



DEPARTMENT OF PUBLIC ENTERPRISES

2012/13

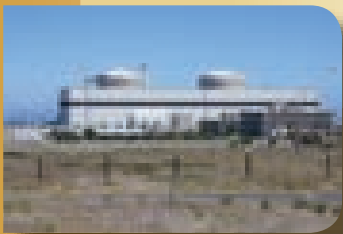
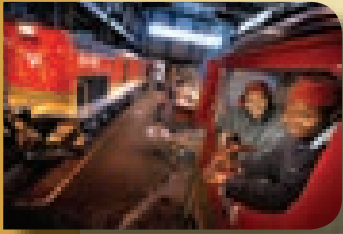
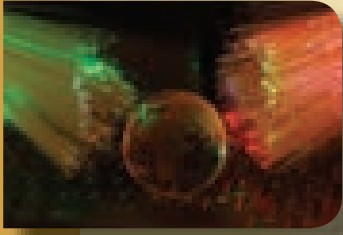
# ANNUAL PERFORMANCE PLAN



public enterprises

Department:  
Public Enterprises  
REPUBLIC OF SOUTH AFRICA





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2012  
2013

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### Malusi Gigaba Minister



The Annual Performance Plan sets out what the Department of Public Enterprises intends doing during the 2012/13 financial year and during the MTEF to implement its Strategic Plan.

The recent State of the Nation Address by President Jacob Zuma puts the emphasis on the role of the Department as Shareholder representative. The two largest State Owned Companies (SOC) reporting to the Department, Transnet and Eskom, have been tasked to spearhead the massive infrastructure programme of Government.

To improve oversight of these and other programmes, the Department has been restructured. The Department has to ensure that its role as shareholder is strengthened and that SOC will be held to account. The Annual Performance Plan also highlights

the activities of the Department and how it goes about doing its work. The new initiative should be commended as it contributes to transparency and greater accountability.

It gives me great pleasure to table the Annual Performance Plan of the Department of Public Enterprises.

Malusi Gigaba  
Minister

# DEPARTMENT OF PUBLIC ENTERPRISES ANNUAL PERFORMANCE PLAN

## Official sign-off

It is hereby certified that this Annual Performance Plan was developed by the management of the Department of Public Enterprises under the guidance of Mr Tshediso Matona, Director-General, and was prepared in line with the current Strategic Plan of the Department of Public Enterprises.

It accurately reflects the performance targets which the Department of Public Enterprises will endeavour to achieve given the resources made available in the budget for the 2012/2013 financial year.

**Sandy Hutchings**  
Chief Financial Officer

Signature: \_\_\_\_\_ Date 2/3/2012

**Shelley Pather**  
Director: Monitoring & Evaluation

Signature: \_\_\_\_\_ Date 2/3/2012

**Mr Tshediso Matona**  
Director General

Signature: \_\_\_\_\_ Date 2/3/2012

Approved by:  
**Mr Malusi Gigaba**  
Minister

Signature: \_\_\_\_\_ Date 2/3/2012



# Glossary

## Acronyms used in the Department of Public Enterprises

AFDB	African Development Bank	IPO	Initial Public Offering
AGM	Annual General Meeting	IPP	Independent Power Producers
BB-BEE	Broad-Based Black Economic Empowerment	IRP	Integrated Resource Plan
CAPEX	Capital Expenditure	ISMO	Independent System and Market Operator
CFO	Chief Financial Officer	JPF	Joint Project Facility
CIPM	Chief Investment Portfolio Management	JV	Joint Venture
CS	Corporate Services	KLF	Komatiland Forests
CSDP	Competitive Supplier Development Programme	KPI	Key Performance Indicator
DAFF	Department of Agriculture, Forestry and Fisheries	MISS	Minimum Information Security Standards
DCT	Durban Container Terminal	MOU	Memorandum of Understanding
DEA	Department of Environmental Affairs	MTEF	Medium-Term Expenditure Framework
DG	Deputy Director-General	MYPD	Multi-Year Price Determination
DHET	Department of Higher Education and Training	NCPM	National Corridor Performance Measurement
DM	Deputy Minister	NEDLAC	National Economic Development and Labour Council
DMR	Department of Mineral Resources	NERSA	National Energy Regulator
DOC	Department of Communications	NT	National Treasury
DOD	Department of Defence	PAIA	Promotion of Access to Information Act
DOE	Department of Energy	PBMR	Pebble Bed Modular Reactor
DOT	Department of Transport	PFMA	Public Finance Management Act
DPE	Department of Public Enterprises	PLO	Presidential Public Liaison Office
DRDLR	Department of Rural Development & Land Reform	PPP	Public-Private Partnerships
DTI	Department of Trade and Industry	PSJV	Pooling and Sharing Joint Venture
EDI	Electricity Distribution Industry	PSP	Private Sector Participation
EE	Economic Equity	R&D	Research and development
EIA	Environmental Impact Assessments	RMC	Richtersveld Mining Company
EMP	Environmental Management Plan	SAA	South African Airways
ExCo	Executive Committee	SAAT	South African Airways Technical
FET	Further Education and Training	SAFCOL	South African Forestry Corporation Ltd
FOSAD	Foundations of Security Analysis and Design	SAQA	South African Qualification Authority
FSN	Full Services Network	SAX	South African Express
HR	Human Resources	SCM	Supply Chain Management
ICASA	Independent Communications Authority of South Africa	SLA	Service Level Agreement
ICT	Information and Communication Technology	SOC	State Owned Company
IGR	Inter-Governmental Relations	SSA	State Security Agency
IP	Intellectual Property	TNPA	Transnet National Ports Authority
		TOR	Terms of Reference
		TFR	Transnet Freight Rail
		WACS	West Coast Submarine Cable



## 1 UPDATED SITUATIONAL ANALYSIS

### 1.1 Performance Delivery Environment

In relation to Government's 12 Outcomes, the Department of Public Enterprises is contributing directly to creating an efficient, competitive and responsive economic infrastructure network (Outcome 6). Outcome 6 is: "An efficient, competitive and responsive economic infrastructure network" and DPE's contribution is specifically with respect to Output 2 (Ensure reliable generation, distribution and transmission of electricity) and Output 3 (To ensure the maintenance and strategic expansion of our road and rail network, and the operational efficiency, capacity and competitiveness of our sea ports) dealing with energy and transport, respectively. The relevant focus areas are:

- Improving the delivery and maintenance of infrastructure and monitoring the rollout of the Transnet and Eskom build programmes.
- Achieving policy and regulatory clarity in sectors in which the SOC operate.
- Improving operational efficiencies of the SOC, particularly in relation to the reliable delivery of rail and ports services and the reliable generation, distribution and transmission of electricity.
- Developing operational indicators for each of the required sub-outputs identified as part of the delivery agreement and where necessary key performance areas agreed with the SOC.

The details are reflected in the programmes below.

### 1.2 Organisational Environment

During the year 2010/11 the Department underwent a transition of leadership at the political and management level with the appointment of the new Minister and Deputy Minister in November 2010, and the Director-General in January 2011. In the context of DPE's mandate and strategic role, the key focus is to ensure that the internal environment remains stable and conducive for sustainable high performance.

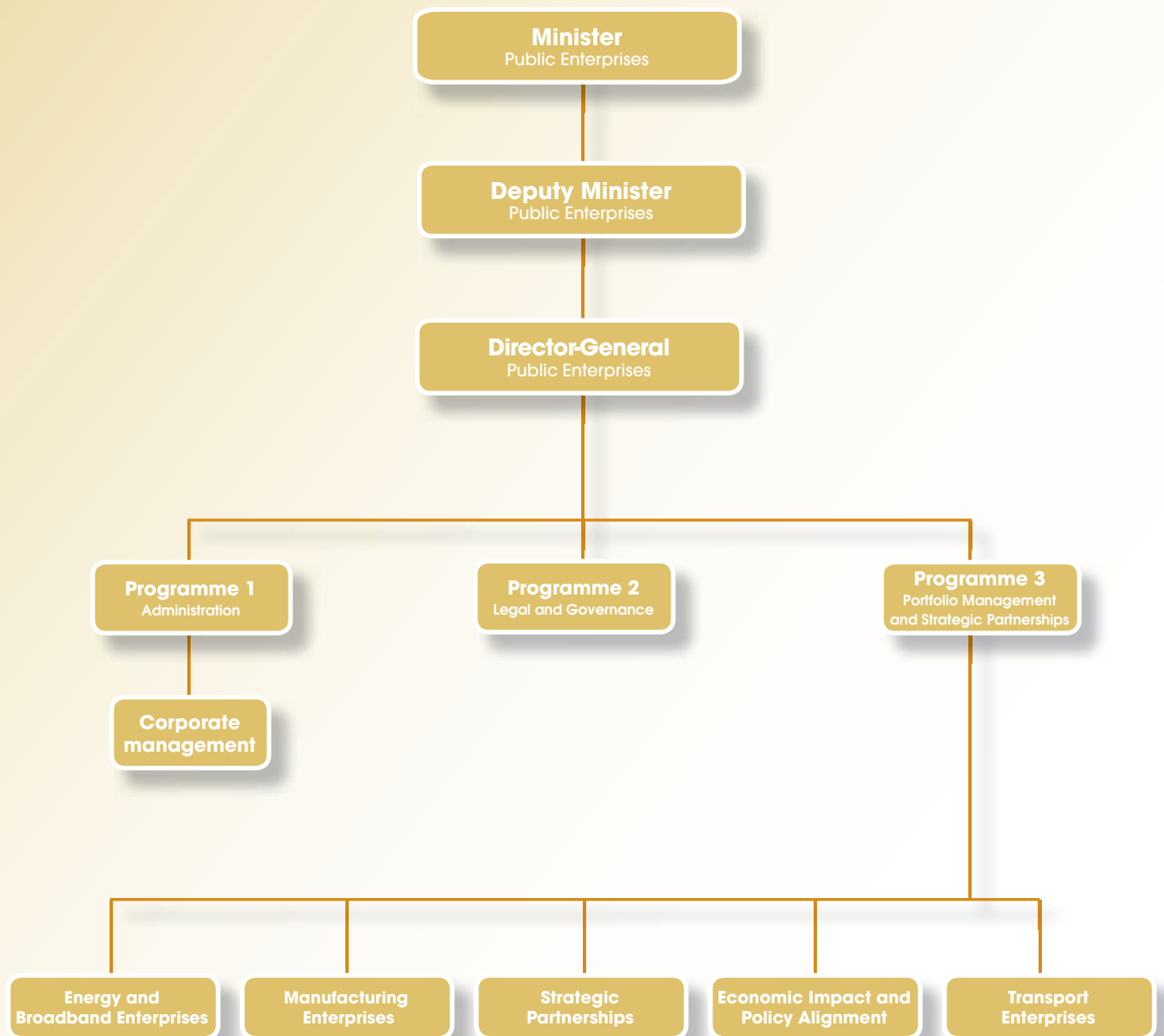
In light of this, the Department undertook an organisational review process with the aim of addressing specific challenges impacting on the service delivery of the Department. These challenges related to the following:

- 1.Changed role and service delivery model of the DPE
- 2.Growing workloads as a result of the changed role and service delivery model of the DPE
- 3.Internal fragmentation, lack of co-ordination and only basic monitoring and evaluation capacity.
- 4.Divergent workloads and responsibilities between Units responsible for different core functions.

The organizational review process focused on the following:

- Development of a new service delivery model in line with the strategic objectives set for the Department's new medium term delivery and expenditure framework.
- Development of a functional structure to be in line with the new service delivery model.
- Identification of new posts only in areas where there are functional gaps or unmanageable workloads or to manage internal co-ordination processes. Emphasis was placed on the creation of minimum numbers of posts (critical posts) to ensure that there would be appropriate capacity to provide a minimum level of service in support of the Minister representing the State as shareholder in the SOC.

### dpe organisational structure



# PART A: STRATEGIC OVERVIEW (cont.)

## Overview of Programmes

### PROGRAMME 1 - ADMINISTRATION

Minister	Minister
	Deputy Minister
Management	Director-General
	Corporate Management
Corporate Services	Security and Facilities Management
	Information Management and Technology
Chief Financial Officer	Chief Financial Officer
Human Resources	Human Resources
Communications	Communications
Strategic Planning, Monitoring and Evaluation	Strategic Planning, Monitoring and Evaluation
	Inter-Governmental and
Stakeholder Relations	Inter-Governmental and Stakeholder Relations
Internal Audit	Internal Audit
Office Accommodation	Office Accommodation

### PROGRAMME 2 - LEGAL AND GOVERNANCE

Management
Legal
Governance

### PROGRAMME 3 - PORTFOLIO MANAGEMENT AND STRATEGIC PARTNERSHIPS

Energy and Broadband Enterprises	
	Management
	Broadband Infraco
	Eskom and PBMR
Manufacturing Enterprises	
	Management
	Denel
	Alexkor
	SAFCOL
Transport Enterprises	
	Management
	Transnet
	South African Airways and South African Express Airways
Economic Impact and Policy Alignment	
	Management
	Environmental Policy Alignment
	Economic Policy Alignment
	Transformation, Skills and Youth Development
Strategic Partnerships	
	Management
	Project oversight
	Funding Mechanisms
	Supplier Relationships

### 2 REVISIONS TO LEGISLATIVE AND OTHER MANDATES

As the shareholder Ministry, on behalf of Government, DPE's mandate continues to evolve to ensure that the State Owned Companies (SOC) within its portfolio are clearly directed towards changing outcomes in order to serve the Government's strategic objectives. This evolution is underpinned by an overarching shareholder management process aimed at providing enduring strategic rationale for the SOC. Although there have been no significant changes to the DPE's and its SOC mandates, the Department has introduced measures to align the SOC mandates to support other government policies such as the New Growth Path, the Industrial Policy Action Plan and the National Development Plan. A fundamental prerequisite by the Department is that each SOC should have a clear plan to achieve the following Government objectives:

- Promotion of economic growth through job creation and skills development;
- Achievement of minimum standards of universal service and affordability for key services such as

rail, broadband and electricity, and the correction of past social injustice; and

- Protection of national security.

#### PENDING COURT CASES

One of the major shareholder risks is litigation. This risk is in most cases inherent to the Minister because, inevitably, when SOC are sued, the Minister is in most cases joined in as a defendant. Over time, the Department has improved on cooperative arrangements and stakeholder relations to minimise and mitigate against the risk of being joined in as a party to SOC litigations. These efforts have paid up and to date, there are no pending cases against the Department. However, because SOC are separate juristic personalities, there are a number of pending court cases against Alexkor, Eskom and Transnet. The cases are at different stages of adjudication and legally the details thereof cannot be disclosed as they are still *sub judice*.

