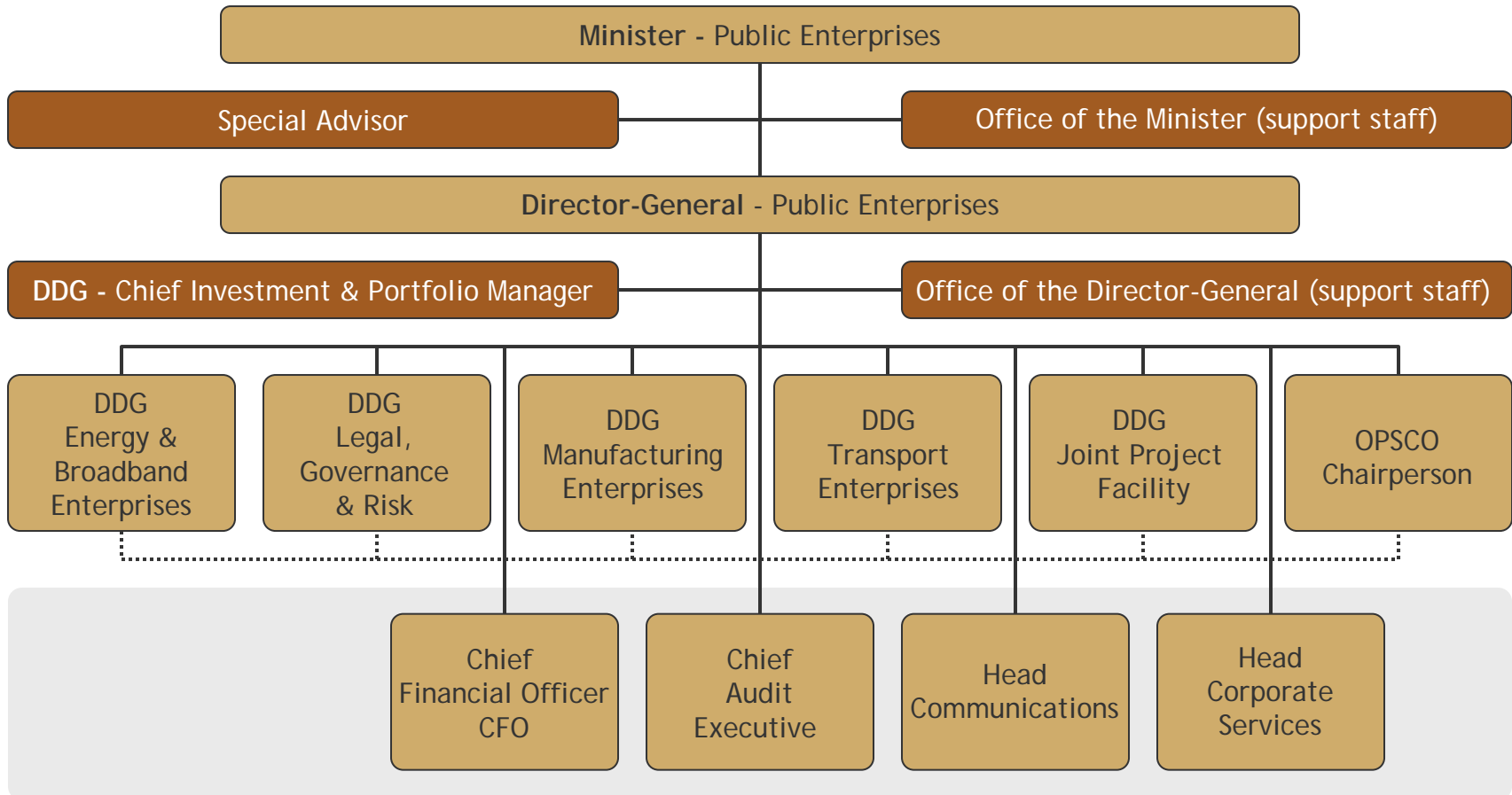


# Some Key achievements

- SOE oversight has been strengthened through, inter alia, :-
  - Refinement of strategic mandate and intent
  - Conclusion of Shareholder Compacts with the Boards
  - Implementation of a business intelligence dashboard - *Isibuko*
  - Strengthened Board compositions
  - Introduction of portfolio level monitoring
  
- The South African Power Project - implementation plan approved by Cabinet.
  
- Competitive Supplier Development Programme
  - Eskom & Transnet have produced 5 yr Supplier Development Plans
  - Extensive procurement capability training undertaken
  - Supplier Benchmarking Programme developed, with UNIDO
  - Regional Supplier Development Programme initiated
  
- Construction & Maintenance Agreement and Supplier Contract Agreement for the West African Cable System (WACS) signed on 8 April 2009.
- A R60 billion subordinated loan was approved and government guarantees of R176 billion were secured for Eskom
- Transfer of management of hospital in Alexander Bay to Northern Cape Provincial Government



# dpe organisational structure -31 march 2009



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# dpe statistics

Total establishment as at 01 April <b>2008</b>	<b>164</b>	
Filled posts as at 01 April <b>2008</b>	<b>141</b>	
Interns appointed	<b>22</b>	
Graduates Development programme recruits	<b>4</b>	
Total establishment as at 31 March 2009	<b>164</b>	
Filled posts as at 31 March 2009	140	
Vacancies as at 31 March 2009	24	
Vacancies at Interview stage	4	Offer Made: 1 Advertised : 11
Total new appointments (01/04/08-31/03/09)	<b>20</b>	
	10	Level 13 - 16
	5	Level 9 - 12
	5	Level 1 - 8
Total exits (01/04/08-31/03/09)	<b>21</b>	
	15	Level 13-16 (13 Resignations,1 Contract Expiry)
	3	Level 9 -12 (2 Resignations, 1Transfer)
	3	Level 1 -8 (3 Transfers)
Vacancy Rate as at 31 March 2009	<b>14.6%</b>	Public Sector Vacancy Rate as at 31 March 2009: <b>22% (overall status)</b>
Turnover Rate as at 31 March 2009 as per Oversight Report calculation (Total exits divided by Filled posts as at 1 April 2008)	<b>14.9%</b>	Public Sector Turnover Rate as at 31 March 2009: <b>18 % (overall status)</b>



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# employment equity targets- as at 31 March 2009

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



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# review of programme performance



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# programme 1 : administration



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# chief investment & portfolio management

## Targeted output 2008/09

- CIPM newly established
- Government Shareholder Management Bill
- Develop portfolio management system

## Achievements 2008/09

- Bill submitted to Cabinet for consideration and decision
- Electronic monitoring and evaluation Dashboard implemented
- Quarterly reporting on SOE Performance and portfolio assessment to DPE Board was introduced



