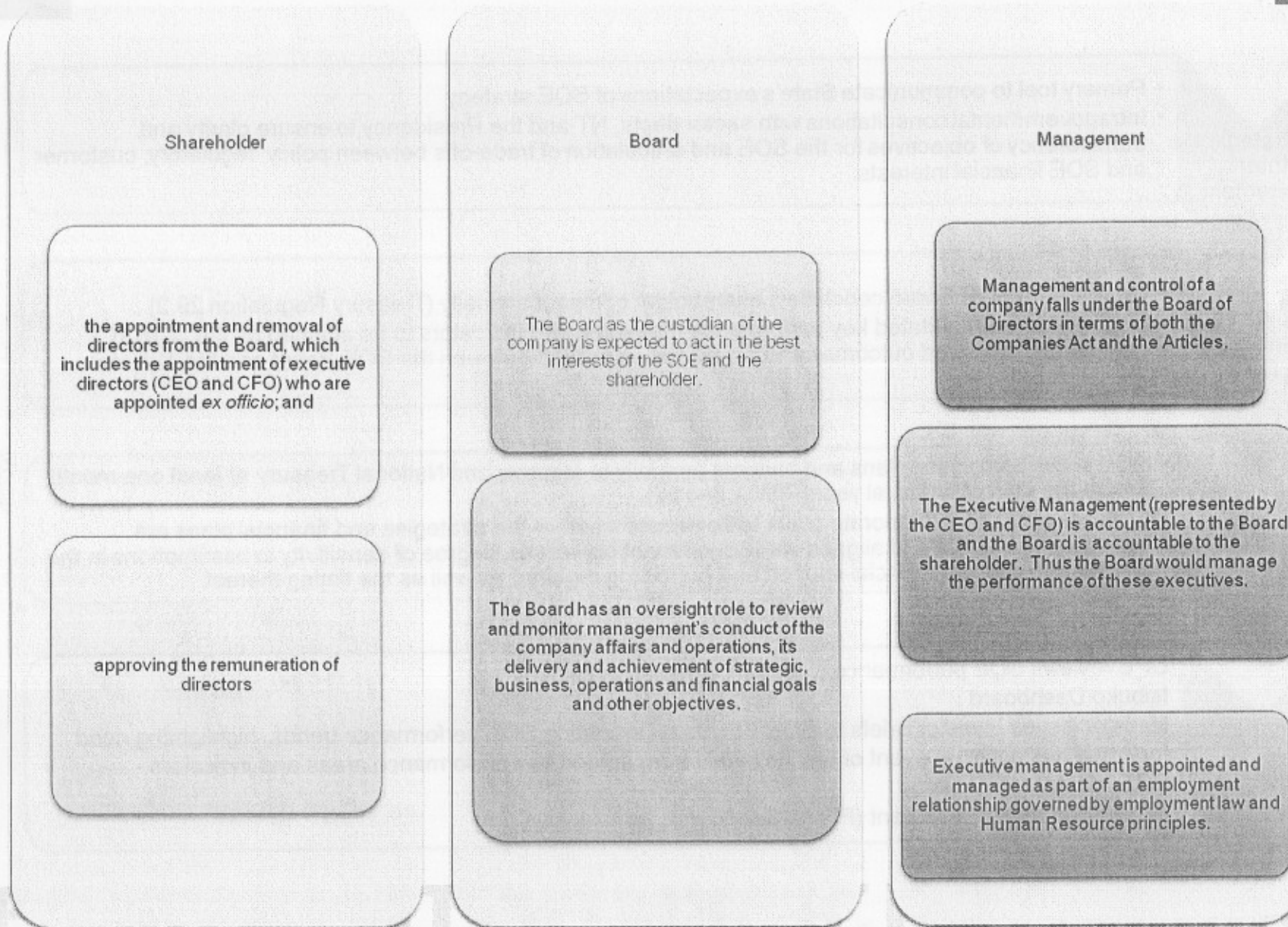
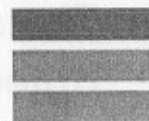