# PART A: STRATEGIC OVERVIEW (cont.)

## 3 OVERVIEW OF 2012 BUDGET AND MTEF ESTIMATES

### 3.1 Expenditure estimates - Table 1 Department of Public Enterprises

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
R thousand	2008/09	2009/10	2010/11	2011/12		2012/13	2013/14	2014/15
Administration	70,728	79,191	88,192	101,487	101,487	104,394	110,567	116,441
Legal and Governance	17,265	16,582	14,653	23,675	23,675	26,937	30,968	32,948
Portfolio Management and Strategic Partnerships	3,177,156	3,887,519	437,156	228,180	228,180	67,741	69,210	73,763
<b>Total</b>	<b>3,265,149</b>	<b>3,983,292</b>	<b>540,001</b>	<b>353,342</b>	<b>353,342</b>	<b>199,072</b>	<b>210,745</b>	<b>223,152</b>
Change to 2011 Budget estimate				123,111	123,111	(579)	333	116
<b>Economic classification</b>								
<b>Current payments</b>	<b>163,683</b>	<b>164,995</b>	<b>160,148</b>	<b>194,134</b>	<b>194,134</b>	<b>197,511</b>	<b>208,765</b>	<b>220,471</b>
Compensation of employees	70,445	75,220	83,058	100,017	100,017	105,759	111,284	118,083
Goods and services	93,238	89,775	77,090	94,117	94,117	91,752	97,481	102,388
of which:								
Administrative fees	199	628	79	736	736	36	38	40
Advertising	1,061	455	3,482	392	392	1,067	1,137	1,205
Assets less than the capitalisation threshold	358	325	308	792	792	1,066	1,125	745
Audit cost: External	1,030	1,979	2,580	2,718	2,718	1,550	1,635	1,733
Bursaries: Employees	611	674	917	910	910	650	696	737
Catering: Departmental activities	1,319	1,195	1,144	2,073	2,073	1,718	1,821	1,928
Communication	2,992	2,770	2,431	3,053	3,053	2,982	3,152	3,341
Computer services	2,469	2,957	3,035	2,465	2,465	3,076	3,245	3,440
Consultants and professional services: Business and advisory services	48,195	40,806	26,815	36,486	36,486	26,516	26,383	27,613
Consultants and professional services: Legal costs	2,724	5,116	5,419	6,020	6,020	4,868	7,287	7,724
Contractors	1,238	1,510	1,780	2,136	2,136	2,094	2,213	2,347
Agency and support / outsourced services	3,996	3,683	2,857	2,746	2,746	4,334	4,574	4,850
Entertainment	197	186	26	161	161	305	324	340
Fleet services (including government motor transport)	–	–	349	623	623	788	831	881
Inventory: Food and food supplies	–	–	–	216	216	204	215	228
Inventory: Learner and teacher support material	–	–	–	60	60	–	–	–
Inventory: Materials and supplies	–	3	30	30	30	15	16	17
Inventory: Medical supplies	2	18	–	–	–	–	–	–
Inventory: Medicine	–	–	–	6	6	–	–	–
Inventory: Other consumables	183	58	49	27	27	105	111	117
Inventory: Stationery and printing	2,694	1,520	1,556	2,491	2,491	2,611	2,755	2,920
Lease payments	2,338	2,458	2,814	1,556	1,556	1,219	1,285	1,362
Property payments	5,808	5,919	5,435	7,119	7,119	7,687	8,110	8,598

## PART A: STRATEGIC OVERVIEW (cont.)

### 3.1 Expenditure estimates - Table 1 Department of Public Enterprises continued

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
R thousand	2008/09	2009/10	2010/11	2011/12		2012/13	2013/14	2014/15
Travel and subsistence	11,296	14,226	12,174	15,685	15,685	21,904	23,147	24,421
Training and development	1,704	1,524	1,649	2,060	2,060	2,314	2,472	2,621
Operating expenditure	1,195	1,034	1,161	1,431	1,431	2,102	2,222	2,333
Venues and facilities	1,629	731	1,000	2,125	2,125	2,541	2,687	2,847
Transfers and subsidies	2,278,290	2,059,384	237,990	157,008	157,008	100	100	100
Public corporations and private enterprises	2,277,640	2,058,706	237,296	156,255	156,255	–	–	–
Households	650	678	694	753	753	100	100	100
Payments for capital assets	878	1,274	3,169	2,200	2,200	1,461	1,880	2,581
Buildings and other fixed structures	–	–	–	–	–	–	–	–
Machinery and equipment	844	1,258	3,169	2,200	2,200	1,461	1,880	2,581
Software and other intangible assets	34	16	–	–	–	–	–	–
of which:								
Payments for financial assets	822,298	1,757,639	138,694	–	–	–	–	–
Total	3,265,149	3,983,292	540,001	353,342	353,342	199,072	210,745	223,152

### 3.2 Relating expenditure trends to strategic outcome oriented goals

#### **Achievements with regard to outcomes announced by the Department of Performance Monitoring and Evaluation**

Outcome 6 is: “An efficient, competitive and responsive economic infrastructure network” and DPE’s contribution is specifically with respect to Output 2 (Ensure reliable generation, distribution and transmission of electricity) and Output 3 (To ensure the maintenance and strategic expansion of our road and rail network, and the operational efficiency, capacity and competitiveness of our sea ports) dealing with energy and transport, respectively. Notwithstanding that the Delivery Agreement was signed in October 2010, there is notable progress in implementing Outputs 2 and 3 respectively as follows:.

#### **Output 2**

The DPE instructed Eskom to ring-fence its purchasing function (Buyer) as a business unit within

Eskom to ensure transparency in the procurement of IPPs. Cabinet has subsequently approved the ring-fencing of the System Operator and Planning as a division within Eskom as the first phase of introducing the Independent System and Market Operator (ISMO). Post Cabinet decision, the DPE instructed Eskom to ring-fence the System and Market Operator (SMO) and the implementation plan to establish the SMO as a subsidiary is being finalised. The department continues to liaise with the Department of Energy (as the lead department) on the optimal path to the creation of the ISMO.

The DPE took the lead in developing a funding model for Eskom’s build programme to ensure security of supply. Cabinet noted the proposed hybrid funding solution comprising the R20 billion equity injection to Eskom and R174 billion additional guarantees, bringing the total guarantee framework to R350 billion, in November 2010.

The funding solution will enable Eskom to complete its currently approved build projects up to 2017 which are critical to South Africa's security of electricity supply of South Africa's, as well as its macro economic growth targets and economic development objectives. As a result of the Government Support Package, Eskom was able to issue a US Dollar bond and raise R12 billion, without the utilisation of a government guarantee.

The Clean Technology Fund financing package was concluded, supported and co-financed by other Development Finance Institutions. DPE continues to monitor the implementation of the Eskom Infrastructure Build Programme to track progress and cost management.

The DPE continues to monitor progress with respect to coal haulage logistics in two aspects. The first being the migration from road to rail, with the railway lines, rolling stock and service design plans having been completed in this regard. Further a memorandum of understanding between Eskom and Transnet has been concluded and awaits signature. In addition, 8.8 million tonnes of coal against the target of 12.6 million tonnes has been moved by rail. Eskom has implemented an innovative containerised rail solution for Camden Power Station. Secondly, in terms of the rehabilitation of coal haulage roads, funding for road repairs was secured and maintenance of the identified roads is in progress and progress is being monitored by the DPE on a quarterly basis.

The DPE continues to support the creation of regulatory and institutional structures for the introduction of viable Independent Power Producers (IPP) as envisaged by the Integrated Resource Plan for Electricity (IRP2010) approved in early 2001 and as published by the Department of Energy.

### **Output 3**

In 2010 Transnet invested over R18, 4 billion in infrastructure replacement and capacity expansion, bringing this to a total of over R71, 8 billion in the past five years. Major achievements in the rail environment for the past year include the completion of 536 of the 800 jumbo wagons built for the coal line operation, and delivery of the first two diesel electric locomotives of the 100 specifically planned for the General Freight Business (GFB) to improve the reliability and availability of the mainline fleet. In January 2012 Transnet signed the deal for 43 locomotives bringing a total of 143 locomotives

procured from General Electric under the auspices of the Competitive Supplier Development Programme (CSDP), increasing the local content value to 65% in the latest transaction. With regards to private sector participation, three branch lines opportunities in the provinces of Kwazulu-Natal, the Free State and Northern Cape have been identified for concessioning.

In ports, Cabinet approved an interim operating license for Transnet Port Terminals at the Ngqura container terminal and a competitive process is underway to license an operator in terms of the National Ports Act.

Much work remains to be done to achieve the ambitious targets of volume growth and higher levels of rail and port operational efficiencies. Most notably, Pier 1 in the Durban container terminal achieved a continuous monthly average of 28 crane moves per hour, and this trend is expected to continue until the end of the March 2012. The Department continues to work with Transnet to address existing and potential challenges to achieving the agreed outcome targets and ensure the Infrastructure Development Cluster process is optimally utilised to unblock any bottlenecks.

### **Output 5**

Regarding ICT, DPE contributes to the target on the increase in broadband penetration through its oversight of Broadband Infraco. Thus far Broadband Infraco has managed to build five open access Points of Presence (POPs). However the challenge is that the rest (13) of the POP sites that Broadband Infraco has access to, are owned by Neotel and as a result of this Broadband Infraco cannot connect third party clients to these POPs.

The slow implementation of Provincial ICT plans hinders Broadband Infraco from achieving the target of 3 POPs in underserved areas. The Department is in discussions with the Department of Communications on a possible policy directive on the Declaration of Private and Public POP sites as open access. Further, finalisation of universal service obligations by ICASA in underserved areas is necessary for implementation of Broadband Infraco's deliverables.



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS

### 4. PROGRAMMES

#### 4.1 PROGRAMME 1 - ADMINISTRATION

**Purpose:**

Provides strategic management, direction and administrative support to the Department, which enables the Department to meet its strategic objectives

**Programme Overview:**

The programme includes the Ministry, the Office of the Director-General and Support Services.

**The following units fall under Programme 1:**

The programme is currently made up of the following sub-programmes: Ministry, Management, Corporate Services, Chief Financial Officer, Human Resources, Communications, Strategic Planning, Monitoring and Evaluation, Inter-Governmental and Stakeholder Relations, Internal Audit and Office Accommodation.

**Office of the Director-General** is responsible for Corporate Management.

**Corporate Services** is responsible for:

**Security and Facilities Management** – Provide a safe and secure environment and internal administration and facilities services to internal customers.

**Information Management and Technology** – IT infrastructure and support, Records Management and Library Services.

**Office of the Chief Financial Officer** is responsible for Financial Management Services to ensure compliance with the Public Finance Management Act, 1999 (Act No 1 of 1999) and Treasury Regulations; and efficient and effective supply chain management services

**Human Resources** is responsible for assisting line management to implement operational excellence and developing the Human Capital potential in the department.

**Communications** is responsible for repositioning the DPE as an activist shareholder; make the DPE brand relevant and meaningful to ordinary South Africans; impact media relations and media communication; and improve employee engagement.

**Strategic Planning, Monitoring and Evaluation** is responsible for co-ordination, management and oversight of outcomes based performance reporting of the Department; implementation of performance monitoring and evaluation processes for individual programmes and business units as a mechanism for measuring delivery of our strategic objectives; and reporting to various stakeholders.

**Inter-Governmental and Stakeholder Relations** is responsible for coordination, support and provision of advice to the Minister, Deputy Minister, Director-General and the Department on matters related to the Intergovernmental, International and Stakeholder Relations.

**Internal Audit** is responsible for the preparation of a three year strategic and a one year internal audit plan based on its assessment of key risks for the Department, in consultation with and for approval by the Audit Committee

**Office Accommodation** is for the devolution of funds from the Department of Public Works for the DPE premises



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.1.1 Strategic Objective Annual Targets for 2012/13 for Administration

#### **Office of the Director-General**

- Provide strategic direction and leadership to the Department.

#### **Corporate Services**

- Information Management and Technology
- Security and facilities management

#### **Office of the Chief Financial Officer**

- Sound financial management policies and practices
- Efficient and effective Supply Chain Management function

#### **Human Resources**

- Development of staff and succession planning
- High performance culture
- Effective, efficient and timeous recruitment and selection to ensure an adequately capacitated department.

#### **Communications**

- Provide strategic Communication support that aligns with DPE goals and objectives to the executive leadership and the Department
- Provide internal communication services, based on departmental mandate to ensure awareness, understanding and acceptance on strategic and operational priorities of the department.
- Provide strategic stakeholder support on matters that are important to the department.
- Adhere to Government's communication protocol, policy guidelines, and align with the strategic priorities contained in the Government Communication Strategy

#### **Inter Governmental Relations**

- Foster closer relations and co-operation between DPE and other departments to advance DPE mandate and objectives
- Manage DPE International Relations' responsibilities ensuring alignment to South Africa's Foreign Policy.
- Establish and maintain mutually beneficial relations with strategic stakeholders.

#### **Strategic Planning, Monitoring and Evaluation**

- Co-ordination, management and oversight of outcomes based performance reporting; performance monitoring and evaluation and reporting to stakeholders
- Internal Audit
- Provide independent and objective assurance and consulting Internal Audit services to the Department.