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# chief investment & portfolio management

## Targeted output 2008/09

- Portfolio Risk Mitigation Strategy
- Development of policies and processes to ensure that SOE are adequately capitalized

## Achievements 2008/09

- SOE risk reported quarterly on Dashboard. Risk trends monitored & mitigation plans assessed for adequacy to address emerging risks. Shareholder-level risks are aggregated at portfolio level.
- Developed capital structure framework comprising process and methodology to enable consistent assessment of the capital requirements of each SOE



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# chief investment & portfolio management

## Targeted output 2008/09

- Investment Policy & sources of capital funding

## Achievements 2008/09

- Undertook study of different possibilities for facilitating infrastructure funding required by SOE with research into the funding models considered to be most appropriate and an information pack which includes a description of each funding model including example applications and perspective on the advantages and disadvantages of each in the SOE



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# chief investment & portfolio management

## Targeted output 2008/09

- Establishment of Share Office with register of all DPE share certificates, shareholder loans & guarantee documents

## Achievements 2008/09

- Developed guidelines outlining framework for issuing government guarantees, adequate monitoring and reporting of government guarantees, shareholder agreements, shareholder loans and share subscriptions and provide administrative practices for effective management of these instruments



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# chief investment & portfolio management

## Targeted output 2008/09

- Specialist Transaction input & advice

## Achievements 2008/09

- PBMR shareholder agreement
- WACS
- Denel strategic equity partnerships
- SAX transaction
- SAFCOL KLF transaction
- Eskom funding
- Umthunzi vs Government of RSA & Transnet
- Aviation portfolio restructuring
- Assessment, commentary and guidance to LGRT and SOE teams as and when required



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# chief investment & portfolio management

## Targeted output 2008/09

- 5 year review of SOE performance
- Alexkor

## Achievements 2008/09

- 5 year review of SOE performance (2003/04 - 2007/08) completed
- Shareholder Compact
- Transfer of Alexkor agricultural & maricultural assets to Richtersveld Agricultural Holding Company
- Transfer of land to Richtersveld Community



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# administration: planning, monitoring & evaluation

## Targeted output 2008/09

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

## Achievements 2008/09

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



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# administration: human resources

## Targeted output 2007/08

- Identification of priority training need
- Effective staff retention strategy

## Achievements 2007/08

- Key training programmes were implemented
- Retention strategy formalised, awaiting approval



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# administration: communications & international relations

## Targeted output 2008/09

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

## Achievements 2008/09

- The annual report, strategic plan and financial review were tabled in Parliament
- Publication of SOE Women's booklet in partnership with Financial Mail
- Approved Media policy and national energy saving campaign implemented with NERT task team
- Media statements and speeches were released
- Editor's Lunch held with Business Day



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# administration: communications & international relations

## Targeted output 2008/09

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

## Achievements 2008/09

- Successful hosting of Minister's Budget Vote speech
- Successful facilitation of meetings with various foreign embassies, hosting foreign delegations and managing international visits to South Korean, Germany, France, UK and Spain.



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# administration: information management

## Targeted output 2008/09

- IT security
- Licensing of all software
- Development of Disaster Recovery Plan

## Achievements 2008/09

- Auditor General carried out audit on financial systems - reported that DPE is secure, with minimal housekeeping matters raised.
- All licences up to date - licence register in place
- All electronic records stored off site - Disaster Recovery Plan in process together with Business Continuity Plan



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# administration: finance & supply chain management

## Targeted output 2008/09

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

## Achievements 2008/09

- Unqualified audit achieved
- Emphasis of matter reported on restated figures from previous year
- All documents were submitted to National Treasury on due dates
- No irregular expenditure
- 30 day prescripts for payments achieved
- Updated asset register



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## administration: internal audit

### Targeted output 2008/09

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

### Achievements 2008/09

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



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## Targeted output 2008/09

- Secretariat services for both Internal Departmental fora and Committees (ExCo, OpsCo, DPE Board, Economic and Employment Forum of Directors-General Cluster, Forum of Executives in Energy and the South African Power Project), which included:
  - The development of an annual schedule of all meetings
  - Convening, recording and preparation of documentation
  - Planning workshops

## Achievements 2008/09

- Meetings convened, administered and decisions recorded and documented:
  - 10 X Executive Committee
  - 10 X Operations Committee
  - 4 X Forum of Executives in Energy
  - 9 X Economic & Employment Cluster
  - 2 X South African Power Project
  - 4 X DPE Board
  - 4 X Progress reports for Eco Cluster to Cabinet Committee on Investment & Employment
  - 2 X Cluster progress review workshops including formulation of the POA



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# electricity consumption reduction project: period: march 2008 to march 2009

Month	Total Consumption in kWh	Savings in kWh	@ R/kWh	Savings in Rand & cent
March 2008	80 267.6	-	-	-
April 2008	62 518.79	17 748.81	x R0.34	R6 035.00
May 2008	49 843.78	30 423.82	x R0.34	R10 344.00
June 2008	47 780.32	32 487.48	x R0.34	R11 045.74
July 2008	48 692.86	31 574.74	x R0.34	R10 735.41
Aug 2008	41 355.58	38912.02	XR0.34	R13 230.09
Sept 2008	41 789.10	38 469.50	XR0.34	R13 079.46
Oct 2008	39 577.07	40 690.53	XR0.34	R13 834.78
<b>Nov 2008</b>	39 342.92	<b>40924.68</b>	XR0.34	<b>R13 914.39</b>
Dec 2008	41 343.58	<b>38 924.02</b>	XR0.34	<b>R13 234.17</b>
Jan 2009	44 242.40	<b>36 025.50</b>	XR0.34	<b>R12 248.57</b>
Feb 2009	39 541.48	<b>40 726.12</b>	XR0.34	<b>R13 846.88</b>
March 2009	42700.88	<b>37 566.72</b>	XR0.34	<b>R12 772.69</b>



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# Programme 2 : Energy & Broadband Enterprises



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# ICT broadband enterprises

## Targeted output 2008/09

- Quarterly assessment of capital programmes, operations, financials and risk management for expansion
- Monitoring of the construction of West African Cable System (WACS) project

## Achievements 2008/09

- Completed as planned
- Ongoing monitoring - due for completion in 2011



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## Targeted output 2008/09

- Monitoring Eskom's capacity expansion programme
- Monitoring Eskom's generation adequacy capacity delivery - reducing unplanned maintenance levels

## Achievements 2008/09

- Procurement and delivery of new build tracked on a monthly basis
- Interventions made to prevent delays
- Government guarantees of R176 billion were secured
- Monitoring and assessment of reserve margin and available capacity and demand to ensure security of supply
- Frequency of load shedding significantly reduced