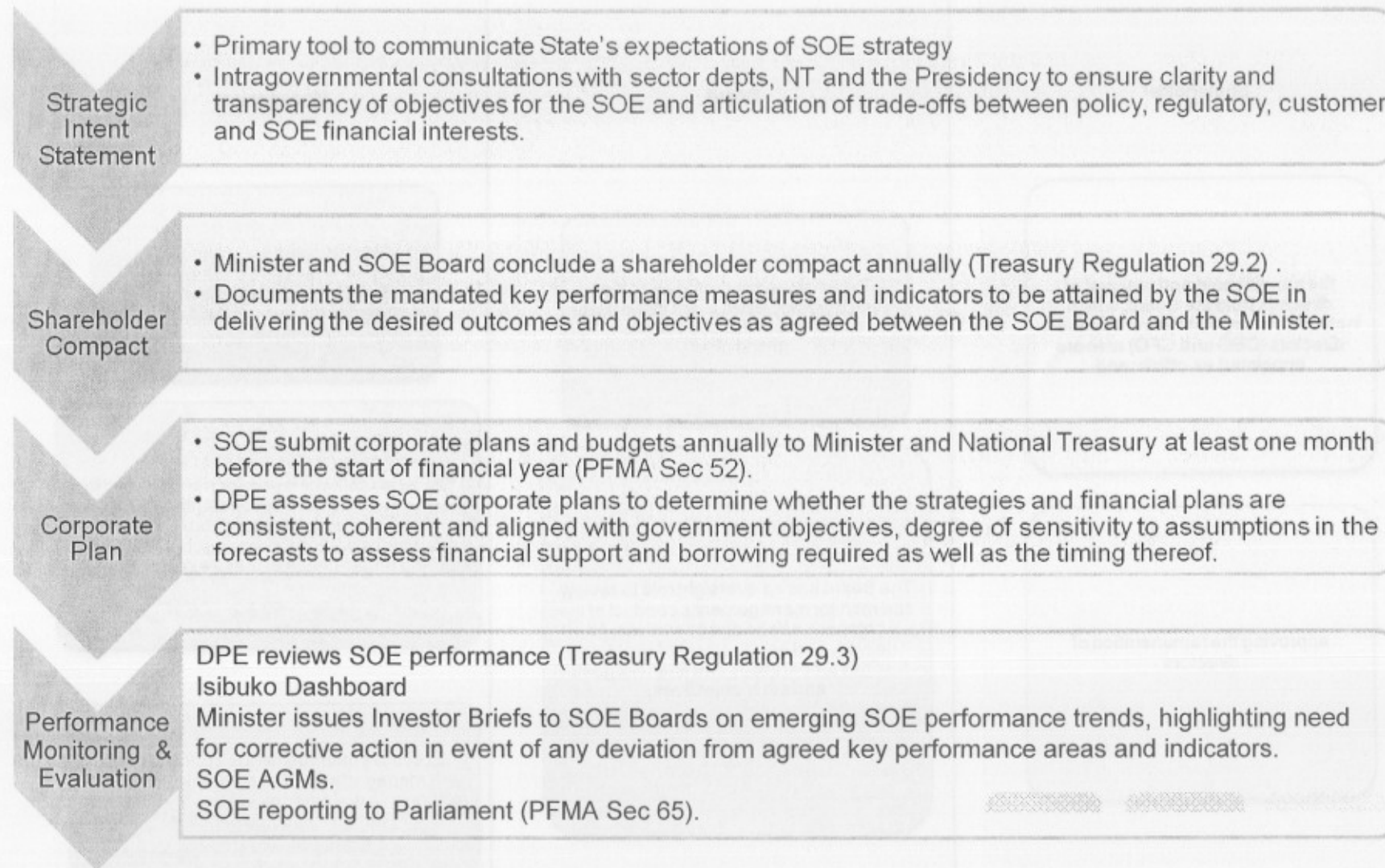
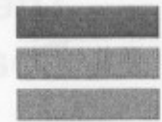