#### **Office Accommodation**

- Management of devolution of funds from the Department of Public Works for the DPE premises

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.1.1 Strategic Objective Annual Targets for 2012/13 for Administration

Strategic objective		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>1.1 Office of the Director-General</b>								
1.1.1	To provide strategic direction and leadership to the Department	Conducted strategic planning and review sessions in line with the Annual Planning and Reporting Framework and calendar of the Department	Conducted strategic planning and review sessions in line with the Annual Planning and Reporting Framework and calendar of the Department	Conducted strategic planning and review sessions in line with the Annual Planning and Reporting Framework and calendar of the Department	Conduct strategic planning and review sessions in line with the Annual Planning and Reporting Framework and calendar of the Department	Conduct strategic planning and review sessions in line with the Annual Planning and Reporting Framework and calendar of the Department	Conduct strategic planning and review sessions in line with the Annual Planning and Reporting Framework and calendar of the Department	Conduct strategic planning and review sessions in line with the Annual Planning and Reporting Framework and calendar of the Department
1.1.2	To provide support services to enable the department to deliver on its organizational objectives in an environment where the human capital within DPE is both motivated and empowered	Provided strategic advice, guidance as well as content and administrative support to enable the achievement of Departmental objectives	Provided strategic advice, guidance as well as content and administrative support to enable the achievement of Departmental objectives	Provided strategic advice, guidance as well as content and administrative support to enable the achievement of Departmental objectives	Provide strategic guidance as well as content and administrative support to enable the achievement of Departmental objectives	Provide strategic guidance as well as content and administrative support to enable the achievement of Departmental objectives	Provide strategic guidance as well as content and administrative support to enable the achievement of Departmental objectives	Provide strategic guidance as well as content and administrative support to enable the achievement of Departmental objectives
1.1.3	To improve the quality of planning, performance monitoring and evaluation relating to the achievement of outcomes	Policies, processes, procedures in place in respect of the planning and monitoring and evaluation function	Policies, processes, procedures in place in respect of the planning and monitoring and evaluation function	Policies, processes, procedures in place in respect of the planning and monitoring and evaluation function	Ensure policies, processes, procedures in place in respect of the planning and monitoring and evaluation function	Implementation, adherence and improvement of appropriate policies, processes, procedures, time-lines and co-ordination and management of outcomes-based reporting	Implementation, adherence and improvement of appropriate policies, processes, procedures, time-lines and co-ordination and management of outcomes-based reporting	Implementation, adherence and improvement of appropriate policies, processes, procedures, time-lines and co-ordination and management of outcomes-based reporting
<b>1.2 Corporate Services</b>								
1.2.1	Information Management and Technology	Provided information and communication services	Provided information and communication services	Provide information and communication services	Manage and facilitate the provision of information communication and technology services	Manage and facilitate the provision of information communication and technology services	Manage and facilitate the provision of information communication and technology services	Manage and facilitate the provision of information communication and technology services
1.2.2	Security and facilities management	Compliance with existing departmental security policy as well as National policies	Compliance with existing departmental security policy as well as National policies	Compliance with existing departmental security policy as well as National policies	Manage the provision of security and office facilities	Manage the provision of security and office facilities	Manage the provision of security and office facilities	Manage the provision of security and office facilities
		Provided adequate office facilities	Provided adequate office facilities	Provide adequate office facilities	Review existing requirements in order to provide adequate office facilities	Review existing requirements in order to provide adequate office facilities	Review existing requirements in order to provide adequate office facilities	Review existing requirements in order to provide adequate office facilities
<b>1.3 Office of the Chief Financial Officer</b>								
1.3.1	Sound financial management policies and practices	Provided of financial and accounting services, achieve unqualified audit	Provided of financial and accounting services, achieve unqualified audit	Provided of financial and accounting services, achieve unqualified audit	Provision of financial and accounting services and achieve unqualified audit	Provision of financial and accounting services and achieve unqualified audit	Provision of financial and accounting services and achieve unqualified audit	Provision of financial and accounting services and achieve unqualified audit

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.1.1 Strategic Objective Annual Targets for 2012/13 for Administration (cont.)

Strategic objective		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
1.3.2	Efficient and effective Supply Chain Management function	Provided efficient and effective Supply Chain Management function which complies with legislation	Provided efficient and effective Supply Chain Management function which complies with legislation	Provided efficient and effective Supply Chain Management function which complies with legislation	Provision of efficient and effective Supply Chain Management function which complies with legislation	Provision of efficient and effective Supply Chain Management function which complies with legislation	Provision of efficient and effective Supply Chain Management function which complies with legislation	Provision of efficient and effective Supply Chain Management function which complies with legislation
1.3.3	Efficient and effective asset management	Accurate asset register	Accurate asset register	Accurate asset register	Accurate asset register	Accurate asset register	Accurate asset register	Accurate asset register
<b>1.4 Human Resources</b>								
1.4.1	Development of staff and succession planning	Development initiatives to benefit employees in place	Development initiatives to benefit employees in place	Development initiatives to benefit employees in place	Development initiatives to benefit employees in place	Continuous development of staff. Succession planning mechanism to be developed and implemented	Continuous development of staff. Succession planning mechanism to be reviewed and updated annually	Continuous development of staff. Succession planning mechanism to be reviewed and updated annually
1.4.2	High performance culture	Effective management of the performance management system in place	Effective management of the performance management system in place	Effective management of the performance management system in place	Review and update of the performance management system	Continuous enhancements to the performance management system	Continuous enhancements to the performance management system	Continuous enhancements to the performance management system
1.4.3	Recruitment and Selection	Recruitment policy and procedures in place. Continuous nurturing, development, motivation and retention of staff	Recruitment policy and procedures in place. Continuous nurturing, development, motivation and retention of staff	Recruitment policy and procedures in place. Continuous nurturing, development, motivation and retention of staff	Annual review and update to improve policy and procedures. Continuous nurturing, development, motivation and retention of staff	Annual review and update to improve policy and procedures. Continuous nurturing, development, motivation and retention of staff	Annual review and update to improve the policy and procedures. Continuous nurturing, development, motivation and retention of staff	Annual review and update to improve policy and procedures. Continuous nurturing, development, motivation and retention of staff
<b>1.5 Communications</b>								
1.5.1	Provide strategic communication support to the Executive leadership and the Department	Provided communication support to the Executive Leadership and the Department	Provided communication support to the Executive Leadership and the Department	Provided communication support to the Executive Leadership and the Department	Provide communication support to the Executive Leadership and the Department	Increased coverage of Minister, Deputy Minister and Department	Increased coverage of Minister, Deputy Minister and Department	Increased coverage of Minister, Deputy Minister and Department.
						Respond to media enquiries	Respond to media enquiries	Respond to media enquiries
						Identify platforms for Minister/DM and Department to communicate and profile our work	Identify platforms for Minister/DM and Department to communicate and profile our work	Identify Platforms for Minister/DM and Department to communicate and profile our work
1.5.2	Provide internal communication services, based on departmental mandate to ensure awareness, understanding and acceptance on strategic and operational priorities of the department	Internal Communication services provided, in the absence of a formally adopted strategy	Internal Communication services provided, in the absence of a formally adopted strategy	Internal Communication services provided, in the absence of a formally adopted strategy	Development of Internal Communications Strategy	Implement Internal Communications strategy to promote two-way communication between colleagues and Executive leadership	Continuous improvement of Internal Communications strategy	Continuous improvement of Internal Communications strategy

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.1.1 Strategic Objective Annual Targets for 2012/13 for Administration (cont.)

Strategic objective		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
1.5.3	Provide strategic stakeholder support on matters that are important to the department	Provided strategic stakeholder support	Provided strategic stakeholder support	Provided strategic stakeholder support	Provide strategic stakeholder support	Establishment of stakeholder forums to encourage collaboration between the Department and respective SOC	Continuous engagement with stakeholder forums to foster collaboration between the Department and respective SOC	Continuous engagement with stakeholder forums to foster collaboration between the Department and respective SOC
1.5.4	Adhere to Government's communication protocol, policy guidelines, and align with the strategic priorities contained in the Government Communication Strategy	Compliant with the Government Communication strategy guidelines	Compliant with the Government Communication strategy guidelines	Compliant with Government Communication strategy guidelines	Compliance with Government Communication Strategy guidelines	Compliance with Government Communication Strategy guidelines	Compliance with Government Communication Strategy guidelines	Compliance with Government Communication Strategy guidelines
1.6 Inter Governmental and Stakeholder Relations								
1.6.1	To foster closer relations and co-operation between DPE and other departments to advance DPE mandate and objectives	-	-	-	To develop, implement and monitor the IGR Plan	Ensure participation of DPE in the FOSAD Cluster and coordinate bilateral engagements	Ensure participation of DPE in the FOSAD Cluster and coordinate bilateral engagements	Ensure participation of DPE in the FOSAD Cluster and coordinate bilateral engagements
		Better coordination of visits abroad and incoming visits	Better coordination of visits abroad and incoming visits	Better coordination of visits abroad and incoming visits	Development, implementation and monitoring of the DPE International Relations Strategic Framework	Ensure compliance with the Strategic Framework	Review and Monitor implementation of the Strategic Framework	Review and Monitor implementation of the Strategic Framework
		-	-	-	Facilitate the development, implementation and monitoring of the Stakeholder Strategic Framework	Ensure compliance with Strategic Framework	Review and Monitor implementation of the Strategic Framework	Review and Monitor implementation of the Strategic Framework
1.7 Strategic Planning, Monitoring and Evaluation								
1.7.1	Coordination management and oversight of outcomes based performance reporting; performance monitoring and evaluation and reporting to stakeholders	Quarterly and annual monitoring and reporting achieved	Developed and implemented revised reporting frameworks and templates for quarterly and annual planning, reporting, monitoring and evaluation	Provide strategic direction, guidance and administrative systems and support for the management of quarterly and annual reporting against Department's Business and Strategic Plans and monitoring and evaluation thereof	Provide strategic direction, guidance and administrative systems and support for the management of quarterly and annual reporting against Department's Business and Strategic Plans and monitoring and evaluation thereof	Provide strategic direction, guidance and administrative systems and support for the management of quarterly and annual reporting against Department's Business and Strategic Plans and monitoring and evaluation thereof	Provide strategic direction, guidance and administrative systems and support for the management of quarterly and annual reporting against Department's Business and Strategic Plans and monitoring and evaluation thereof	Provide strategic direction, guidance and administrative systems and support for the management of quarterly and annual reporting against Department's Business and Strategic Plans and monitoring and evaluation thereof

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.1.1 Strategic Objective Annual Targets for 2012/13 for Administration (cont.)

Strategic objective		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>1.8 Internal Audit</b>								
1.8.1	Provide independent and objective assurance and consulting Internal Audit services to the Department	Audit Plan approved by Audit Committee. Five Audit Committee Meetings held. Completed audit plan	Audit Plan approved by Audit Committee. Five Audit Committee Meetings held. Completed audit plan	Audit Plan approved by Audit Committee. Five Audit Committee Meetings held. Completed audit plan	Develop risk-based audit plan. Coordinate four Audit Committee Meetings. Execute approved audit plan	Develop risk-based audit plan. Coordinate four Audit Committee Meetings. Execute approved audit plan	Develop risk-based audit plan. Coordinate four Audit Committee Meetings. Execute approved audit plan	Develop risk-based audit plan. Coordinate four Audit Committee Meetings. Execute approved audit plan
<b>1.9 Office Accommodation</b>								
1.9.1	Provision of suitable office accommodation for the Department	Office accommodation secured. Lease agreement in place	Office accommodation secured. Lease agreement in place	Office accommodation secured. Lease agreement in place	Renegotiate lease agreement with DPW	Ensure lease agreement in place	Ensure lease agreement in place	Ensure lease agreement in place

### 4.1.2 Programme Performance Indicators and Annual Targets for Administration for 2012/13

Programme performance indicator		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>1.1 Office of the Director-General</b>								
1.1.1	Provision of strategic guidance, advice and leadership to the Department	Regular engagement with staff. Implemented Planning and Reporting Framework and calendar of events	Regular engagements with staff. Implemented Planning and Reporting Framework and annual Calendar of events	Regular engagements with staff. Implemented Planning and Reporting Framework and annual Calendar of events	Regular engagements with staff. Implement Planning and Reporting Framework and annual Calendar of events	Review and implement Planning and Reporting Framework and develop and implement annual Calendar	Review and implement Planning and Reporting Framework and develop and implement annual Calendar	Review and implement Planning and Reporting Framework and develop and implement annual Calendar
<b>1.2 Corporate Services</b>								
1.2.1	Information Management and Technology	No security breaches. Minimum downtime on services. Preservation of records Fully resourced Library	No security breaches. Minimum downtime on services. Preservation of records Fully resourced Library	No security breaches. Minimum downtime on services. Preservation of records. Development of Knowledge Management strategy Fully resourced Library	No security breaches. Minimum downtime on services. Preservation of records. Implementation of Knowledge Management strategy Fully resourced Library	No security breaches. Minimum downtime on services. Review Knowledge management strategy. Preservation of records Fully resourced Library	No security breaches. Minimum downtime on services. Preservation of records. Review Knowledge management strategy. Fully resourced Library	No security breaches. Minimum downtime on services. Preservation of records Review Knowledge Management strategy. Fully resourced Library
1.2.2	Security and facilities management	Compliance with MISS and MPSS requirements	Compliance with MISS and MPSS requirements	Compliance with MISS and MPSS requirements	Compliance with MISS and MPSS requirements	Compliance with MISS and MPSS requirements	Compliance with MISS and MPSS requirements	Compliance with MISS and MPSS requirements
		Continuous upgrade and maintenance of facility	Continuous upgrade and maintenance of facility	Continuous upgrade and maintenance of facility	Continuous upgrade and maintenance of facility	Continuous upgrade and maintenance of facility	Continuous upgrade and maintenance of facility	Continuous upgrade and maintenance of facility

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.1.2 Programme Performance Indicators and Annual Targets for Administration for 2012/13 (cont.)

Programme performance indicator		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>1.3 Office of the Chief Financial officer</b>								
1.3.1	Financial Management	Unqualified Audit	Unqualified Audit	Adherence to processes and procedures in order to achieve unqualified audit	Ensure continued adherence to processes and procedures in order to achieve unqualified audit	Continued adherence to processes and procedures in order to achieve unqualified audit	Continued adherence to processes and procedures in order to achieve unqualified audit	Continued adherence to processes and procedures in order to achieve unqualified audit
1.3.2	Supply Chain Management	Compliance with legislation and provision of Goods and Services to Department	Compliance with legislation and provision of Goods and Services to Department	Compliance with legislation and provision of Goods and Services to Department	Compliance with legislation and provision of Goods and Services to Department	Compliance with legislation and provision of Goods and Services to Department	Compliance with legislation and provision of Goods and Services to Department	Compliance with legislation and provision of Goods and Services to Department
1.3.3	Asset Management	Accurate Asset Register and protection of state assets	Accurate Asset Register and protection of state assets	Accurate Asset Register and protection of state assets	Maintain accurate Asset Register and protection of state assets	Maintain accurate Asset Register and protection of state assets	Maintain accurate Asset Register and protection of state assets	Maintain accurate Asset Register and protection of state assets
<b>1.4 Human resources</b>								
1.4.1	Implement succession plan	Staff development initiatives implemented in the absence of a formal succession plan	Staff development initiatives implemented in the absence of a formal succession plan	Implementation of staff development initiatives in the absence of a formal succession plan	Develop and implement succession plan. Continuous development of staff	Review and update succession plan. Continuous development of staff	Review and update succession plan. Continuous development of staff	Review and update succession plan. Continuous development of staff
1.4.2	Implement performance management system	Effective implementation of performance management system	Effective implementation of performance management system	Implementation of performance management system	Review, update and implement performance management system	Review, update and implement performance management system	Review, update and implement performance management system	Review, update and implement performance management system
1.4.3	Implement recruitment policy	Adhered to existing recruitment policy	Adhered to existing recruitment policy	Review and update recruitment policy	Implementation of recruitment policy	Review, update and implement recruitment policy	Review, update and implement recruitment policy	Review, update and implement recruitment policy
<b>1.5 Communications</b>								
1.5.1	Arrange media interviews and media networking sessions	Provided briefing notes for principals. Arranged media interviews and media networking sessions	Provided briefing notes for principals. Arranged media interviews and media networking sessions	Provided briefing notes for principals, Arranged media interviews and media networking sessions	Arrange approximately twenty media engagements for Principals	Enhanced media engagements	Enhanced media engagements	Enhanced media engagements
1.5.2	Regular news-flashes to staff. Hosting regular interactions between DG and the Department	Regular engagements with staff	Regular engagements with staff	Regular engagements with staff	Development and implementation of Internal Communications Strategy	Enhancements to the Internal Communications Strategy	Enhancements to the Internal Communications Strategy	Enhancements to the Internal Communications Strategy
1.5.3	Provide stakeholder management to SOC communicators	Stakeholder engagements held when required	Stakeholder engagements held when required	Stakeholder engagements held when required	Establish a stakeholder forum to promote work of Department and SOC	Enhanced stakeholder management communication	Enhanced stakeholder management communication	Enhanced stakeholder management communication



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.1.2 Programme Performance Indicators and Annual Targets for Administration for 2012/13 (cont.)