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# nuclear enterprises

## Targeted output 2008/09

- EIAs - Record of decision from Department of Environmental Affairs and Tourism
- Construction License - Revised business case and product strategy
- Development of Heat Business Plan - Board approved in December 2008
- Necsa's application for fuel manufacturing license to the NNR

## Achievements 2008/09

- Response to public comments in progress
- Board approval of new business case and change in product strategy in December 2008
- Expression of interest in new technology received from Sasol
- Necsa has applied to the NNR for the PBMR Fuel manufacturing installation license



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# Programme 3 : Legal, Governance & Risk



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## Targeted output 2008/09

- Diabo Trust - Appointment and oversight of service providers to effect transfer

## Achievements 2008/09

- Steering Committee established to wind down the Trust and appoint service provider to trace the outstanding beneficiaries
- Trustees transferred R435.5 million to DPE
- Steering Committee approved TORs for appointment of service provider



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## Targeted output 2008/09

- Aventura - Commence winding up of company and its business

## Achievements 2008/09

- Reinstatement of Aventura
- 2004/05 Annual Financial Statement finalised and audited
- Gariep and Badplaas Resorts transferred to Forever Resorts
- Service providers appointed to commence with winding up



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### Targeted output 2008/09

- Appoint legal service provider to review and advise on DOT Port Regulations 2005

### Achievements 2008/09

- Appoint legal service provider to review and advise on DOT Port Regulations 2005
- Port Regulations approved and published in the government gazette
- Assessed impact of TNPA corporatisation on Transnet and appointed service provider to advise on the implications for non-corporatisation of the TNPA
- Provided legal assistance to DPE sector team
- Transnet proposed joint venture partnership approved



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## Targeted output 2008/09

- W Spies & Thompson/Government and Transnet - Resolution of legal action
- Concerned Transnet Workers Forum - Resolution of legal action
- Londoloza/Parhapur - Resolution of legal action

## Achievements 2008/09

- Judgment in favour of Government and Transnet
- Court confirmed that the Minister should not be joined as a party to the litigation
- Applicants' appeal dismissed by the Supreme Court of Appeal and Constitutional Court



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### Targeted output 2008/09

- Harmonise Government-wide shareholder management
- Implementation of shareholder guidelines regarding remuneration, founding documents and shareholder agreements, board induction and annual SOE governance Audit

### Achievements 2008/09

- Cabinet memo with draft Bill submitted
- Cabinet mandated Ministerial Oversight committee to review the legal and regulatory environment within which the SOE operate
- Subsidiary list updated on the dashboard
- Shareholder guidelines on Founding documents and shareholder agreements, and board induction toolkits approved by Minister
- Infraco, SAA founding documents amended
- Signed Alexkor, Transnet and Denel Shareholder Compacts
- Implemented Board induction Toolkit at Alexkor



### Targeted output 2008/09

- Exercising Shareholder Rights through AGMs for all SOE
- All SOE Boards to have more than minimum number of Board members
- Assess and advise Minister on evaluation reports

### Achievements 2008/09

- AGMs successfully held for all SOE
- All SOE Boards quorate and members exceed minimum number required
- Assessed and Minister advised in respect of Transnet, Denel and Eskom board evaluation reports



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## Targeted output 2008/09

- Review SOE Risk Management Practices annually
- Update SOE Risk Reporting Dashboard annually
- Benchmarking of SOE risk management practices with reference to industry norm and quarterly assessment of enterprise and shareholder risks

## Achievements 2008/09

- Completed
- Dashboard provides for risk monitoring quarterly
- Dashboard updated with SOE and DPE risk profile quarterly
- Assessed and advised on risk implications in the SOE corporate plans and Shareholder Compacts



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### Targeted output 2008/09

- Winding down of SAFCOL
- Implementation of the Deed of Settlement in the matter of the Richtersveld land claim
  - Transfer of all applicable assets to Richtersveld Community
  - Establishment of PSJV

### Achievements 2008/09

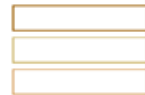
- Finalisation is on hold, pending finalisation of KLF land claim
- Agricultural land and assets transferred
- Preliminary establishment of PSJV, EXCO appointed



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# Programme 4 : Manufacturing Enterprises



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### Targeted output 2008/09

- Defence acquisition spend
- Further strategic alignment between stakeholders

### Achievements 2008/09

- Principle of 60%-70% defence spend on local defence related industry accepted by Cabinet
- A joint DPE and Department of Defence Cabinet memorandum was submitted in June 2008 with end-state recommendations
- Significant progress has been made between stakeholders such as DPE, National Treasury, DOD MV, DTI and DST and Industry Association



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### Targeted output 2008/09

- Establishment of DERI
- Enhancing local procurement

### Achievements 2008/09

- Structure agreed and an acting Chief Executive Officer appointed. However the Bill establishment process is not yet in place
- The principle of supporting the local industry through procurement was accepted by Cabinet as part of the end-state of Denel



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### Targeted output 2008/09

- Missiles export strategy
- Establishment of a defence export council

### Achievements 2008/09

- A strategic due diligence study was done
- Equity transaction with the world's second largest missile house is currently underway. If this transaction succeeds, Denel's missile capability will have increased global reach, which is what is required to harness this capability
- Not achieved



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## Targeted output 2008/09

- Annual assessment of corporate plan
- Conclusion of Shareholder Compact by end of April each year
- Achievement of MTEF targets

## Achievements 2008/09

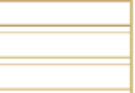
- Annual assessment Completed
- Not finalised due to the need for further clarity on the future role of SAFCOL
- SAFCOL met its net profit targets set in its 2008/09 Corporate Plan
- PFMA application for Fibre Project was not approved



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# Programme 5 : Transport Enterprises



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## Targeted output 2008/09

- Private sector participation in Ngqura container terminal
- Analyse and assess Transnet's role and influence in the economy
- Monitor Transnet's non-core disposals programme
- Monitor Transnet's Capex programme

## Achievements 2008/09

- Shareholder approved Transnet proposed joint venture partnership. Next step is DOT engagement
- Completed macroeconomic model which is linked to the freight flow model - completed in March 2009
- Monitored all remaining disposals
- Monitored capex programme as reported in the quarterly report



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## Targeted output 2008/09

- Private sector participation in rail through ensuring access to branch lines by private operators
- Develop national corridor performance measurement tools and indicators
- Conduct a study into customer experience in freight logistics sector

## Achievements 2008/09

- Revised branch lines strategy approved by Minister on 23 September 2008
- Transnet presentation on implementation progress to DPE and DOT
- Fast-tracking pilot study of nine projects
- NCPM project manager appointed
- Project charter completed
- Questionnaire for customer survey completed.
- Pilot study undertaken with key Transnet customers - March 2009