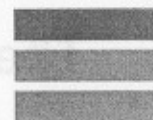
The Shareholder is primarily responsible for the appointment of the Board



The shareholder management process integrates national strategic objectives into SOE planning and operations



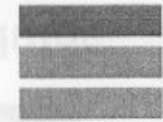
All our SOE, except for PBMR (due to current circumstances) are compliant with the logical planning, monitoring and evaluation process



SOE	Strategic Intent Statement	Shareholder Compact	Corporate Plan	Performance Monitoring and Evaluation
Alexkor	✓	✓ 2008/9 Compact extended	✓	✓
Broadband Infraco	✓	✓	✓	✓
Denel	✓	✓	✓	✓
Eskom	✓	✓	✓	✓
PBMR	x	x	x	✓
SAA	✓	✓	✓	✓
Safcol	✓	✓	✓	✓
SAX	✓	✓	✓	✓
Transnet	✓	✓	✓	✓



The DPE has developed a comprehensive risk management framework



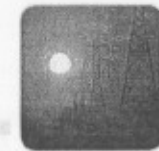
The risk management process consists of the following main steps:

1. Objective setting (what is our mandate, objectives, etc)
2. Risk identification (what can go wrong, what can prevent objectives being achieved, causes of risk?)
3. Risk analysis (what are the chances of the risk occurring [LIKELIHOOD], what will be the effect when it occurs (IMPACT)).
4. Risk response (avoid, accept, reduce or share the risk by developing controls, procedures, etc to reduce risk to acceptable levels).
5. Control activities (policies and procedures are established and implemented to ensure the risk responses are effectively carried out).
6. Information and communication (information is captured and communicated so that people are able to carry out their risk management duties).
7. Monitoring (ongoing management activities and separate evaluations).



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA



Strictly confidential

Risks can be clearly plotted and ranked



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

Portfolio - NEW DPE Risk Matrix for quarter 1 2011

Top 10 Risks ordered by Residual Risk - Rating

Help

Refresh Data

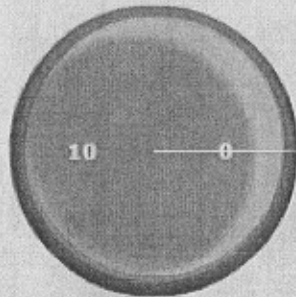
Print

Risk Specific View

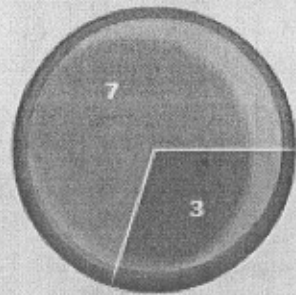
Summary View

Trend Analysis

Risk Distribution



■ SOE Specific
■ Cross Cutting



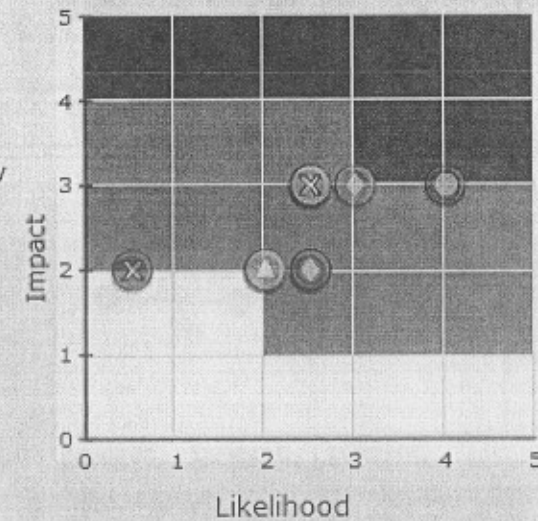
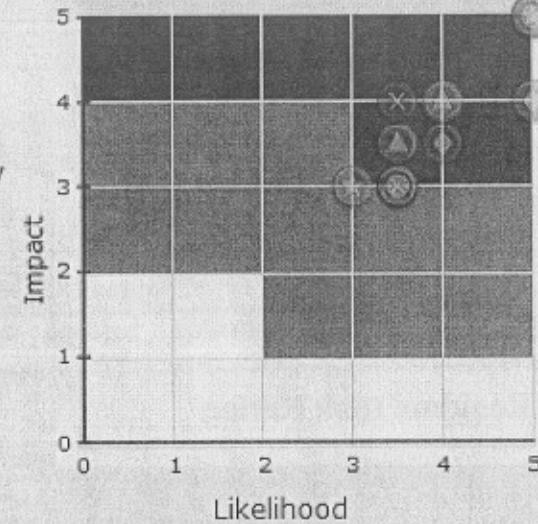
■ Systemic
■ Non-Systemic