Programme performance indicator		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
1.5.4	Consistent and clear messaging on Government's intent with SOCs and its key ownership /shareholder issues	Compliant with the Government Communication Strategy (GCS). Department communications strategy aligned with GCS guidelines	Compliant with the Government Communication Strategy (GCS). Department communications strategy aligned with GCS guidelines	Compliant with the Government Communication Strategy (GCS). Department communications strategy aligned with GCS guidelines	Compliant with the Government Communication Strategy (GCS). Department communications strategy aligned with GCS guidelines	Compliant with the Government Communication Strategy (GCS). Department communications strategy aligned with GCS guidelines	Compliant with the Government Communication Strategy (GCS). Department communications strategy aligned with GCS guidelines	Compliant with the Government Communication Strategy (GCS). Department communications strategy aligned with GCS guidelines
<b>1.6 Intergovernmental Relations</b>								
1.6.1	Foster closer relations and co-operation between DPE and other departments to advance DPE mandate and objectives	Sub-Programme new-no previous information	Sub-Programme new-no previous information	Sub-Programme new-no previous information	To develop, implement and monitor the IGR Plan	Ensure participation of DPE in the FOSAD Cluster and coordinate bilateral engagements	Ensure participation of DPE in the FOSAD Cluster and coordinate bilateral engagements	Ensure participation of DPE in the FOSAD Cluster and coordinate bilateral engagements
1.6.2	Manage DPE International Relations' responsibilities ensuring alignment to SA Foreign Policy	Better coordination of visits abroad and incoming visits	Better coordination of visits abroad and incoming visits	Better coordination of visits abroad and incoming visits	Development implementation and monitoring of the DPE International Relations Strategic Framework	Ensure compliance with the Strategic Framework	Review and Monitor implementation of the Strategic Framework	Review and Monitor implementation of the Strategic Framework
1.6.3	Establish and maintain mutually beneficial relations with strategic stake-holders	Sub-Programme new – no previous information	Sub-Programme new – no previous information	Sub-Programme new – no previous information	Facilitate the development, implementation and monitoring of the Stakeholder Strategic Framework	Ensure compliance with Strategic Framework	Review and Monitor implementation of the Strategic Framework	Review and Monitor implementation of the Strategic Framework
<b>1.7 Strategic Planning, Monitoring and Evaluation</b>								
1.7.1	Audit Committee meetings	Five Audit Committee Meetings held	Five Audit Committee Meetings held	Five Audit Committee Meetings held	Coordinate four Audit Committee Meetings	Coordinate four Audit Committee Meetings	Coordinate four Audit Committee Meetings	Coordinate four Audit Committee Meetings
1.7.2	Approved Audit Plan	Audit Plan approved by Audit Committee	Audit Plan approved by Audit Committee	Audit Plan approved by Audit Committee	Develop risk-based audit plan. Execute approved audit plan	Develop risk-based audit plan. Execute approved audit plan	Develop risk-based audit plan. Execute approved audit plan	Develop risk-based audit plan. Execute approved audit plan
1.7.3	Provide stake-holder management to SOC communicators	Stakeholder engagements held when required	Stakeholder engagements held when required	Stakeholder engagements held when required	Establish a stakeholder forum to promote work of Department and SOC	Enhanced stakeholder management communication	Enhanced stakeholder management communication	Enhanced stakeholder management communication
1.7.3	Final Audit Reports	Final audit reports submitted	Final audit reports submitted	Final audit reports submitted	Submit final audit reports as required	Submit final audit reports as required	Submit final audit reports as required	Submit final audit reports as required

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.1.2 Programme Performance Indicators and Annual Targets for Administration for 2012/13 (cont.)

Programme performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>1.8 Office Accommodation</b>							
1.8.1	Provision of suitable office accommodation for the Department	Provided suitable office facilities	Provided suitable office facilities	Provided suitable office facilities. Lease signed with DPW until May 2012	Ensure lease agreement in place	Ensure lease agreement in place	Ensure lease agreement in place
1.8.2	Approved Audit Plan	Audit Plan approved by Audit Committee	Audit Plan approved by Audit Committee	Audit Plan approved by Audit Committee	Develop risk-based audit plan. Execute approved audit plan	Develop risk-based audit plan. Execute approved audit plan	Develop risk-based audit plan. Execute approved audit plan
1.8.3	Final Audit Reports	Final audit reports submitted	Final audit reports submitted	Final audit reports submitted			
<b>1.9 Office Accommodation</b>							
1.9.3	Provision of suitable office accommodation for the Department	Provided suitable office facilities	Provided suitable office facilities	Provided suitable office facilities. Lease signed with DPW until May 2012	Ensure lease agreement in place	Ensure lease agreement in place	Ensure lease agreement in place



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.1.3 Quarterly Targets for Administration for 2012/13

Performance indicator		Reporting Period	Annual targets	Quarterly targets			
			2012	1st	2nd	3rd	4th
1.1 Office of the Director General							
1.1.1	Review and implement Annual Reporting Framework and develop Calendar of events	Annual	Develop and implement Annual Calendar of events.	Quarterly review session with SMS and regular engagement with staff	Quarterly review session with SMS and regular engagement with staff	Quarterly review session with SMS and regular engagement with staff	Quarterly review session with SMS and regular engagement with staff
1.2 Corporate services							
1.2.1	Stable and secure IT network	Annual	98% uptime of network	Ongoing	Ongoing	Ongoing	Ongoing
1.2.2	Security and Facilities Management	Bi-Annual	Implement security policies	Ensure secu- rity clearances are completed for all staff and submitted to SSA	Ensure secu- rity clearances are completed for all staff and submitted to SSA	Ensure secu- rity clearances are completed for all staff and submitted to SSA	Ensure secu- rity clearances are completed for all staff and submitted to SSA
				Compliance with security regulations and policies	Compliance with security regulations and policies	Compliance with security regulations and policies	Compliance with security regulations and policies
				Continuous security awareness	Continuous security awareness	Continuous security awareness	Continuous security awareness
1.3 Office of the Chief Financial officer							
1.3.1	Financial Management Performance Reporting	Quarterly	4 performance reviews	1	1	1	1
	Monthly financial reporting	Monthly	12 financial man- agement reports in terms of S39 of the PFMA	3	3	3	3
	Annual Financial statements	Annual	1 set of Annual Fi- nancial Statements	1	-	-	-
1.3.2	Asset Management Asset count	Quarterly	4 manual asset counts	1	1	1	1
		Annually	1 consolidated manual asset count	1	-	-	-
1.3.3	Asset register	Quarterly	4 updates of asset register	1	1	1	1
		Annually	1 consolidated asset register	1	-	-	-
1.4 Human Resources							
1.4.1	Develop succession plan in consultation with stakeholders	Annual	Ensure adequate availability of relevant skills required in the Department	Monitor and report progress against plan and review plan for adequacy	Monitor and report progress against plan and review plan for adequacy	Monitor and report progress against plan and review plan for adequacy	Monitor and report progress against plan and review plan for adequacy
1.4.2	Monitor implementation of the Performance Management system	Annual	Signed performance agreements and IDPs for all staff and half yearly reviews/assessment conducted	Monitor implemen- tation of system, ensure regula- tory compliance and review adequacy of system	Monitor implemen- tation of system, ensure regula- tory compliance and review adequacy of system	Monitor implemen- tation of system, ensure regula- tory compliance and review adequacy of system	Monitor implemen- tation of system, ensure regula- tory compliance and review adequacy of system
1.4.3	Fully capacitated structure	Annual	Less than 10% vacancy rate	Monitoring vacancy rate and ensuring efficiency in the recruitment and selection process	Monitoring vacancy rate and ensuring efficiency in the recruitment and selection process	Monitoring vacancy rate and ensuring efficiency in the recruitment and selection process	Monitoring vacancy rate and ensuring efficiency in the recruitment and selection process

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.1.3 Quarterly Targets for Administration for 2012/13 (cont.)

Performance indicator		Reporting Period	Annual targets	Quarterly targets			
			2012	1st	2nd	3rd	4th
1.5 Communications							
1.5.1	Arrange media net- working sessions and media interviews	Ongoing	Respond to media enquiries, identify platforms for Minister/DM and Department to communicate, profile of work of the Department	Events to be identi- fied in collaboration with the Ministry. Target at least 4 engagements	Events to be identi- fied in collaboration with the Ministry. Target at least 4 engagements	Events to be identi- fied in collaboration with the Ministry. Target at least 4 engagements	Events to be identi- fied in collaboration with the Ministry. Target at least 4 engagements
1.5.2	Weekly alerts to staff to promote internal communication	Daily/Weekly	Provide platform for DG to address DPE officials regularly. Regular news- flashes to staff	One engagement per quarter with staff. Weekly news- flashes to staff	One engagement per quarter with staff. Weekly news- flashes to staff	One engagement per quarter with staff. Weekly news- flashes to staff	One engagement per quarter with staff. Weekly news- flashes to staff
1.5.3	Quarterly stakeholder forum meetings, aligned to the calendar for Chairpersons Forum	Quarterly	Establish stakehold- er forum to promote work of Department and SOC	Quarterly meeting with Stakeholder Forum	Quarterly meeting with Stakeholder Forum	Quarterly meeting with Stakeholder Forum	Quarterly meeting with Stakeholder Forum
1.5.4	Attend quarterly Communicators meetings of GCIS and ensure alignment of DPE communications strategy to the Government Communications Strategy	Quarterly	Attend all four quar- terly meetings and review and update DPE communica- tions strategy to ensure compliance	Attend quarterly meeting and review and update DPE communications strategy to ensure compliance	Attend quarterly meeting and review and update DPE communications strategy to ensure compliance	Attend quarterly meeting and review and update DPE communications strategy to ensure compliance	Attend quarterly meeting and review and update DPE communications strategy to ensure compliance
1.6 Intergovernmental and Stakeholder Relations							
1.6.1	Engage sector teams to develop a calendar of events relating to stakeholders and IR	Quarterly	Monthly engage- ments with Stake- holders.	Three engagements with Stakeholders	Three engagements with Stakeholders	Three engagements with Stakeholders	Three engagements with Stakeholders
1.7 Strategic Planning, Monitoring and Evaluation							
1.7.1	Annual Report	Annual	Annual Report and APP tabled at Parliament Submission to NT, Presidency (DPME)	-	1	-	-
1.7.2	Business Plan (Annual Performance Plan)	Annual		-	-	-	1
1.7.3	Quarterly Reports	Quarterly	Quarterly sub- mission to NT, Presidency	1	1	1	1
1.7.4	Quarterly Review Sessions	Quarterly	4 Quarterly Review sessions held with DG and DDGs	1	1	1	1
1.7.5	Strategic Plan	Annual	Submission to NT, Presidency	-	-	-	1
1.8 Internal audit							
1.8.1	Audit Committee meetings Approved Audit Plan Final Audit reports	Quarterly	4 Audit Committee meetings. 1 approved audit plan	1 Audit Committee meeting. Number of audit reports to be determined in the approved plan	1 Audit Committee meeting. Number of audit reports to be determined in the approved plan	1 Audit Committee meeting. Number of audit reports to be determined in the approved plan	1 Audit Committee meeting. Number of audit reports to be determined in the approved plan
1.9 Office accommodation							
1.9.1	Engage relevant stakeholders to secure office accommodation	Annual	Engagement with stakeholders	Review office facility require- ments. Engage with Stakeholders	Review office facility require- ments. Engage with Stakeholders	Review office facility require- ments. Engage with Stakeholders	Engagement with Stakeholders

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.1.4 Reconciling Performance Targets with the Budget and MTEF

#### Expenditure Estimates - Table 2: Administration

Subprogramme	Audited outcome			Adjusted ap- propriation	Medium-term expenditure estimate		
R thousand	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Ministry <sup>1</sup>	11,614	19,803	25,766	25,961	27,109	29,805	32,143
Management	5,976	6,409	5,198	9,689	8,944	9,445	9,997
Corporate Services	19,408	20,165	21,443	23,561	22,152	22,467	22,604
Chief Financial Officer	7,293	8,049	9,557	10,284	9,067	9,558	10,102
Human Resources	9,024	7,699	9,877	10,497	11,520	12,253	12,967
Communications	9,325	8,151	7,929	11,077	11,628	12,284	13,000
Strategic Planning, Monitoring and Evaluation	–	–	–	–	1,944	2,054	2,169
Inter-Governmental Relations	–	–	–	–	902	955	1,012
Internal Audit	2,627	2,996	3,009	3,662	3,775	3,988	4,223
Office Accommodation	5,461	5,919	5,413	6,756	7,353	7,758	8,224
<b>Total</b>	<b>70,728</b>	<b>79,191</b>	<b>88,192</b>	<b>101,487</b>	<b>104,394</b>	<b>110,567</b>	<b>116,441</b>
Change to 2011 Budget estimate				6,575	4,010	5,073	4,619
1. From 2008/09, the current payments relating to the total remuneration package of political office bearers are shown, before this, only salary and car allowance are included. Administrative and other subprogramme expenditure may in addition include payments for capital assets as well as transfers and subsidies.							
<b>Economic classification</b>							
Current payments	69,200	77,221	84,235	98,534	102,833	108,587	113,760
Compensation of employees	30,951	37,469	42,657	50,310	51,275	54,099	56,583
Goods and services	38,249	39,752	41,578	48,224	51,558	54,488	57,177
of which:							
Administrative fees	134	628	79	736	36	38	40
Advertising	1,061	446	3,482	384	1,067	1,137	1,205
Assets less than the capitalisation threshold	358	322	308	792	1,066	1,125	745
Audit cost: External	1,030	1,979	2,580	2,718	1,550	1,635	1,733
Bursaries: Employees	611	674	917	910	650	696	737
Catering: Departmental activities	1,107	1,016	981	1,806	1,441	1,529	1,619
Communication	2,573	2,335	2,054	2,218	2,097	2,213	2,346
Computer services	2,441	2,957	3,035	2,465	3,076	3,245	3,440
Consultants and professional services: Business and advisory services	4,137	2,327	1,853	3,923	4,046	4,287	4,552
Consultants and professional services: Legal costs	–	100	716	2,200	–	–	–
Contractors	1,235	1,510	1,779	2,136	2,066	2,184	2,316
Agency and support / outsourced services	3,519	3,681	2,281	2,726	4,334	4,574	4,850
Entertainment	163	171	20	93	207	219	232
Fleet services (including government motor transport)	–	–	349	623	788	831	881
Inventory: Food and food supplies	–	–	–	216	204	215	228
Inventory: Learner and teacher support material	–	–	–	60	–	–	–
Inventory: Materials and supplies	–	3	30	30	15	16	17