## Targeted output 2008/09

- Assess and review financial sustainability and role of state-owned airlines
- Complete transfer of SAX to DPE
- Assess and review financial sustainability and role of state owned airlines
- Monitor the progress of the SAA restructuring and turnaround strategy

## Achievements 2008/09

- Traffic flow and role of state airline assessed
- Agreement finalised and remaining suspensive conditions in process of closing
- Modelled the capital requirements of SAA and impact of high debt levels
- Developed scenarios and mitigating options for the airlines' financial sustainability
- Funding requirement assessed, but not granted in MTEF cycle
- Restructuring successful, achieving audited 8% above target, profit margin not achieved due to unexpected increases in fuel prices and fuel hedging losses during the financial year



## Targeted output 2007/08

- Ring-fenced SAA business units and disposal or strategic equity partnering

## Achievements 2007/08

- SAA Technical - process proceeding
- Airchefs - suspended due to investigation into the award of tender
- Ground handling - contract awarded
- Cargo - alternative models being considered
- Voyager - transformation team established to review organisation design and pricing
- Call centres - outsourcing process suspended due to investigation into award of tender



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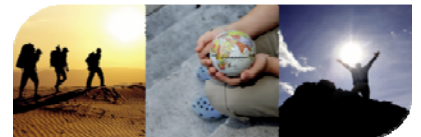


# Programme 6 : Joint Project Facility



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### Targeted output 2008/09

- DPE to host and Portfolio Committee to attend Autumn School

### Achievements 2008/09

- Autumn School held in May 2008





### Targeted output 2008/09

- Negotiate and purchase aircraft
- Facilitate manufacturing contracts
- Contract re-negotiation with Airbus for A400N Denel Contract
- Oversight of turnaround for Denel-Saab Aerostructures business

### Achievements 2008/09

Procurement price re-negotiated

- Contracts not placed
- Facilitated extensive engagements and negotiations
- McKinsey appointed as turnaround consultants for Benchmarking and Turnaround Plan



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## Targeted output 2008/09

- Establishment of five functional SPX centres in Southern Africa linked to monitoring platform

## Achievements 2008/09

- The benchmarking programme was formally noted as a key programme in Africa's Industrialisation Strategy at the Conference of African Ministers of Industries meeting held in Durban
- Tanzania, Nigeria and Kenya leg of project launched
- Regional co-ordinator for Southern Africa component (i.e. DPE funded component) formally appointed
- UNIDO in process of establishing teams in Zambia and Mozambique



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## Targeted output 2008/09

- Signed power purchase agreements
- Secure funding for the feasibility study

## Achievements 2008/09

- Negotiations for power purchase agreements are underway in Moamba and Mmamabula Projects and the commencement of negotiations on the North South Transmission Line in Mozambique has commenced
- World bank funding secured for Mozambique's North-South Transmission Line backbone.



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## Targeted output 2008/09

- Ministerial approval on Eskom and Transnet SDPs.
- Research study to inform SDPs
- Set up mini MBA 'bootcamps' for Transnet and Eskom

## Achievements 2008/09

- Eskom and Transnet produced 5-year SDPs which have received Ministerial approval and are now in the implementation phase
- Between 10 and 20 mini MBA procurement capacity building 'bootcamps' were held for Transnet and Eskom respectively
- ISAPA ee-learning procurement capacity building programme facilitated and being implemented in Transnet (discussions with Eskom regarding implementation still proceeding)
- Research study completed to inform SDPs



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## environmental issues

### Targeted output 2008/09

- Draft Guidelines on EIA for SIDs submitted to DEAT
- Request SOE to contribute to SOE Fund

### Achievements 2008/09

- Draft SID and ERP Guidelines were completed by DPE consultant and submitted to DEAT
- Correspondence sent to Eskom, Transnet and PBMR requesting their contribution to the SOE Fund



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# human resources & capacity building

## Targeted output 2008/09

- Conclude Memoranda of Understanding (MoUs) with relevant SET as to support SOE and supplier network for training of artisans
- Successful skills development partnerships with key stakeholders
- Develop a Management Learning Programme for senior management in the SOE sector
- Appoint tertiary institution to host
- Develop SOE Reader

## Achievements 2008/09

- Formal relations established with MERSETA and ESETA for workplace grant support and partnerships established with DoE, DoL, NBI and TSBP companies
- UCT selected as the host institution and has been appointed by DPE at the beginning of May 2009
- Draft Reader content prepared



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## Targeted output 2008/09

- Successful participation of InfraCo in Marine Cable

## Achievements 2008/09

- Both Shareholder's and Supplier's Contract finalised by end of March 2009 and subsequently signed on 8 April 2009



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## Targeted output 2007/08

- Complete non-core property disposal and B-BBEE Guidelines
- Facilitate public sector transactions/ states right of first refusal
- Receive commitments from SOE on the proposed approach to facilitate Key Integrated Projects

## Achievements 2007/08

- Updating of SOE Non-Core Property Disposal Policy and B-BBEE Guidelines completed
- Facilitation of public sector transactions
- Conclusion of education, housing and two major Public Works transactions with Transnet
- Approval for Transnet to enter into long-term leases (commercial property portfolio)
- Facilitation of DPW-Denel transaction
- Approval granted for the disposal of SAA's non-core property
- SOE commitment received on the proposed approach to facilitate Key Integrated Projects





# the south african power project

## Targeted output 2008/09

- Leverage Eskom's build programme to enhance South Africa's manufacturing, technology and skills base by developing a detailed industrial strategy.
- Seek Cabinet approval for Implementation plan
- Form part of a task team to develop a report on the impact of the nuclear decision on carbon commitments

## Achievements 2007/08

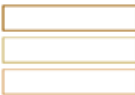
- DPE submitted implementation plan to Cabinet and received approval
- Developed a position paper on governance processes, institutional issues, phasing issues and criteria for nuclear fleet strategic technology and industrialisation partner.
- DPE contributed to the completion of the report on the impact of the nuclear decision on carbon commitments



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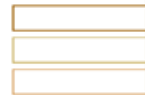
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# annual financial statements 2008/09



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## Audit outcomes for 2008/09

- The Department achieved an unqualified audit for 2008/09

There was an emphasis of matter as follows:

- **Basis of Accounting** : The department's policy is to prepare financial statements on the modified cash basis of accounting determined by National Treasury, as set out in accounting policy note 1; (refer page 69 of the Annual Report)
- **Restatement of corresponding figures** :As disclosed in the cash flow statement. The corresponding figures for 31 March 2008 have been restated as a result of an error discovered during 2009 in the financial statements of the Department of Public Enterprises at, and for the year ended 31 March 2008.(refer page 70 of the Annual Report)
- It should be noted that the matters above are for information purposes to the reader in case he/she compares the figures from the previous year. There were no changes to our bottom line. (refer notes to cash flow page 86 of the Annual Report)
- All governance matters were achieved within the department.