Inherent Risk

- Exposure to the fiscus
- Shareholder / Board governance
- Preservation and growth of shareholder v
- Responsiveness to exogenous factors
- ⊗ Shareholder management skills at DPE
- Leverage to capital
- Effectiveness/efficiency of the infrastr
- Effective stakeholder consultation
- Coherent shareholder strategic intent to
- Compliance with laws and regulations

Residual Risk

- Exposure to the fiscus
- Shareholder / Board governance
- Preservation and growth of shareholder v
- Responsiveness to exogenous factors
- ⊗ Shareholder management skills at DPE
- Leverage to capital
- Effectiveness/efficiency of the infrastr
- Effective stakeholder consultation
- Coherent shareholder strategic intent to
- Compliance with laws and regulations



Likelihood
Strictly confidential

The risk profile of the SOE portfolio seems to be improving



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

Portfolio - NEW DPE Risk Matrix
for quarter 1 2011

Help

Refresh Data

Print

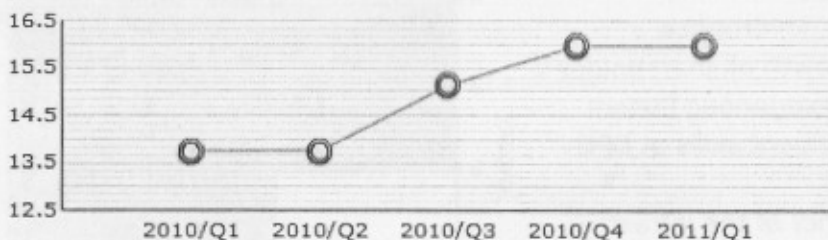
Risk Specific View

Summary View

Trend Analysis

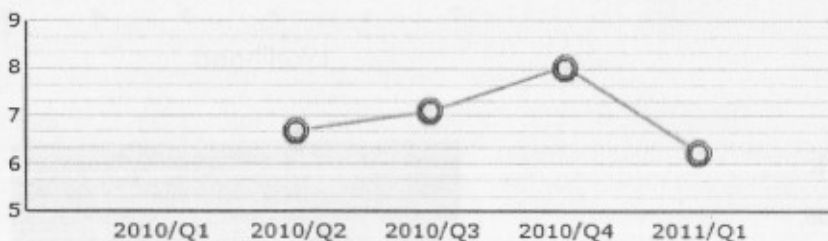
Top 10 Risks ordered by Residual Risk - Rating

Inherent Risk Rating



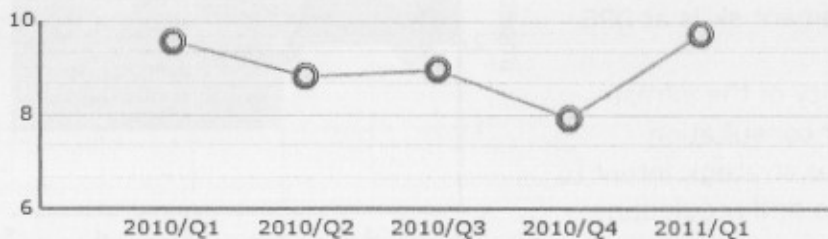
- Exposure to the fiscus
- Shareholder / Board governance
- Preservation and growth of shareholder value by SOE
- Responsiveness to exogenous factors
- Shareholder management skills at DPE
- Leverage to capital
- Effectiveness/efficiency of the infrastructure investment programme
- Effective stakeholder consultation
- Coherent shareholder strategic intent towards SOE
- Compliance with laws and regulations
- Average