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

Table 2: Administration continued

Subprogramme	Audited outcome			Adjusted ap- propriation	Medium-term expenditure estimate		
R thousand	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<i>Inventory: Medical supplies</i>	2	18	–	–	–	–	–
<i>Inventory: Medicine</i>	–	–	–	6	–	–	–
<i>Inventory: Other consumables</i>	183	58	49	27	105	111	117
<i>Inventory: Stationery and printing</i>	2,671	1,516	1,554	2,487	2,554	2,696	2,856
<i>Lease payments</i>	2,338	2,458	2,814	1,556	1,219	1,285	1,362
<i>Property payments</i>	5,808	5,919	5,435	7,119	7,687	8,110	8,598
<i>Transport provided: Departmental activity</i>	–	–	–	–	–	–	–
<i>Travel and subsistence</i>	6,047	8,911	8,610	9,087	12,689	13,391	14,079
<i>Training and development</i>	1,157	1,391	1,263	1,891	2,084	2,227	2,361
<i>Operating expenditure</i>	1,117	951	1,031	1,201	1,528	1,615	1,689
<i>Venues and facilities</i>	557	381	358	814	1,049	1,109	1,174
<b>Transfers and subsidies</b>	<b>650</b>	<b>678</b>	<b>694</b>	<b>753</b>	<b>100</b>	<b>100</b>	<b>100</b>
Households	650	678	694	753	100	100	100
Payments for capital assets	878	1,263	3,169	2,200	1,461	1,880	2,581
Buildings and other fixed structures	–	–	–	–	–	–	–
Machinery and equipment	844	1,247	3,169	2,200	1,461	1,880	2,581
Software and other intangible assets	34	16	–	–	–	–	–
of which:							
<b>Payments for financial assets</b>	<b>–</b>	<b>29</b>	<b>94</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>70,728</b>	<b>79,191</b>	<b>88,192</b>	<b>101,487</b>	<b>104,394</b>	<b>110,567</b>	<b>116,441</b>
<b>Details of selected transfers and subsidies</b>							
Households							
Other transfers to households							
<b>Current</b>	<b>650</b>	<b>678</b>	<b>694</b>	<b>753</b>	<b>100</b>	<b>100</b>	<b>100</b>
Gifts and donations	650	678	694	753	100	100	100

### Performance and Expenditure Trends for Administration

The spending focus will be on administrative costs as no transfers to the SOCs over the MTEF period are included in this programme.

Expenditure increased from R70.7 million in 2008/09 to R101.5 million in 2011/12, at an average annual rate of 12.8 per cent. The growth was driven by spending in the Corporate Services and Management sub-programmes, as the department centralised operational expenditure such as IT licences and services, photocopying equipment, and training and communication into this programme. Establishing the deputy minister's office in 2009/10 and shifting the Risk component in the Legal and Governance programme to the chief investment portfolio manager's office also contributed to the increase. Spending on compensation of employees

increased from R31 million in 2008/09 to R50.3 million in 2011/12, at an average annual rate of 17.6 per cent. The increase is attributable both to annual salary increments and an increase in the number of personnel in this programme. Spending on goods and services increased from R38.3 million in 2008/09 to R48.2 million in 2011/12, at an average annual rate of 8 per cent. This increase in expenditure on goods and services was to provide support to the larger personnel establishment.

Expenditure is expected to grow from R101.5 million to R116.4 million over the MTEF period, at an average annual rate of 4.7 per cent. The growth is mainly due to inflation-related adjustments to the baseline as adjusted to reflect savings from the centralisation of services.

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.2 PROGRAMME 2 - LEGAL & GOVERNANCE

**Purpose:** Provides legal services and corporate governance systems, as well as facilitates the implementation of all legal aspects of transactions that are strategically important to the Department and SOC, and ensures alignment with Government's strategic intent.

The sub-programmes in this programme are as follows:

1. **Management** comprises the office of the deputy director general which provides strategic leadership and management of the programme personnel. The sub-programme has a staff complement of 2 and 82.07 per cent of the budget is used for compensation of employees.
2. **Legal** - internal legal services and support to oversight of the SOC. The unit provides legal services, including transaction and contract management support to the Department as well as work specifically related to the commercial activities of the sector teams in respect of the SOC within their oversight. The sub-programme has a staff complement of 12 and 62.5 per cent of the budget is used for compensation of employees whilst the balance of the budget is used on goods and services which includes, expert legal advice and normal operational expenditure.

3. **Governance** – develops and manages effective corporate governance and shareholder management systems for the Department and its portfolio of SOC. This includes:

**Risk Management** - identifies reports and monitors both the operational and shareholder risks including but not limited to SOC specific and cross cutting risks;

**Compliance** - Ensures that the Department establishes and implements systems and processes to ensure the department and its SOCs comply with legislative, regulatory and supervisory requirements in line with international best practice.

**Secretariat** - has the overarching responsibility of recording and tracking the Department's operational and strategic activities to achieve coordination and compliance with regard to the execution of decisions/resolutions.

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.2.1 Strategic Objective Annual Targets for Legal and Governance for 2011/12

1. Ensure effective shareholder oversight of all the SOC by Providing legal services which includes transaction and contract management support to the Department
2. Ensure that the Department and its portfolio of SOC comply with legal and regulatory requirements

	Strategic objective	Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
2.1	Ensure effective shareholder oversight of all the SOC by Providing legal services which includes transaction and contract management support to the Department	Advised on transactions for various SOC, internal and external SOC related matters	Advised on transactions for various SOC, internal and external SOC related matters	Advised on transactions for various SOC, internal and external SOC related matters	Attend to current transactions regarding SOC and provide legal advice on strategic and operational matters	Attend to Current transactions regarding SOC and provide legal advice on strategic and operational matters	Attend to Current transactions regarding SOC and provide legal advice on strategic and operational matters	Attend to Current transactions regarding SOC and provide legal advice on strategic and operational matters
2.2	Ensure that the Department and its portfolio of SOC comply with legal, regulatory and risk requirements	-	Draft SOC legislation	Cabinet submission	Project held in abeyance pending the outcome and submission of the PRC report to the President	Harmonise government-wide shareholder management internal approvals process	Draft white paper	Draft Bill
		-	-	Prepare a proclamation to formalise and enhance the DPE's shareholder mandate	The DPE legislative programme has been submitted to the Presidency on 21/12/2011 to be followed by a formal submission to the President	Streamline and enforce the role of DPE as a shareholder representative	Streamline and enforce the role of DPE as a shareholder representative	Streamline and enforce the role of DPE as a shareholder representative
		-	-	Function not in place as yet	Assess compliance needs and capacitate the Compliance function within the unit	Prepare draft Compliance Framework	Implementation and monitoring of compliance activities	Implementation and monitoring of compliance activities
		Developed appropriate governance and shareholder management systems	Developed appropriate governance and shareholder management systems	Implement and monitor governance and shareholder management systems	Implement and monitor governance and shareholder management systems	Implement and monitor governance and shareholder management systems	Implement and monitor governance and shareholder management systems	Implement and monitor governance and shareholder management systems
		Review of current risk practices	Develop appropriate risk management tools	Conduct Gap analysis, risk assessments and provide advice	Review risk management and assessment tools	Monitor compliance by DPE and its SOC.	Monitor compliance by DPE and its SOC.	Monitor compliance by DPE and its SOC.



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.2.2 Programme Performance Indicators and Annual Targets for Legal and Governance for 2012

Programme performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>2.1 Ensure Effective Shareholder Oversight of all the SOC by Providing Legal Services which Includes Transaction and Contract Management Support to the Department</b>							
2.1.1 Winding Up of Aventura	-	Finalised financial statements for 2004/05	Addressed litigation matters and the Annual General Meeting	Finalised 4 years of audited financial statements	Ensure governance compliance by the Board	Approval and transfer of the remaining resorts	Lodge of relevant documentation with the registrar of companies
	-	-	-	Annual General Meeting to resolve governance matters	Implementing and monitoring of the winding up process	Submit a Cabinet Memorandum for the repeal of the Overvaal Resorts Act, 1993	No further activity
2.1.2 Winding Up of Diabo Trust	-	Appointment of service provider to effect transfer of shares	R435.5 m transferred from Trustees to DPE	Tracing and payout to beneficiaries	Complete Trace and payout to beneficiaries Monitor the winding up process and distribution to beneficiaries	Closure of the Trust	No further activity
2.1.3 Compilation of Report to the Human Rights Commission ("HRC") on the implementation of the Promotion of Access to Information Act (PAIA) 2 of 2000, in the Department	-	-	Development of Manual on PAIA	Update Report on PAIA	Monitoring and evaluation of progress of implementation and activities in line with the Manual	Monitoring and evaluation of progress of implementation and activities in line with the Manual	Monitoring and evaluation of progress of implementation and activities in line with the Manual
2.1.4 Pending Litigation matters	-	Litigation matters listed only relevant for 2010/11	Alexkor: Amicable resolution of the dispute between Alexkor, Land Claims. Commissioners and Dept of Rural Development and Land Reforms on compensation due to Alexkor Safcol: Institution of legal action for damages by Paharpur / Londoloza against Safcol / DPE SAA: Claims for damages by Equity Alliance against the DPE By Choice Caterers/DPE Nabera: Finalisation and closure of the litigation	Alexkor: Amicable resolution of the dispute between Alexkor, Land Claims. Commissioners and Dept of Rural Development and Land Reforms on compensation due to Alexkor Safcol: Institution of legal action for damages by Paharpur / Londoloza against Safcol / DPE SAA: Claims for damages by Equity Alliance against the DPE By Choice Caterers/DPE Nabera: Finalisation and closure of the litigation	Amicable and timeous resolution of litigation matters	Amicable and timeous resolution of litigation matters	Amicable and timeous resolution of litigation matters

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.2.2 Programme Performance Indicators and Annual Targets for Legal and Governance for 2012 (cont.)

Programme performance indicator		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
2.1.5	Presidential Public Liaison Unit.	-	Established PLO Unit	Respond to queries from the Presidential Public Liaison Unit	Respond to queries from the Presidential Public Liaison Unit	Respond to queries from the Presidential Public Liaison Unit	Respond to queries from the Presidential Public Liaison Unit	Respond to queries from the Presidential Public Liaison Unit
2.1.6	Drafting of legal documents	SLAs and other legal documents attended to in a timeous and accurate manner	SLAs and other legal documents attended to in a timeous and accurate manner	Timeous and accurate drafting of SLAs and other legal documents	Timeous and accurate drafting of SLAs and other legal documents	Timeous and accurate drafting of SLAs and other legal documents	Timeous and accurate drafting of SLAs and other legal documents	Timeous and accurate drafting of SLAs and other legal documents
2.1.7	Legal Advice	Negotiated, drafted and advised on various matters	Negotiated, drafted and advised on various matters	Negotiated, drafted and advised on various matters	Provision of legal advice on matters relating to the department and SOC compliance to legislative prescripts	Provision of legal advice on matters relating to the department and SOC compliance to legislative prescripts	Provision of legal advice on matters relating to the department and SOC compliance to legislative prescripts	Provision of legal advice on matters relating to the department and SOC compliance to legislative prescripts
2.1.8	Drafting of legal documents	SLAs and other legal documents attended to in a timeous and accurate manner	SLAs and other legal documents attended to in a timeous and accurate manner	Timeous and accurate drafting of SLAs and other legal documents	Timeous and accurate drafting of SLAs and other legal documents	Timeous and accurate drafting of SLAs and other legal documents	Timeous and accurate drafting of SLAs and other legal documents	Timeous and accurate drafting of SLAs and other legal documents
<b>2.2 Ensure that the Department and its Portfolio of SOC Comply with Legal, Regulatory, Governance and Risk Requirements</b>								
2.2.1	Develop the Government Shareholder Management Model	-	Developed the Government Shareholder Management Model	Submitted to the Minister for approval	Project held in abeyance pending the outcome of the PRC process although the tools and systems have been applied	Re-assess the model in line with new amendments to company law Submit to Minister for approval	Submit to Cabinet for approval	Development of the Green/ White paper
2.2.2	Enhance relationship between Strategic state Shareholdings, capital markets and the private sector	-	-	Commenced project in 2010	Develop SOC legislative and regulatory frameworks to provide for the legislative environment within which the SOC operate	Develop SOC legislative and regulatory frameworks to provide for the legislative environment within which the SOC operate Submit to the Minister for approval	Submit to Cabinet for approval	Legislative process on amendments to enabling legislation
2.2.3	Capacitate compliance function within Legal and Governance through sourcing and transfer of an internal staff member	-	-	Function not in place as yet	Effectively capacitated compliance unit within the Legal and Governance unit, in order to commence with the department's compliance function	Draft, approval and implementation of compliance enabling documentation (Compliance-Framework, Policy, procedures)	Continued implementation, monitoring and reporting	Continued implementation, monitoring and reporting
2.2.4	Governance Toolbox and Audit	-	Developed toolbox	Submitted toolbox to Minister for approval	Monitor SOE adherence to corporate governance principles	Monitor SOE adherence to corporate governance principles	Monitor SOE adherence to corporate governance principles	Monitor SOE adherence to corporate governance principles



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.2.2 Programme Performance Indicators and Annual Targets for Legal and Governance for 2012 (cont.)