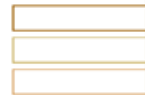


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# departmental expenditure trends 2007/08 - 2008/09



The following table provides a summary of actual expenditure incurred for the 2008/09 and 2007/08 financial year's vs budget appropriated for each programme:

Programme	2008/09		2007/08	
	Final Appropriation R'000	Actual Expenditure R'000	Final Appropriation R'000	Actual Expenditure R'000
1. Administration	78 294	77 939	66 332	66 281
2. Energy and Broadband Enterprises	2 137 317	2 136 811	2 514 329	2 514 327
3. Legal, Governance, Risk and Transactions	148 868	147 889	95 804	95 788
4. Manufacturing Enterprises	269 281	267 027	1 160 977	1 159 944
5. Transport Enterprises	605 015	604 930	752 130	752 128
6. Joint Project Facility	30 603	30 553	15 517	15 516
<b>Total</b>	<b>3 269 378</b>	<b>3 265 149</b>	<b>4 605 089</b>	<b>4 603 984</b>



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# appropriation statement per economic classification

	2008/09							2007/08	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>Current payments</b>									
Compensation of employees	67 970	-	4 110	72 080	70 445	1 635	97.7%	55 999	55 998
Goods & services	98 347	(344)	(4 110)	93 893	93 238	655	99.3%	70 563	70 541
Financial transactions in assets & liabilities	-	344	-	344	298	46	86.6%	27	27
<b>Transfers and subsidies</b>									
Public corporations & private enterprises	3 101 516	-	-	3 101 516	3 099 640	1 876	100.0%	4 474 373	4 473 341
Households	650	-	-	650	650	-	91.9%	600	584
<b>Payments for capital assets</b>									
Machinery & equipment	861	-	-	861	844	17	100.0%	2 520	2 517
Software & other intangible assets	34	-	-	34	34	-	100.0%	224	224
<b>Total</b>	<b>3 269 378</b>	<b>-</b>	<b>-</b>	<b>3 269 378</b>	<b>3 265 149</b>	<b>4 229</b>	<b>99.9%</b>	<b>4 605 089</b>	<b>4 603 984</b>



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# SUMMARY OF TRANSFER PAYMENTS TO SOE 2008/09



	2008/09
	R'000
Alexkor	130 000
Denel	259 516
Broadband Infraco	377 000
Pebble Bed Modular Reactor	1 750 000
South African Airways	-
South African Express Airways	445 000
Transnet (South African Express Airways)	140 000
<b>Total</b>	<b>3 101 516</b>



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## departmental expenditure trends 2007/08 - 2008/09

- The decrease of R1.3 billion in the annual appropriation from R4.6 billion (2007/08) to R3.3 billion (2008/09), is mainly as a result of decreased transfer payments to State Owned Enterprises.
- Under-spending, amounting to R4.229 million was recorded in 2008/09. Composed of R 2.353 million in the operational budget which was mainly under Compensation of Employees as a result of some posts not having been filled due to scarcity of specialist skills in the market. The balance in the sum of R1.876 million is in respect of funds earmarked for Denel for the payment of an indemnity granted to Denel/Saab Aerostructures, where the final audited amount of the claim was less than the funds originally allocated for this purpose.
- The department achieved expenditure well within the 2% benchmark.



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# programme 1: administration

	2008/09							2007/08	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>1.1 Minister</b>									
Current payment	1 009	593	317	1 919	1 843	76	96.0%	951	951
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>1.2 Management</b>									
Current payment	18 341	917	891	20 149	20 041	108	99.5%	11 968	11 968
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	460	460
<b>1.3 Corporate Services</b>									
Current payment	47 388	(1 510)	3 342	49 220	49 068	154	99.7%	44 981	44 981
Transfers and subsidies	650	-	-	650	650	-	100.0%	620	570
Payment for capital assets	895	-	-	898	878	17	98.1%	2 968	2 967
<b>1.4 Property Management</b>									
Current payment	4 798	-	663	5 461	5 461	-	100.0%	4 384	4 384
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>73 081</b>	<b>-</b>	<b>5 213</b>	<b>78 294</b>	<b>77 939</b>	<b>355</b>	<b>99.5%</b>	<b>66 332</b>	<b>66 281</b>



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# programme 1: administration

- **Administration:** provides strategic management, direction and administrative support to the Department. The programme consists of the Ministry, Management which includes the Office of the Director-General, the Office of the Chief Investment Portfolio Manager, Ministerial Support Staff as well as Corporate Services with its sub programmes: human resources, information technology, financial management, secretariat, knowledge centre, internal audit, facility management and communications, as well as property management.
- Expenditure for the programme for the year amounted to R77.9 million compared to R66.3 million in 2007/08. The increase was mainly due to centralisation costs for support services in the previous financial year which includes maintenance, in-house printing and reproduction services, training, stationery, information technology services and computer equipment, telephones, maintenance and upgrading of security systems. During the year a work study was carried out on business processes in the Department, the energy saving project within the Department was completed and the Office of the Chief Investment Portfolio Manager was established, the gratuity which was paid to the outgoing Minister as well as the increases in the remuneration of political office bearers all of which contributed to the increase in expenditure in this programme. Costs for leases and accommodation charges were devolved from the Department of Public Works to individual departments. In 2008/09 the Department received R4.8 million however the final amount paid amounted to R5.5 million. (Refer to Appropriation Statement for Programme 1 - Administration Sub Programme Property Management.)



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## programme 2:

# energy, broadband infrastructure and mining enterprises

	2008/09							2007/09	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>2.1 Management</b>									
Current payment	1 071	62	550	1 683	1 495	188	88.8%	2 112	2 112
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>2.2 ICT Sector: Broadband</b>									
Current payment	1 625	(18)	15	1 622	1 489	133	91.8%	1 359	1 358
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>2.3 Energy Sector</b>									
Current payment	7 124	(44)	(528)	6 552	6 509	43	99.3%	7 804	7 804
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>2.4 Nuclear Sector</b>									
Current payment	1 159	-	(699)	460	318	142	69.1%	781	780
Transfers and subsidies	1 750 000	-	-	1 750 000	1 750 000	-	100.0%	2 502 273	2 502 273
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2 137 979</b>	<b>-</b>	<b>(662)</b>	<b>2 137 317</b>	<b>2 136 811</b>	<b>506</b>	<b>100.0%</b>	<b>2 514 329</b>	<b>2 514 327</b>

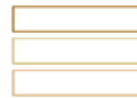


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## programme 2: energy and broadband enterprises



- **Energy and Broadband Enterprises:** analyses and ensures alignment of the corporate strategies of Eskom, Pebble Bed Modular Reactor(PBMR) and Broadband Infraco with government's strategic intent and monitors their performance with respect to their finances and operations.
- Expenditure for the programme for the year amounted to R2.137 billion compared to R2.514 billion in 2007/08.
- The decrease is mainly due to a reduction in transfer payments to the SOE as well as a slight decrease in operational expenditure as some projects were dealt with in-house as the unit was fully resourced.