Residual Risk Rating

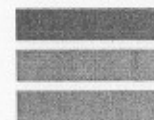


- Exposure to the fiscus
- Shareholder / Board governance
- Preservation and growth of shareholder value by SOE
- Responsiveness to exogenous factors
- Shareholder management skills at DPE
- Leverage to capital
- Effectiveness/efficiency of the infrastructure investment programme
- Effective stakeholder consultation
- Coherent shareholder strategic intent towards SOE
- Compliance with laws and regulations
- Average

Controls Significance



- Exposure to the fiscus
- Shareholder / Board governance
- Preservation and growth of shareholder value by SOE
- Responsiveness to exogenous factors
- Shareholder management skills at DPE
- Leverage to capital
- Effectiveness/efficiency of the infrastructure investment programme
- Effective stakeholder consultation
- Coherent shareholder strategic intent towards SOE
- Compliance with laws and regulations
- Average

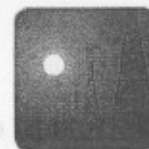


Other Issues Raised by the Committee



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA



Reporting on Consultants

The Public Service Regulations require the Department to report on consultants in **Chapter 1 - Part III: Planning, Work Organisation and Reporting – Section J : Managerial review and oversight**

Section J.3 reads as follows:

*“From 1 April 2001, the annual report shall include such information on planning, service delivery, organization, job evaluation, remuneration, benefits, personnel expenditure, **the utilisation of consultants**, affirmative action, recruitment, promotions, termination of services, performance management, skills development, injury on duty, labour relations, leave and discharge due to ill-health, as the Minister determines. In this regulation ‘**consultant**’ means a natural or juristic person or a partnership who or which provides in terms of specific contract on an ad hoc basis any of the following professional services to a department against remuneration received from any source:*

- The rendering of expert advice;*
- The drafting of proposals for the execution of specific tasks; and*
- The executing of a specific task which is of a technical or intellectual nature, but excludes an employee of the department.*



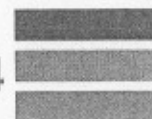
public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA



Strictly confidential

In the Department's Annual Report under the section "Consultants, contractors and agency/outsourced services" the department reflects the 4 main categories



Business and Advisory Services	R40.8 million
Legal Costs	R 5.1 million
Contractors	R 1.5 million
Agency and support/outsourced services	R 3.7 million

Business and Advisory Services and Legal Costs include the *ad hoc* services in terms of a specific contract referred to in Regulation J.3. Other services in these 2 categories include long term services and would therefore not be reflected in the schedule in the Annual Report.

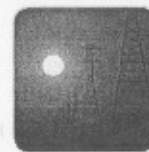
Contractors (those services which are not the core business of the department and it is normally not cost effective to maintain these skills in the department) include both long term, short term and occasional retention of services such as the Employee Wellness Programme, Maintenance of Equipment, Audio Visual Services, Plants, Off site archived filing, Canteen Services among others.

Agency and support/outsourced services these are long term contracts and are mainly in respect of, but not limited to, Internal Audit, IT co-source, Security Services, Cleaning Services and Recruitment Services.



public enterprises

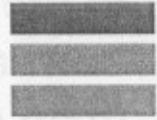
Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA



Strictly confidential

39

Year on Year recorded expenditure on consultants



- The Committee's report states that the expenditure on consultants in the Department has increased.
- It in fact decreased from R56.2 million in 2008/09 to R51.1 million in 2009/10.
- Business and Advisory Services decreased from R48.2 million in 2008/09 to R40.8 million in 2009/10 (-R7.4 million), however Legal costs increased from R2.7 million in 2008/09 to R5.1 million in 2009/10 (+R2.4 million).
- Other costs under Contractors and Agency and support/outsourced services remained relatively static.