Programme performance indicator		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
2.2.5	SOC Board and Executive remuneration	-	Implemented approved Remuneration Guidelines	Monitored performance of SOC against Guidelines	Established panel to review Guidelines Develop new Remuneration Model	Monitoring and evaluation of SOC implementation	Monitoring and evaluation of SOC implementation	Monitoring and evaluation of SOC implementation
2.2.6	Shareholder Management Practices	Monitored compliance against applicable company law	Monitored compliance against applicable company law	Monitored compliance against applicable company law	Implementing Companies Act corporate governance tools (e.g. standard Memorandum of Incorporation) for all SOE	Implementing Companies Act corporate governance tools (e.g. standard Memorandum of Incorporation) for all SOE	Monitor compliance against applicable company law	Monitor compliance against applicable company law
2.2.7	Developing a Board Database	-	Project commenced in 2009/10	Draft methodology for Board database	Obtain approval for DPE Board database	Continuous process of upgrading and evaluating the Database	Continuous process of upgrading and evaluating the Database	Continuous process of upgrading and evaluating the Database
2.2.8	Develop a Board appointment Framework	-	-	Develop a Board appointment Framework Obtain approval from the Minister Consultation with SOCs	Monitoring and evaluation	Monitoring and evaluation	Monitoring and evaluation	Monitoring and evaluation
2.2.9	Develop a Board Performance Framework	-	-	Project commenced in 2010/11	Developed a Board Performance Framework Obtain approval from the Minister Consultation with SOCs	Monitoring and evaluation	Monitoring and evaluation	Monitoring and evaluation
2.2.10	Stakeholder Engagements	-	Facilitated Governance Forum	Governance Forum held in abeyance	Governance Forum held in abeyance	Re-establishment of Governance Forum	Maintain Forum and monitor targets against minutes and action list	Maintain Forum and monitor targets against minutes and action list
2.2.11	Develop risk management framework	-	-	Assessed current risk environment	Draft Risk Management Framework	Consultation with internal and SOC counterparts	Obtain approval of Framework	Implementation
2.2.12	Advise on risk implications for SOC transactions	-	-	Provide risk management perspective on transactions	Provide risk management perspective on transactions	Provide risk management perspective on transactions	Provide risk management perspective on transactions	Provide risk management perspective on transactions
2.2.13	Ensure compliance of shareholder compacts signed	3	9	8	8	8	8	8
2.2.14	Review quarterly report reviews	15	36	32	32	32	32	32
2.2.15	Number of new Corporate plans reviewed	5	9	8	8	8	8	8

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.2.3 Quarterly Targets for Legal and Governance for 2012/13

Performance indicator		Reporting Period	Annual targets	Quarterly targets			
			2012	1st	2nd	3rd	4th
2.2 Ensure effective shareholder oversight of all the SOC by Providing legal services which includes transaction and contract management support to the Department							
2.2.1	Winding Up of Aventura	Quarterly	Winding Up the Company	-	Regularise Board and Governance Structure	AGM	Appointment of the liquidator by the Master
2.2.2	Winding Up of Diabo Trust	Quarterly	Monitor the winding up process and distribution to beneficiaries Closure of the matter	Successful trace of all the beneficiaries	Extension of contract for the service provider will be considered in Q2	Complete tracing and payment to beneficiaries	Complete tracing and payment to beneficiaries
2.2.3	Compilation of Report to the Human Rights Commission ("HRC") on the implementation of the Promotion of Access to Information Act (PAIA) 2 of 2000, in the Department	Quarterly	Approved Manual	-	Compilation and submission of the draft report to the DG for sign off	-	Approved Report by the DG to the HRC
2.2.4	Pending Litigation matters	Quarterly	Amicable and timeous resolution of matters	-	As and when required	As and when required	As and when required
2.2.5	Presidential Public Liaison Unit	Quarterly	Attend to queries in a professional manner	-	As and when required	As and when required	As and when required
2.2.6	Drafting of legal documents	Quarterly	Timeous and accurate drafting of legal documents	Respond to legal requests as and when they are received	Respond to legal requests as and when they are received	Respond to legal requests as and when they are received	Respond to legal requests as and when they are received
2.3 Ensure that the Department and its portfolio of SOC comply with legal, regulatory and risk requirements							
2.3.1	Develop the Government Shareholder Management Model	Quarterly	Approval from the shareholder	-	Review current draft	Submit for approval	Cabinet submission
2.3.2	Enhance relationship between Strategic state Shareholdings, capital markets and the private sector	Annual	Develop an Owner's Expectation Manual	-	-	Draft manual prepared.	Approval by Minister.
2.3.3	Development, approval and implementation of compliance enabling documentation	Quarterly	Effective and functional departmental Compliance function	Draft enabling compliance documentation (Compliance framework policy, manual)	Present and obtain approval from Exco and Audit Committee	Implementation of necessary compliance processes	Implementation and monitoring of compliance function
2.3.4	Governance Toolbox and Audit	Quarterly	Obtain Ministerial approval	Re-assess current toolbox	Amend toolbox where necessary Present findings	Obtain Ministerial approval	Quarterly
2.3.5	SOC Board and Executive remuneration	Quarterly	Finalisation of the DPE Remuneration Model for SOCs	Closed stakeholder engagement on Panel's Report	Closed stakeholder engagement on Panel's Report	Cabinet submission	Final model
2.3.6	Shareholder Management Practices	Quarterly	Ensure compliance to applicable legislation	Draft MOI Obtain Ministerial approval	Consultation on draft MOI	Receive draft per SOC	Approve draft per SOC

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.2.3 Quarterly Targets for Legal and Governance for 2012/13 (cont.)

Performance indicator		Reporting Period	Annual targets	Quarterly targets			
			2012	1st	2nd	3rd	4th
2.3.7	Developing a Board Database	Quarterly	Obtain Ministerial approval	Internal consultation on database	Assess efficiency	Update and address gaps	Obtain Ministerial approval
2.3.8	Develop a Board Appointment Framework	Quarterly	Obtain Ministerial approval	-	Draft framework	Presentation to SMC	Ministerial approval
2.3.9	Develop a Board Performance Framework	Quarterly	An effectively utilized Board performance assessment tool that is linked to the Compact and the strategic objectives of the State Formalise and implement Governance Forum	Approval of Terms of Reference for Governance Forum	Establish Forum	Monitoring of application	Monitoring of application
2.3.10	Stakeholder Engagements	Quarterly	Promote effective stakeholder engagement through the Governance Forum	Obtain Ministerial approval	Submit TORs to SOCs	1st Governance Forum	Ongoing interaction with SOC
2.3.11	Develop risk management framework	Quarterly	Establish risk function	Review risks and provide updated reports to AC and Exco	Review risks and provide updated reports to AC and Exco	Review risks and provide updated reports to AC and Exco	Review risks and provide updated reports to AC and Exco
2.3.12	Advise on risk implications for SOC transactions	Quarterly	Advise sector teams on transactions	Quarterly risk analysis on the dashboard	Quarterly risk analysis on the dashboard	Quarterly risk analysis on the dashboard	Quarterly risk analysis on the dashboard

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.2.4 Reconciling Performance Targets with the Budget and MTEF

Expenditure Estimates - Table 3: Legal and Governance

Subprogramme	Audited outcome			Adjusted ap- propriation	Medium-term expenditure estimate		
R thousand	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Management	2,062	1,725	1,581	1,763	2,315	2,308	2,597
Legal	10,798	12,201	10,340	14,305	15,893	18,953	20,080
Governance	4,405	2,656	2,732	7,607	8,729	9,707	10,271
<b>Total</b>	<b>17,265</b>	<b>16,582</b>	<b>14,653</b>	<b>23,675</b>	<b>26,937</b>	<b>30,968</b>	<b>32,948</b>
Change to 2011 Budget estimate				1,367	2,704	5,212	15,324
<b>Economic classification</b>							
Current payments	16,967	16,571	14,653	23,675	26,937	30,968	32,948
Compensation of employees	9,432	8,924	6,453	14,777	15,093	15,825	16,897
<b>Goods and services</b>	<b>7,535</b>	<b>7,647</b>	<b>8,200</b>	<b>8,898</b>	<b>11,844</b>	<b>15,143</b>	<b>16,051</b>
of which:							
Administrative fees	19	–	–	–	–	–	–
Advertising	–	9	–	–	–	–	–
Assets less than the capitalisation threshold	–	3	–	–	–	–	–
Catering: Departmental activities	68	45	51	124	142	150	159
Communication	114	119	79	236	241	257	271
Consultants and professional services: Business and advisory services	3,118	1,581	2,404	2,615	3,458	4,124	4,372
Consultants and professional services: Legal costs	2,724	4,800	4,557	3,820	4,868	7,287	7,724
Agency and support / outsourced services	13	2	576	20	–	–	–
Entertainment	13	–	6	25	37	40	40
Inventory: Stationery and printing	2	–	–	4	11	12	14
Travel and subsistence	1,062	976	402	1,596	2,484	2,635	2,793
Training and development	270	40	34	69	80	86	91
Operating expenditure	26	19	48	119	237	250	267
Venues and facilities	106	53	43	270	286	302	320
Payments for capital assets	–	11	–	–	–	–	–
Machinery and equipment	–	11	–	–	–	–	–
<b>Payments for financial assets</b>	<b>298</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>17,265</b>	<b>16,582</b>	<b>14,653</b>	<b>23,675</b>	<b>26,937</b>	<b>30,968</b>	<b>32,948</b>

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### Performance and Expenditure Trends

Expenditure increased from R17.3 million in 2008/09 to R23.7 million in 2011/12, at an average annual rate of 11.1 per cent. Over the medium term, expenditure is expected to increase to R32.9 million, at an average annual rate of 11.6 per cent. The increase in both periods is driven by the centralisation of the legal services from the sector units, as well as the shifting of the Risk and Compliance and Secretariat functions from Programme 1, as part of the realignment of the Department for efficiency and costs saving purposes.

#### **Achievements/outputs for the period:**

##### **- Diabo Trust**

The Department continued with the management and coordination of the final tracing and disbursement of benefits to identified beneficiaries of the Diabo Share Trust. The Department appointed two service providers in June 2010; a tracing agent and a paying agent, in order to distribute the benefits in the Diabo Share Trust to identified beneficiaries. The Trust had approximately 9000 beneficiaries who were still entitled to benefits. The Trustees have surrendered all remaining funds to the Department and are in the process of finalising the financial statements for audit purposes. Once completed, an application will be made to the Master of the Supreme Court to wind up the Trust. It is anticipated that this will take place in 2012/3 whereafter all funds that are currently ring fenced will be surrendered to the fiscus.

##### **- SOC Remuneration Review**

The Panel appointed to review the 2007 Remuneration Guidelines for Non-Executive and Executive Directors of the SOC submitted their Report and Recommendations in December 2010. The report was subsequently submitted to Cabinet for consideration. Cabinet has mandated the Minister of Public Enterprises to conduct further consultations, before a final Remuneration Model is approved.

##### **- Alexkor Deed of Settlement**

The Department facilitated the formation of the Richtersveld land claim settlement implementation committee in 2008 comprising representatives of all parties involved in the implementation of the court order in favour of the Richtersveld Community. Significant progress has been made in the implementation of the Deed of Settlement signed with the Richtersveld community in 2007. All Alexkor, State and Northern Cape Provincial land has been transferred, except for the township erven. Subdivision and zoning of the township has been conducted and the general plan has been approved. The upgrading of the township civil and electrical engineering services to municipal standards has commenced, and after completion the township will be transferred to the community. Alexkor's agricultural and maricultural assets have been transferred to the community. Alexkor's land mining rights were transferred to the Richtersveld Community on 6 April 2011. Accordingly, as a consequence of the finalisation of the transfer, all the suspensive conditions for the Pooling and Sharing Joint Venture (PSJV) between Alexkor and the Richtersveld Mining Company (RMC) were fulfilled and the PSJV came into effect in April 2011.

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.3 PROGRAMME 3 - PORTFOLIO MANAGEMENT AND STRATEGIC PARTNERSHIPS

**Purpose:** to align the corporate strategies of the State Owned Companies with government's strategic intent, as well as monitoring and benchmarking their financial and operational performance and capital investment plans. To align shareholder oversight with overarching government economic, social and environmental policies as well as building of focused strategic partnerships between the State Owned Companies, strategic customers, suppliers and financial institutions.

The sub-programmes in this programme are as follows:

- Energy and Broadband Enterprises – Includes Eskom, Pebble Bed Modular Reactor (PBMR) and Broadband Infraco.
- Manufacturing Enterprises - Includes Denel, Alexkor and South African Forestry Company (SAFCOL).
- Transport Enterprises - Includes South African Airways (SAA), South African Express (SAX) and Transnet
- Economic Impact and Policy Alignment – aligns SOCs with overarching government economic, social and environmental policies.
- Strategic Partnerships – has evolved from the work of the Chief Investment and Portfolio Manager (CIPM) and aims to ensure SOC commercial sustainability and attainment of desired strategic outcomes and objectives by SOCs.

Energy and Broadband Enterprises comprises:

- Management comprises the office of the deputy director general which provides strategic leadership and management of the programme personnel.
- Eskom and Pebble Bed Modular Reactor - shareholder management and oversight of the Eskom business, including the generation, transmission and distribution of electricity with particular emphasis on ensuring security of supply. To also provide strategic financial and transactional analysis of Eskom businesses as well as monitoring of its capital investment programme. Additionally, provide oversight of the implementation of the Pebble Bed Modular Reactor (PBMR) care and

maintenance programme to preserve intellectual property and assets.

- Broadband Infraco - shareholder management and oversight of Broadband Infraco and monitoring of the implementation of its investment programme, as well as strategic financial and transactional analysis including interfacing with investors and strategic stakeholders across the sector.

#### 4.3.1 Strategic Objective Annual Targets for 2012/13

1. Ensure effective shareholder oversight and monitoring of Eskom and Broadband Infraco :
  - Analysis and Assessment of the Corporate Plan and Annual Report
  - Negotiation and approval of shareholder compact Shareholder
  - Strategic Intent Statement in preparation for Annual General Meeting
  - Assessment of SOE Board.
  - Assessment of quarterly reports and reparation of quarterly investor briefs
  - Financial and technical assessment of PFMA Applications
2. Support Eskom in ensuring security of electricity supply:
  - Examine and benchmark Eskom's maintenance and operational practices, distribution efficiency and the reserve margin through the assessment of the Generation, Distribution and Transmission systems performance indicators as reported in the quarterly report.
3. Reduce dependence on the fiscus by monitoring cost escalations, delivery schedule (time) and workmanship quality for the capital investment programme and developing innovative funding mechanisms :
  - Developing a framework for monitoring the implementation of the capital investment programme with an emphasis on creating value-add benefits to the local, provincial and national economy.



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

- Assist Eskom in developing a long term funding plan as well engaging with other financial institutions such as Development Finance Institutions and Multilaterals.
- 4. Implementation of the PBMR care and maintenance programme
  - Safeguard state owned assets by monitoring progress against the implementation of the care and maintenance programme by the PBMR.
- 5. Support increased access to broadband:
  - Monitor Broadband Infraco's price reports annually as well its compliance to increase the number of access points to broadband in major cities and under serviced areas through rolling out the national long distance infrastructure as per its license obligations.
  - Ensure that the West Coast submarine cable system is ready for service in 2012 by monitoring Broadband Infraco's participation in the West Coast submarine cable system consortium on a quarterly basis.