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# programme 3: legal, governance, risk and transactions

	2008/09							2007/06	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>3.1 Management</b>									
Current payment	2 214	(119)	(9)	2 086	2 062	24	98.8%	2 208	2 192
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	16	16
<b>3.2 Legal &amp; Litigation</b>									
Current payment	10 928	(281)	(1 061)	9 586	9 509	77	99.2%	9 193	9 193
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	31	31
<b>3.3 Governance</b>									
Current payment	3 244	(35)	(294)	2 914	2 531	383	86.9%	7 511	7 511
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>3.4 Risk Management</b>									
Current payment	4 080	427	(1 521)	2 986	2 498	488	83.7%	2 135	2 135
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>3.5 Transactions</b>									
Current payment	1 950	8	(662)	1 296	1 289	7	99.5%	2 010	2 010
Transfers and subsidies	130 000	-	-	130 000	130 000	-	100.0%	72 700	72 700
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>152 416</b>	<b>- (3 548)</b>		<b>148 868</b>	<b>147 889</b>	<b>979</b>	<b>99.3%</b>	<b>95 804</b>	<b>95 788</b>



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## programme 3: legal, governance, risk and transactions

- **Legal, Governance, Risk and Transactions:** is responsible for providing effective legal services, corporate governance systems, risk management frameworks and the implementation of all legal aspects of strategically important transactions to the department and SOE, and ensures alignment with government's strategic intent.
- Expenditure for the programme for the year amounted to R147.8 million compared to R95.8 million in 2007/08. The increase is mainly due to the transfer payment to Alexkor for the finalisation of the settlement agreement. Operational expenditure decreased due to a number of vacancies in the unit as well as a reduction in legal costs over the period.



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# programme 4: manufacturing enterprises

	2008/09							2007/08	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>4.1 Management</b>									
Current payment	1 343	183	-	1 526	1 317	209	86.3%	1 504	1 503
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	16	16
<b>4.2 Forestry Sector</b>									
Current payment	1 546	(70)	-	1 476	1 393	83	94.4%	866	865
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>4.4 Defence Sector</b>									
Current payment	7 030	(113)	(154)	6 763	6 677	86	98.7%	3 591	3 591
Transfers and subsidies	259 516	-	-	259 516	257 640	1 876	99.3%	1 155 000	1 153 969
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>269 435</b>	<b>-</b>	<b>(154)</b>	<b>269 281</b>	<b>267 027</b>	<b>2 254</b>	<b>99.2%</b>	<b>3 664 031</b>	<b>3 662 997</b>



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# programme 4: manufacturing enterprises



- **Manufacturing Enterprises:** Analyses SOE strategies against Government's strategic intent, develops proposals around how the SOE can play a catalytic role in the development of manufacturing cluster, it also monitors the SOE financial and operational performance of Denel and SAFCOL.
- Expenditure for the programme for the year, amounted to R267 million, compared to R1.2 billion in 2007/08.
- The substantial decrease is due to a reduction in transfer payments to Denel. An amount of R 259.5 million was earmarked for the payment of an indemnity granted to Denel/Saab Aerostructures. However the final audited amount of the claim was R1.876 million less than the funds originally allocated for this purpose, which reflects as underspending in this programme which was unavoidable.



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# programme 5: transport enterprises

	2008/09							2007/08	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>5.1 Management</b>									
Current payment	1 093	66	5 207	6 366	6 353	13	99.8%	745	745
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	16	16
<b>5.2 Transport Sector</b>									
Current payment	11 391	(406)	(1 116)	9 869	9 799	70	99.3%	4 489	4 486
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>5.3 Aviation Sector</b>									
Current payment	6 876	340	(3 436)	3 780	3 778	2	99.9%	2 480	2 481
Transfers and subsidies	585 000	-	-	585 000	585 000	-	100.0%	744 400	744 400
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>604 360</b>	<b>-</b>	<b>655</b>	<b>605 015</b>	<b>604 930</b>	<b>85</b>	<b>100.0%</b>	<b>752 130</b>	<b>752 128</b>



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## programme 5: transport enterprises

- **Transport Enterprises:** aligns the corporate strategies of South African Airways (SAA), South African Express (SAX) and Transnet with government's strategic intent, and monitors the SOE financial and operational performances.
- Expenditure for the programme for the year amounted to R604.9 million compared to R752.1 million in 2007/08. The decrease is due to a reduction in transfer payments to the SOE.



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# programme 6: joint project facility

	2008/09							2007/08	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation	Final Appropriation R'000	Actual Expenditure R'000
<b>6.1 Management</b>									
Current payment	672	38	(361)	349	348	1	99.7%	2 505	2 503
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>6.2 Transport Sector</b>									
Current payment	31 435	(38)	(1 143)	30 254	30 205	49	99.8%	13 012	13 012
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>32 107</b>	<b>-</b>	<b>(1 504)</b>	<b>30 603</b>	<b>30 553</b>	<b>50</b>	<b>99.8%</b>	<b>15 517</b>	<b>15 516</b>



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## programme 6: joint projects facility

- **Joint Projects Facility:** identifies and unlocks synergies among the SOE, coordinates cross-cutting projects that leverage the assets, activities and/or capabilities of the SOE to the benefit of the SOE and the economy as a whole.
- Expenditure for the programme for the year amounted to R30.6 million compared to R15.5 million in 2007/08. The substantial increase in the expenditure is mainly due to the expansion of existing projects as well as the sourcing of specialist and technical expertise required to meet the objectives of the unit.