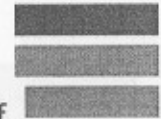
public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA



Strictly confidential

The Airbus A320 Transaction - Background

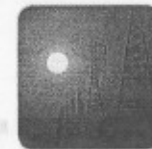


- In 2002, the SAA Board approved the purchase of a total of 41 aircraft as a significant overhaul of SAA's fleet (A319; A320; A340-200; A340-300; A340-600 aircraft). This included 15 x a320 narrow-body aircraft that would replace part of the 21 x Boeing B737-800 aircraft when their lease contracts expired.
- SAA paid the first pre-delivery payment (PDP) of US\$54 million.
- These aircraft are used on profitable domestic and African regional routes.
- In July 2004 – the SAA Board decided to cancel the A320 purchase agreement with Airbus due to changed circumstances flowing from significant foreign exchange hedging losses sustained in 2003/4. Airbus did not indicate their acceptance or rejection of SAA's notification and thus SAA remained contractually committed to the 2002 contract terms.
- The delivery dates of first few A320 aircraft (scheduled to be delivered in 2010) were postponed to 2013 which postponed the requirement for the next PDP payment
- In March 2007 – SAA's ownership was transferred to Government requiring recapitalization and restructuring.
- 3 May 2010 - PFMA approval granted for renegotiation and amendment of the Airbus A320 contract which would resulted in the purchase of 20x A320 Aircraft (at a lower unit price) but at same total delivery cost of the original 2002 contract.



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA



Strictly confidential

Comparison of 2002 Airbus contract with 2010 Amendment

Old 2002 Contract	New 2009/10 Arrangements
<ul style="list-style-type: none"> • Purchase of 15x A320 Aircraft 	<ul style="list-style-type: none"> • Purchase of 20x A320 Aircraft (at a lower unit price) but at same total delivery cost of original contract
<ul style="list-style-type: none"> • Net Price per aircraft A320 US\$ 45.767m , A321 = US\$ 57.198m 	<ul style="list-style-type: none"> • Net Revised Price per aircraft A320 US\$ 39.426m , A321 = US\$ 45.317m
<ul style="list-style-type: none"> • Deliveries from First quarter of 2010 to 2012 	<ul style="list-style-type: none"> • Deliveries from April 2013 to Dec 2015
<ul style="list-style-type: none"> • Limited aircraft size conversion ability 	<ul style="list-style-type: none"> • SAA has option to convert aircraft size of A320 to A319 and A321 with appropriate price adjustments
<ul style="list-style-type: none"> • Contractual pre-delivery payments (PDPs) were in arrears. SAA faced exit cost of US\$133 million to US\$175.8 million 	<ul style="list-style-type: none"> • No exit cost • Next PDP will only be due in September 2011. • PDPs already paid will be applied to revised PDP schedule.
<ul style="list-style-type: none"> • Maximum PDP payments before delivery set as 25% of base price. (5% at each of signature date, 36, 24, 12 and 6 months before delivery) 	<ul style="list-style-type: none"> • Maximum PDP payments before delivery set as 22% of base price staggered towards the delivery dates. (1% at signature date, 1% at 36, 4% at 30, 5% at 24, 5.5% at 12 and 5.5% at 6 months before delivery)
<ul style="list-style-type: none"> • Lease of 6x A340-200 long haul aircraft from Airbus due to expire 	<ul style="list-style-type: none"> • SAA concluded lease for 6x new twin engine A330-200 long haul aircraft with AirCastle to replace A 340-200 aircraft currently leased from Airbus after Q2/2010. PFMA approval granted on 11 Dec 2009

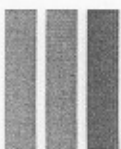


public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA



Strictly confidential



The End



public enterprises
Department
Public Enterprises
REPUBLIC OF SOUTH AFRICA



Strictly confidential