### 4.3.1 Strategic Objective Annual Targets for 2012/13

Strategic objective		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
3.1 Provide effective shareholder oversight of Eskom and Broadband Infraco								
3.1.1	Analysis and assessment of corporate plan	Approved Corporate Plan aligned to Department and Government Develop-mental Objectives	Approved Corporate Plan aligned to Department and Government Develop-mental Objectives	Approved Corporate Plan aligned to Department and Government Develop-mental Objectives	Obtain approval of Corporate Plan that is aligned to Department and Government Develop-mental Objectives	Obtain approval of Corporate Plan that is aligned to Department and Government Develop-mental Objectives	Obtain approval of Corporate Plan that is aligned to Department and Government Develop-mental Objectives	Obtain approval of Corporate Plan that is aligned to Department and Government Develop-mental Objectives
3.1.2	Analysis of annual report	Annual report assessed	Annual report assessed	Annual report assessed	Annual Report assessment	Annual Report assessment	Annual Report assessment	Annual Report assessment
3.1.3	Negotiation and approval of share-holder compact	Approved Share-holder compact signed at AGM	Approved Share-holder compact signed at AGM	Approved Share-holder compact to be signed at AGM	Shareholder Compact to be approved and signed by 31 March 2012	Shareholder Compact approved and signed by 31 March 2013	Shareholder Compact approved and signed by 31 March 2014	Shareholder Compact approved and signed by 31 March 2015
3.1.4	Strategic Intent Statement in preparation for Annual General Meeting	Strategic Intent Statement was not part of our oversight framework	Strategic Intent Statement was not part of our oversight framework	Signed Strategic Intent Statement	Revised and Updated Strategic Intent Statement to be issued at the AGM	Updated Strategic Intent Statement issued at the AGM	Updated Strategic Intent Statement issued at the AGM	Updated Strategic Intent Statement issued at the AGM
3.1.5	Assessment of quarterly reports and preparation of quarterly investor briefs for issuing to the Board	Quarterly assessments completed with recom-mendations for corrective action issued to Board to ensure operational efficiency and alignment to developmental mandate	Quarterly assessments completed with recom-mendations for corrective action issued to Board to ensure operational efficiency and alignment to developmental mandate	Quarterly assessments completed with recom-mendations for corrective action issued to Board to ensure operational efficiency and alignment to developmental mandate	Quarterly assessments to be completed with recom-mendations for corrective action issued to Board to ensure operational efficiency and alignment to developmental mandate	Quarterly assessments to be completed with recom-mendations for corrective action issued to Board to ensure operational efficiency and alignment to developmental mandate	Quarterly assessments to be completed with recom-mendations for corrective action issued to Board to ensure operational efficiency and alignment to developmental mandate	Quarterly assessments to be completed with recom-mendations for corrective action issued to Board to ensure operational efficiency and alignment to developmental mandate
3.1.6	Financial and Technical assess-ment of PFMA Applications	PFMA assessments that cater for rigorous assessment & engagement whilst maintaining compliance with the necessary turnaround time	PFMA assessments that cater for rigorous assessment & engagement whilst maintaining compliance with the necessary turnaround time	PFMA assessments that cater for rigorous assessment & engagement whilst maintaining compliance with the necessary turnaround time	Undertake PFMA assessments that cater for rigorous assessment & engagement whilst maintaining compliance with the necessary turnaround time	Undertake PFMA assessments that cater for rigorous assessment & engagement whilst maintaining compliance with the necessary turnaround time	Undertake PFMA assessments that cater for rigorous assessment & engagement whilst maintaining compliance with the necessary turnaround time	Undertake PFMA assessments that cater for rigorous assessment & engagement whilst maintaining compliance with the necessary turnaround time

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.3.1 Strategic Objective Annual Targets for 2012/13 (cont.)

Strategic objective	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>3.2 Support Eskom in ensuring security of electricity supply</b>							
3.2.1 Examine and benchmark Eskom's maintenance and operational practices, distribution efficiency and the reserve margin through the assessment of the Generation, Distribution and Transmission systems performance indicators as reported in the quarterly report	Quarterly assessments of the Eskom operational key performance indicators as per its shareholder compact with a specific focus on performance trends and the development of corrective action measures where necessary	Quarterly assessments of the Eskom operational key performance indicators as per its shareholder compact with a specific focus on performance trends and the development of corrective action measures where necessary	Quarterly assessments of the Eskom operational key performance indicators as per its shareholder compact with a specific focus on performance trends and the development of corrective action measures where necessary.	Conduct quarterly assessments of the Eskom operational key performance indicators as per its shareholder compact with a specific focus on performance trends and the development of corrective action measures where necessary.	Conduct quarterly assessments of the Eskom operational key performance indicators as per its shareholder compact with a specific focus on performance trends and the development of corrective action measures where necessary	Conduct quarterly assessments of the Eskom operational key performance indicators as per its shareholder compact with a specific focus on performance trends and the development of corrective action measures where necessary	Conduct quarterly assessments of the Eskom operational key performance indicators as per its shareholder compact with a specific focus on performance trends and the development of corrective action measures where necessary
	Engagement with Eskom and all relevant stakeholders with respect to a suitable funding model for Eskom's capital programme and development of proposals	Government approved additional R174 billion of guarantees to enable Eskom complete the capital expenditure programme	Government assisted Eskom in securing additional funding (World Bank Loan, AfDB Loan, International Bonds, etc) for the build programme.	Government assisted Eskom in securing additional funding (World Bank Loan, AfDB Loan, International Bonds, etc) for the build programme.	Annual Report assessment	Annual Report assessment	Annual Report assessment
	Monitoring of the Eskom IRP1 approved build programme up to 2017	Monitoring of the Eskom IRP1 approved build programme up to 2017	Monitoring of the Eskom IRP1 approved build programme up to 2017	Monitoring of the Eskom build programme delivery up to 2017 and ensure timeous Integrated Resource Plan (IRP2010) allocations beyond 2017	Monitoring the implementation of the entire build programme including IRP2010 allocations	Monitoring the implementation of the entire build programme including IRP2010 allocations	Monitoring the implementation of the entire build programme including IRP2010 allocations
	Establishment of the Eskom Medium Term Power Purchase Programme (MTPPP)	Implementation of the MTPPP and signing up of private sector power producers	Continued signing up of MTPPP suppliers (Independent Power Producers IPPs). Ring-fencing of the Independent System and Market Operator (ISMO)	Signing up of all IPPs domestically and regionally to supply power within a defined price band to support domestic security of supply and the reduction in Eskom's Maintenance backlog. Implementation of the ISMO subsidiary	Continued purchase of power from IPPs as directed by the IRP2010 and NERSA allocations. Continued Operationalisation of the ISMO	Continued purchase of power from IPPs as directed by the IRP2010 and NERSA allocations. Continued Operationalisation of the ISMO	Continued purchase of power from IPPs as directed by the IRP2010 and NERSA allocations. Continued Operationalisation of the ISMO
	-	-	Monitored the implementation of Eskom's maintenance strategy and measures to reduce the backlog	Monitoring the implementation of Eskom's maintenance strategy and measures to reduce the backlog and providing shareholder support where warranted and necessary	Monitoring the implementation of Eskom's maintenance strategy and measures to reduce the backlog and providing shareholder support where warranted and necessary	Monitoring the implementation of Eskom's maintenance strategy (backlog should have been cleared in previous financial year)	Monitoring the implementation of Eskom's maintenance strategy



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.3.1 Strategic Objective Annual Targets for 2012/13 (cont.)

Strategic objective		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>3.3 Reduce dependence on the fiscus by monitoring cost escalations, delivery schedule (time) and workmanship quality for the capital investment programme and developing innovative funding streams</b>								
3.3.1	Developing a framework for monitoring the implementation of the capital investment programme with an emphasis on creating value-add benefits to the local, provincial and national economy	Build programme implementation including costs are monitored as part of quarterly report submissions and an assessment included in the memo submission to Minister	Build programme implementation including costs are monitored as part of quarterly report submissions and an assessment included in the memo submission to Minister	Build programme implementation including costs are monitored as part of quarterly report submissions and an assessment included in the memo submission to Minister	Provide inputs in developing the framework for monitoring the capital	Monitor the rollout of Capital Investment programme within the agreed framework	Monitor the rollout of Capital Investment programme within the agreed framework	Monitor the rollout of Capital Investment programme within the agreed framework
3.3.2	Assist Eskom in developing a long term funding plan as well engaging with other financial institutions such as Development Finance Institutions and Multilaterals	Approved Eskom's interim and MYPD 2 tariff application in 2008/9	Government assisted Eskom in securing additional funding (World Bank Loan, AfDB Loan, International Bonds, etc) for the build programme	Government assisted Eskom in securing additional funding (World Bank Loan, AfDB Loan, International Bonds, etc) for the build programme	Assist Eskom in finalising its MYPD 3 revenue application and providing it guidance on public-private partnerships and public-public partnerships	Additional funding support may be needed from Government depending on the Eskom allocation by the Minister of Energy for New Build beyond 2017	Additional funding support may be needed from Government depending on the Eskom allocation by the Minister of Energy for New Build beyond 2017	Additional funding support may be needed from Government depending on the Eskom allocation by the Minister of Energy for New Build beyond 2017
<b>3.4 Implementation of the PBMR care and maintenance programme</b>								
3.4.1	Safeguard state owned assets by monitoring progress against the implementation of the care and maintenance programme by the PBMR	Cabinet Decision to place PBMR into Care and Maintenance was obtained in September 2010	Completion of Phase 1 of the Care and Maintenance Programme, which is comprised of 3 Phases	Significant progress with Phase 2 of the Care and Maintenance programme with 90% of tasks complete	Finalisation of Phase 2 of the Care and Maintenance programme and handover to Eskom as the host company up to the end of 2013 and submission of a Cabinet memo updating on progress with the transition to care and maintenance	Cabinet submission to determine the future of PBMR beyond December 2013 to be submitted	Will depend on Cabinet decision	Will depend on Cabinet decision
	-	-	Not applicable before 2011	Initiate a high-level retrospective review of the PBMR project	Complete a high-level retrospective review of the PBMR project with recommendations	Project should be completed in 2012/13	Project should be completed in 2012/13	Project should be completed in 2012/13

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.3.1 Strategic Objective Annual Targets for 2012/13 (cont.)

Strategic objective		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>3.5 Support increased access to broadband</b>								
3.5.1	Monitor Broadband Infraco's price reports annually as well its compliance to increase the number of access points to broadband in major cities and under serviced areas through rolling out the national long distance infrastructure as per its license obligations	Infraco was still establishing itself and only received its network services licence at the end of this financial year and was therefore tied to Neotel in an exclusive use agreement and could not make any real impact on the market directly other than through Neotel	Infraco launched its commercial offering in November 2010 at prices 105 below market prices for wholesale broadband	Development of a business model for Infraco that will enable it to fulfil its mandate to provide services to underserved areas but remain a viable business	Finalisation of the Infraco business model to grow a sustainable business and provide increased broadband access at affordable pricing, specifically to underserved areas. Infraco to support projects of national importance such as the SKA in fulfilment of its legislative mandate	Continued implementation and enhancement of the business and a sustained reduction in broadband pricing and increase in broadband access	Continued implementation and enhancement of the business and a sustained reduction in broadband pricing and increase in broadband access	Continued implementation and enhancement of the business and a sustained reduction in broadband pricing and increase in broadband access
3.5.2	Ensure that the West Coast submarine cable system is ready for service in 2012 by monitoring Broadband Infraco's participation in the West Coast submarine cable system (WACS) consortium on a quarterly basis	Supported Infraco in its bid to establish the West African Marine Cable and its participation in the WACS consortium	Laying of the Marine Cable commenced	Marine Cable landed in Yzerfontein on the West Coast. Continued rollout of the necessary infrastructure	Final delivery and commissioning of all the components of the cable with it being brought into operation in the second quarter of the financial year	-	-	-

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.3.2 Programme Performance Indicators and Annual Targets for Energy and Broadband Enterprises for 2012/13

Programme performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>3.1 Ensure effective shareholder oversight and monitoring of Eskom and Broadband Infraco.</b>							
3.1.1 Approved Corporate Plan aligned to Department and Government Developmental Objectives	Approved Corporate Plans	Approved Corporate Plans	Approved Corporate Plans	Obtain approval of Corporate Plans	Approved Corporate Plans	Approved Corporate Plans	Approved Corporate Plans
3.1.2 Analysis of annual report	Annual Report Assessments produced before the AGMs.	Annual Report Assessments produced before the AGMs.	Annual Report Assessments produced before the AGMs.	Annual Report Assessments to be produced before the AGMs.	Annual Report Assessments produced before the AGMs.	Annual Report Assessments produced before the AGMs.	Annual Report Assessments produced before the AGMs.
3.1.3 Negotiation and approval of shareholder compact	Signed Shareholder Compacts	Signed Shareholder Compacts	Signed Shareholder Compacts	Shareholder Compacts to be signed by 1 April 2012.	Signed Shareholder Compacts by 1 April 2013.	Signed Shareholder Compacts by 1 April 2014.	Signed Shareholder Compacts by 1 April 2015.
3.1.4 Strategic Intent Statement in preparation for Annual General Meeting	Strategic Intent Statements Issued at AGMs.	Strategic Intent Statements Issued at AGMs.	Strategic Intent Statements Issued at AGMs.	Strategic Intent Statements to be issued at AGMs.	Strategic Intent Statements Issued at AGMs.	Strategic Intent Statements Issued at AGMs.	Strategic Intent Statements Issued at AGMs.
3.1.5 Assessment of quarterly reports and reparation of quarterly investor briefs	Finalised Quarterly Assessments with Recommendations and Investor Brief Issued to Board with Corrective Action required.	Finalised Quarterly Assessments with Recommendations and Investor Brief Issued to Board with Corrective Action required.	Finalised Quarterly Assessments with Recommendations and Investor Brief Issued to Board with Corrective Action required.	Quarterly Assessments to be finalised with recommendations and Investor Brief Issued to Board with Corrective Action required.	Finalise Quarterly Assessments with Recommendations and Investor Brief Issued to Board with Corrective Action required.	Finalise Quarterly Assessments with Recommendations and Investor Brief Issued to Board with Corrective Action required.	Finalise Quarterly Assessments with Recommendations and Investor Brief Issued to Board with Corrective Action required.
3.1.6 Financial and Technical assessment of PFMA Applications	Rigorous assessment of PFMA applications with appropriate recommendations to Minister within required timeframes	Rigorous assessment of PFMA applications with appropriate recommendations to Minister within required timeframes	Rigorous assessment of PFMA applications with appropriate recommendations to Minister within required timeframes	Rigorous assessment of PFMA applications with appropriate recommendations to Minister within required timeframes	Rigorous assessment of PFMA applications with appropriate recommendations to Minister within required timeframes	Rigorous assessment of PFMA applications with appropriate recommendations to Minister within required timeframes	Rigorous assessment of PFMA applications with appropriate recommendations to Minister within required timeframes