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# virements

	Adjusted Appropriation 2008/09 R'000	Virements R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000
Programme 1	73 081	5 213	78 294	77 939	355
Programme 2	2 137 979	(662)	2 137 317	2 136 811	506
Programme 3	152 416	(3 548)	148 868	147 889	979
Programme 4	269 435	(154)	269 281	267 027	2 254
Programme 5	604 360	655	605 015	604 930	85
Programme 6	32 107	(1 504)	30 603	30 553	50
<b>Total</b>	<b>3 269 378</b>	<b>-</b>	<b>3 269 378</b>	<b>3 265 149</b>	<b>4 229</b>



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## virements

- **Programme 1 - Administration:** there was a substantial increase in this programme in the sum of R5.213 million which was made up of:
  - R1.449 million for Compensation of Employees to accommodate the increase in the political office bearer's salaries as well as a once off gratuity paid during this period. This funding was viremented from Programmes 2 and 3 where savings were identified due to posts not having been filled.
  - Goods and Services increased by R3.764 million for departmental printing and publications, transport, stationery, training and bursaries as well as a shortfall on the amount due to Public Works for Devolution of Funds (leases on premises) which was originally budgeted for in the sum of R4.8 million however the final amount paid was R5.5 million. The funds were viremented from Programme 2, this saving was due to the unit being fully resourced as a result the projects were dealt with internally, Programme 3 costs were projected for legal fees for the year, some of which were less than anticipated and others which were not finalised, Programmes 5 and 6 savings arose from costs of projects being less than anticipated.



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## virements

- **Programme 2 - Energy and Broadband Enterprises:** There was a decrease in expenditure in this programme due to planned projects being dealt with internally as the unit was fully resourced with the appropriate specialist skills at various intervals during the year. The saving in this programme was viremented to Programme 1. However there was a shortfall under Compensation of Employees which was viremented to this programme from Programme 3.
- **Programme 3 - Legal, Governance and Risk:** decreased due to provision having been made for legal fees in various actions which were not concluded within the time frames anticipated due to the nature of the litigation as well as certain projects not being completed during the financial year. In addition, the unit was not fully resourced due to resignations during the year which created a saving in Compensation of Employees. The saving in this programme for Goods and Services was viremented to Programme 1 and savings in Compensation of Employees was viremented to Programmes 1 and 2.



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## virements

- **Programme 4 - Manufacturing Enterprises:** decreased minimally due to savings in Compensation of Employees which was due to posts being filled at various intervals during the course of the year. The saving in this programme was viremented to Compensation of Employees in Programme 5.
- **Programme 5 - Transport Enterprises:** increased slightly due to a claim from the Government Employees Pension Fund for recognition of service of the former non-statutory forces pensionable service in the GEPF for a former DPE employee. Funds were viremented from Compensation of Employees in Programmes 2 and 6 to Compensation of Employees in this programme to make up the deficit to effect payment of the claim which amounted to R4.110 million.
- **Programme 6 - Joint Project Facility:** decreased due to savings in Goods and Services arising from early completion of projects which was viremented to Programme 1, Goods and Services as well as a saving in Compensation of Employees due to posts not being filled which was viremented to Programme 5.
- All virements were effected in consultation with Programme Managers and final approval was signed off by the Accounting Officer.



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# departmental revenue

## Departmental revenue to be surrendered to Revenue Fund

	Notes	2008/09 (R'000)	2007/08 (R'000)
Sales of goods and services other than capital assets	2.1	38	34
Interest, dividends and rent on land	2.2	595	4
Financial transactions in assets and liabilities	2.3	185	31
<b>Total revenue collected</b>		<b>818</b>	<b>69</b>

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



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# goods and services: major expenditure items

R'000

## Communication

2 992

Made up of mainly

- Telephone / fax / cellular phones / 3G services
- Rentals on private bag
- Postage / stamps / franking machine

## Computer services

2 469

Made up of mainly

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

## Inventory

2 879

Made up of mainly

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

## Operating leases

2 338

Made up of mainly

- Equipment leases



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# goods and services: major expenditure items

R'000

## Owned and leasehold property expenditure

5 461

Made up of

- Municipal Services
- Property management fees

## Travel and subsistence

11 296

Made up of mainly of

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

## Consultants, contractors and special services

56 153

Made up of	R'000
<b>Business and advisory services which include but are not limited to :</b> <ul style="list-style-type: none"> <li>• Internal Auditors</li> <li>• Specialist consultants - Researchers, Technical Specialists and Project co-ordinators</li> <li>• Accountants</li> <li>• Human Resource consultants eg Employee Wellness Programme</li> </ul>	48 195
Legal Costs	2 724
Contractors	1 238
Agency and support/outsourced service	3 996



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# Financial transaction in assets and liabilities

R'000

Material losses written off

298

Advances to Departments

4

- Advances to Free State Provincial Government and National Treasury

Debts written off

294

- Staff debts which had prescribed where every effort had been made to locate the debtors over the past two years and where it was uneconomical to pursue this further



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# compensation of employees

	2008/09 (R'000)	2007/08 (R'000)
Basic salary	40 320	32 999
Performance awards	4 365	4 269
Service Based compensation	967	235
Compensative/circumstantial	1 030	744
Periodic payments	1 126	643
Other non - pensionable allowances	14 791	13 930
Employer contributions	7 846	3 178
<b>Total</b>	<b>70 445</b>	<b>55 998</b>

**Performance awards:** Awards were granted based on individual performance appraisals as well as the overall performance of the department which was carried out by an independent assessor for the year 2007/08 but paid in 2008/09

**Service based compensation:** Leave discounting and overtime

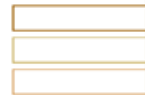
**Compensative/circumstantial:** Sessional Allowance/ Parliamentary Non- Pensionable Allowances/ clothing allowance/ Private secretary allowances

**Periodic payments:** Interns salaries

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

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





# 5 Year Portfolio Performance

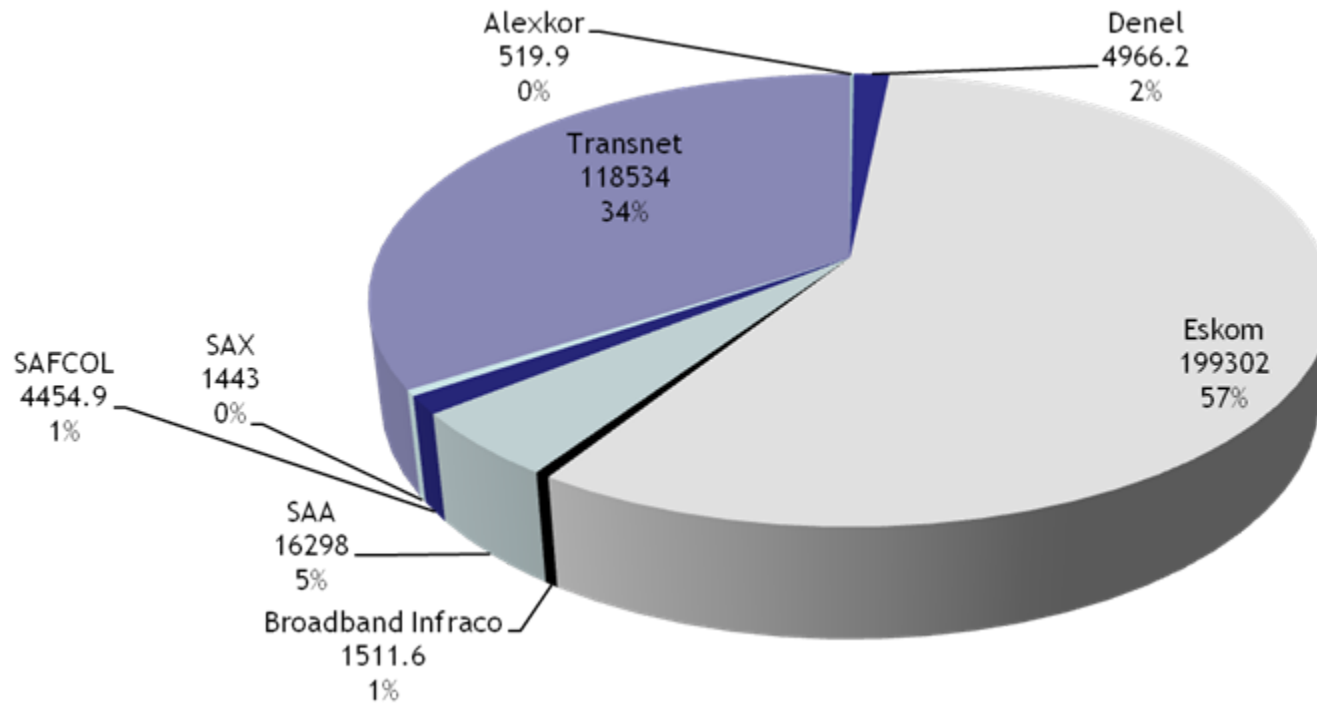


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# Relative size of SOE by asset base in 2008/09 (R' million)

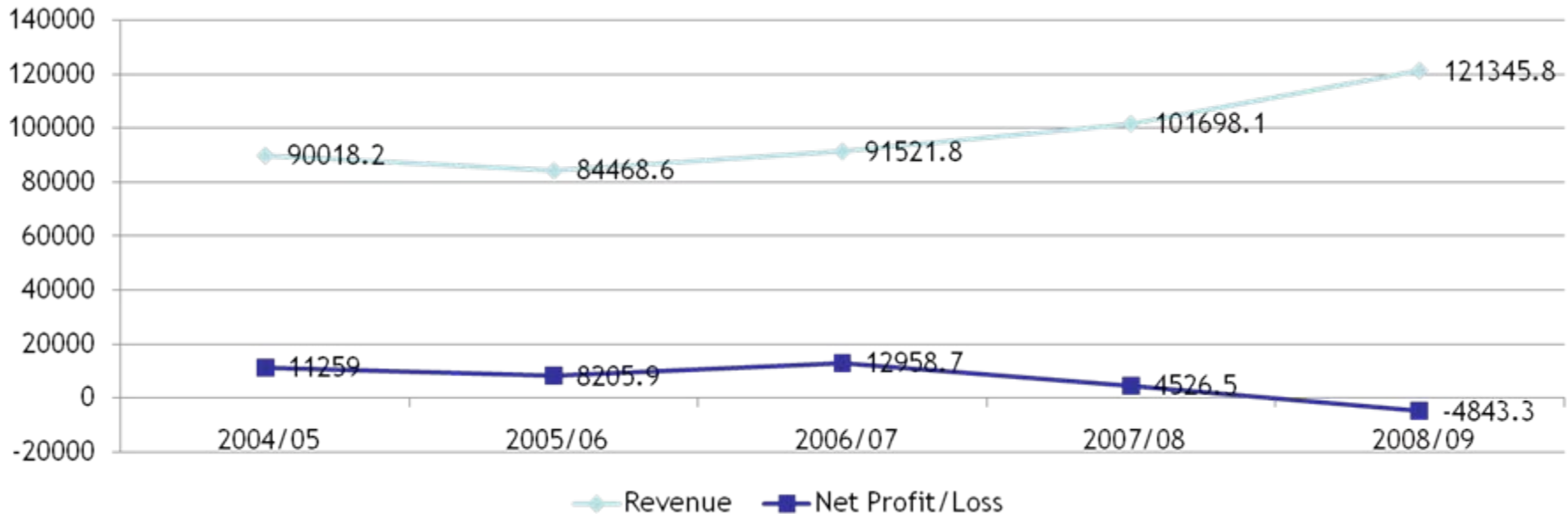


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# Portfolio Financial Performance 2004/05 - 2008/09



Portfolio revenue increased to R121 345.8 million with the main contributors being Eskom (44.4%), Transnet (27.7%) and SAA (22.2%). However, the portfolio recorded a net loss amounting to R4 843.3 million principally weighed down by losses on Eskom's derivative instruments linked to commodity prices (mainly aluminum) and foreign currency rates (mainly dollar) or foreign production price indices.



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# Portfolio Synopsis

- SOE are experiencing revenue generation constraints which may be arising from the regulatory environment and underlying valuation methodologies. The pace of converting capital investment into operational assets may be a factor with infrastructure investments increasing the asset base with no income generated.
- The overall return on assets (ROA) remained negative as another loss was recorded. This indicates inefficient asset utilisation. SOE need to sweat their assets more as operational inefficiencies may constrain ability to weather the global financial crisis. Negative ROE on the back of the loss was recorded. This indicates inability to generate cash internally and this will consume available cash limit and asset growth potential. SOE need to conserve cash and reduce near to medium term cash burn rate through stringent cost control.
- The pace of debt growth continues to exceed the growth of assets so leverage has risen. This may be signalling constraints and implementation lags in applying debt obtained to capital investment, requiring better project management (cost, time, quality). Profits weakness might be unsurprising given the weakness of the economy but the non-financial financing gap (the difference between profits and investment) needs to be narrowed. Implementation lags will result in delays in achieving profitability as finance charges accumulate the longer the interval before assets become operational and productive. With the current credit environment presenting challenges in capital raising, debt needs to be utilised effectively
- Across emerging markets, a boom in infrastructure building is under way. In power and water, property, ports and airports and beyond, emerging markets governments and private sector players are deploying unprecedented amounts of capital to upgrade the infrastructure. US\$21.7 trillion in infrastructure spending in emerging markets is forecast over the next decade, with Asia representing 67% of this total. This points to tremendous competition in capital raising, both by governments and private industry exacerbated by the financial crisis. There is strong evidence of fewer projects reaching financial closure and more projects being postponed and cancelled. SOE infrastructure projects are critical if economic growth is to be sustained.



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# Thank You



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