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

Programme performance indicator		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>3.2 Support Eskom in ensuring security of electricity supply.</b>								
3.2.1	Examine and benchmark Eskom's maintenance and operational practices, distribution efficiency and the reserve margin through the assessment of the Generation, Distribution and Transmission systems performance indicators as reported in the quarterly report	Quarterly assessment of Operational indicators as per the Shareholder compact	Quarterly assessment of Operational indicators as per the Shareholder compact	Quarterly assessment of Operational indicators as per the Shareholder compact	Conduct quarterly assessment of operational indicators as per the Shareholder compact and corrective action measures put into place to improve performance where required	Quarterly assessment of Operational indicators as per the Shareholder compact and corrective action measures put into place to improve performance where required	Quarterly assessment of Operational indicators as per the Shareholder compact and corrective action measures put into place to improve performance where required	Quarterly assessment of Operational indicators as per the Shareholder compact and corrective action measures put into place to improve performance where required
3.2.2	Generation adequacy report	Quarterly assessments of adequacy	Quarterly assessments of adequacy	Quarterly assessments of adequacy	Conduct quarterly assessments of adequacy with recommendations to Minister regarding emerging or existing risks if necessary	Quarterly assessments of adequacy with recommendations to Minister regarding emerging or existing risks if necessary	Quarterly assessments of adequacy with recommendations to Minister regarding emerging or existing risks if necessary	Quarterly assessments of adequacy with recommendations to Minister regarding emerging or existing risks if necessary
3.2.3	Assist Eskom in securing additional funding	Cabinet approval of hybrid funding solution for Eskom to enable it to complete its build programme to 2017	Cabinet approval of additional R174 billion guarantee as part of hybrid funding solution	Decision memo on Eskom's loans with World Bank and AfDB Loan and International Bond Issuance approved by Minister	Continue execution of the Eskom funding plan to continue its build programme to 2017 unabated	Continued execution of the Eskom funding plan to continue its build programme to 2017 unabated	Continued execution of the Eskom funding plan to continue its build programme to 2017 unabated	Continued execution of the Eskom funding plan to continue its build programme to 2017 unabated
3.2.4	Ensure timely allocation of IRP	-	-	-	Finalise Eskom IRP2010 allocations by Minister of Energy	-	-	-
3.2.5	Monitor implementation of maintenance strategy	-	-	-	Improve maintenance levels to 10% to reduce backlog	Reduction in maintenance backlog by end-2013 and maintenance of 7% planned maintenance levels thereafter	Maintain levels of maintenance at 7%	Maintain levels of maintenance at 7%
3.2.6	Ensure timely delivery of Build programme or securing alternative supply	-	-	Initiate an independent assessment of Eskom's build programme management practices	Complete the independent assessment of Eskom's build programme management practices and ensure corrective action is taken where necessary to improve performance and delivery	Continued monitoring of Eskom's delivery of its new build programme against shareholder compact targets and IRP2010 delivery schedule	Continued monitoring of Eskom's delivery of its new build programme against shareholder compact targets and IRP2010 delivery schedule	Continued monitoring of Eskom's delivery of its new build programme against shareholder compact targets and IRP2010 delivery schedule

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.3.2 Programme Performance Indicators and Annual Targets for Energy and Broadband Enterprises for 2012/13 (cont.)

Programme performance indicator		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
3.3 Reduce dependence on the fiscus by monitoring cost escalations, delivery schedule (time) and workmanship quality for the build programme and developing innovative funding mechanisms								
3.3.1	Developing a framework for monitoring the implementation of the capital investment programme with an emphasis on creating value-add benefits to the local, provincial and national economy	-	-	-	Approved and implemented Capex monitoring programme	Project to be completed in 2012/13 with continued monitoring in subsequent years	Project to be completed in 2012/13 with continued monitoring in subsequent years	Project to be completed in 2012/13 with continued monitoring in subsequent years
3.3.2	Monitor the rollout of Capital Investment programme within the agreed framework	-	-	-	Conduct bi-annual assessment of Capex programme delivery with recommendations to Board on corrective action needed and where necessary providing shareholder support	Bi-annual assessment of Capex programme delivery with recommendations to Board on corrective action needed and where necessary providing shareholder support	Bi-annual assessment of Capex programme delivery with recommendations to Board on corrective action needed and where necessary providing shareholder support	Bi-annual assessment of Capex programme delivery with recommendations to Board on corrective action needed and where necessary providing shareholder support
3.3.3	Assist Eskom in developing a long term funding plan as well engaging with other financial institutions such as Development Finance Institutions and Multilaterals	Assisted Eskom in developing a long term funding plan as well engaging with other financial institutions such as Development Finance Institutions and Multilaterals	Approved Eskom's interim and MYPD 2 tariff application in 2008/9	Government assisted Eskom in securing additional funding (World Bank Loan, AfDB Loan, International Bonds, etc) for the build programme	Assist Eskom in finalising its MYPD 3 revenue application and providing it guidance on public-private partnerships and public-public partnerships	Additional funding support may be needed from Government depending on the Eskom allocation by the Minister of Energy for New Build beyond 2017	Additional funding support may be needed from Government depending on the Eskom allocation by the Minister of Energy for New Build beyond 2017	Additional funding support may be needed from Government depending on the Eskom allocation by the Minister of Energy for New Build beyond 2017
3.4 Implementation of the care and maintenance strategy as approved by Cabinet								
3.4.1	Safeguard state owned assets by monitoring progress against the implementation of the Care and Maintenance by PBMR	Cabinet decision to place PBMR into Care and Maintenance was obtained in September 2010	Completion of Phase 1 of the Care and Maintenance Programme, which is comprised of 3 Phases	Significant progress with Phase 2 of the Care and Maintenance programme with 90% of tasks complete	Finalise Phase 2 of the Care and Maintenance programme and handover to Eskom as the host company up to the end of 2013 and submission of a Cabinet memo updating on progress with the transition to care and maintenance	Cabinet submission to determine the future of PBMR beyond December 2013 to be submitted	Will depend on Cabinet decision	Will depend on Cabinet decision

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.3.2 Programme Performance Indicators and Annual Targets for Energy and Broadband Enterprises for 2012/13 (cont.)

Programme performance indicator		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>3.5 Support increased access to broadband</b>								
3.5.1	Progress with national long distance network capex expenditure	Improved network coverage and capacity	Improved network coverage and capacity and management systems. and commercial launch in November 2010	Continued network enhancement and Infraco assuming maintenance and operations responsibilities from Neotel	Continued network strengthening and increased coverage with more points of presence strategically placed to improve access to wholesale broadband	Continued network strengthening and increased coverage with more points of presence strategically placed to improve access to wholesale broadband	Continued network strengthening and increased coverage with more points of presence strategically placed to improve access to wholesale broadband	Continued network strengthening and increased coverage with more points of presence strategically placed to improve access to wholesale broadband
3.5.2	Quarterly reports assessed with update on WACS progress and capex expenditure update and decision memo's prepared for Minister monitored	Consortium Agreements signed and orders for cable placed	Laying of the Marine Cable commenced	Marine Cable landed in Yzerfontein on the West Coast. Continued rollout of the necessary infrastructure	Final delivery and commissioning of all the components of the cable with it being brought into operation in the second quarter of the financial year	-	-	-

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.3.3 Quarterly Targets for Energy and Broadband Enterprises for 2012/13

Performance indicator		Reporting Period	Annual targets	Quarterly targets			
			2012	1st	2nd	3rd	4th
3.3.1	New Corporate plans assessed ESKOM INFRACO	Annual		2	-	-	-
			Plan Approved	y	-	-	-
			Plan Approved	y	-	-	-
	Annual Report Assessed ESKOM INFRACO	Annual		-	-	2	-
			Annual Report Assessed	-	-	y	-
			Annual Report Assessed	-	-	y	-
	Shareholder Compact Approved ESKOM INFRACO	Annual		-	-	2	-
			Signed Compact	-	-	y	-
			Signed Compact	-	-	y	-
	AGMs held for communicating Strategic Intent ESKOM INFRACO	Annual		-	-	2	-
			AGM held	-	-	y	-
			AGM held	-	-	y	-
	Quarterly Report assessed and memo prepared for Minister ESKOM INFRACO	Quarterly		2	2	2	2
			Quarterly Assessments & Investor Briefs	y	y	y	y
			Quarterly Assessments & Investor Briefs	y	y	y	y
3.3.2	Quarterly reports assessment of security of electricity supply ESKOM	Quarterly					
			Quarterly Assessment	y	y	y	y
3.3.3	Quarterly Generation adequacy briefing memos ESKOM	Quarterly					
			Quarterly Briefing	y	y	y	y
3.3.4	Decision memo on Eskom IRP allocation ESKOM	Annual					
			Position Paper			y	
3.3.5	Briefing memo on Implementation of Maintenance Strategy ESKOM	Quarterly					
			Quarterly Briefing	y	y	y	y



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.3.3 Quarterly Targets for Energy and Broadband Enterprises for 2012/13 (cont.)

Performance indicator		Reporting Period	Annual targets	Quarterly targets			
			2012	1st	2nd	3rd	4th
3.3.6	Decision memo on approval of Monitoring Framework for CAPEX ESKOM	Annual					
			Annual Assessment of Eskom Capex Programme Delivery (Analysis & Corrective Action Plan if needed)		y		
3.3.7	Briefing memo on Status of CAPEX Rollout ESKOM	Quarterly					
			Quarterly Briefing	y	y	y	y
3.3.8	Decision memo approving submission of Cabinet Memo PBMR	Annual					
			Cabinet Memo			y	
3.3.9	Decision memo on the Rollout of National Long Distance Infrastructure Network and New Points of Presence (POPS) INFRACO	Quarterly					
			Quarterly Briefing	y	y	y	y
3.3.10	Decision memo on the Rollout of WACS INFRACO	Quarterly					
			Quarterly Briefing	y	y	y	y
3.3.11	Reduce dependence on the fiscus is included in the assessment of the quarterly report ESKOM	Quarterly	Quarterly Briefing	y	y	y	y

#### **Achievements/outputs for the period:**

In addition to the fulfilment of all statutory shareholder functions including the evaluation of the Eskom and Broadband Infraco's corporate plans, development of a shareholder compacts (including a shareholder strategic intent statement), quarterly and annual reporting, as well as approval of significant and material transactions, the following key enabling environment support was provided to enhance SOC performance:

The Department was instrumental in developing and obtaining cabinet backing for the financing support

package that will enable Eskom to deliver on the capital investment programme on time and within budget. Cabinet approved that Eskom be granted R174 billion in additional guarantees, bringing the total guarantee framework to R350 billion. As a result of the Government Support Package, Eskom was able to issue a US\$ bond and raise R12 billion, without utilising a government guarantee. Eskom's funding plan until 2017 has been finalised and 70% of the funding has been secured.



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

The Department played a supporting role by contributing to the DoE Integrated Resource Plan (IRP). To facilitate this, the Department, together with Eskom and Treasury, successfully negotiated and finalised loan agreements linked to the Clean Technology Fund for Eskom's Renewable Support Projects. These projects, which are co-financed by the World Bank and the African Development Bank, will be used as a catalyst for Government to achieve its Renewable Energy targets as set out in the IRP.

The Department monitors Eskom's generation adequacy by quarterly and annually examining its maintenance and operational practices, distribution efficiency, and the reserve margin, resulting in supply and demand being in balance with reserve margin above 15%. The Department also creates an enabling policy and regulatory environment for the SOC by engaging with the DoE and NERSA in relation to new policies and regulations affecting Eskom, particularly the Electricity Regulation Amendment Bill, the NERA Bill, the ISMO Bill, and the New Generation Regulations.

The Department has continuously monitored and ensured the delivery of new energy generation, focused on Eskom's capital investment programme, through regular updates and interaction with Eskom, and by engaging with stakeholders in the energy sector and NEDLAC. Since the inception of the Eskom build programme an additional generation capacity amounting to 5 381 MW was added to the grid, 3 531 km of transmission lines, and 17 920 MVA of transformation capacity was installed to evacuate the power. Further short-term capacity was procured from Municipal and IPPs to compensate for potential delays in the new build programme, whilst at the same time vigilant oversight of the Eskom Capital Expenditure Programme has been elevated to a special dedicated forum between the DPE and Eskom. Through this intervention, Eskom's Capital Expenditure Programme has remained on schedule and within budget.

The Department has also engaged with other departments on the optimal structure of the proposed Independent System Operator and the best way to ensure the appropriate introduction of Independent Power Producers (IPPs). The Department has instructed Eskom to establish a divisional ISMO in the interim, while the due diligence on the different functions is underway.

To ensure cost reduction, and improve on safety in the Eskom Build Programme, the Department has been actively involved in co-coordinating and

monitoring the coal haulage, road to rail migration plan, and the coal haulage road maintenance and refurbishment, through the Inter-Ministerial Committee on Energy. Road maintenance is progressing well in Mpumalanga, while the road to rail migration plan is in an advanced stage with the MOU being agreed between Eskom and Transnet. The Camden Containerised Programme is complete while the other initiatives are at an advanced stage.

In view of the fact that the PBMR failed to acquire additional investment or secure a customer, Government re-examined PBMR's future in order to find a sustainable and viable way forward for the company. As a result of this, a decision was taken to place the company into "care and maintenance" to protect and preserve its intellectual property and assets.

The "care and maintenance" programme is being implemented in three phases. Phase 1, involving the finalisation of a rationalisation process to reduce the employee complement to 9 individuals, has been completed. Phase 2 entails the handover of the "care and maintenance" company to the designated host company. Phase 3 comprises the actual preservation of the IP. The Department is focused on ensuring that the "care and maintenance" mode is effected timeously and that no further funding will be required.

In 2010, the Department engaged a service provider to conduct a study to evaluate the implications and impact of Infraco not obtaining an Electronic Communications Services licence. The Department considered and assessed suggested mitigation options which were analysed and resulted in the establishment of a Joint Venture ("JV") model between Broadband Infraco and Sentech. The Department worked with the Department of Communications (DOC) and National Treasury to implement the JV project in KwaZulu Natal, which will demonstrate effective collaboration by these entities.

In 2011, the Department commissioned a service provider to perform an assessment of the positioning of Infraco within the telecommunication market (both national and international). This exercise will ensure that Infraco's business case is aligned with its statutory mandate, by providing access to affordable broadband services across the country.

In order to align the shareholder objectives with the policy and regulatory objectives, the Department has engaged with other departments by participating in the Broadband implementation committee which has been established by the DOC.

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.4 MANUFACTURING ENTERPRISES COMPRISES

- Management comprises the office of the deputy director general which provides strategic leadership and management of the programme personnel.
- **Denel** – Shareholder management and oversight of Denel's financial performance and strategy implementation.
- **Alexkor** – Shareholder management and oversight of Alexkor including re-directing Alexkor's commercial focus and sustainability, and overseeing the implementation of the Richtersveld Deed of Settlement.
- **SAFCOL** (South African Forestry Company Limited) - shareholder management and oversight including forestry management, timber harvesting, timber processing and related activities, both domestically and internationally as well as oversight of the entity's restructuring.

#### 4.4.1 Strategic Objective Annual Targets for 2012/13

1. Effective shareholder oversight of Denel, Alexkor and SAFCOL

### DENEL

2. Definition of Denel's future role and strategic mandate with associated Turnaround Plan
3. Denel/defence industry support framework
4. Review of the progress of the 2008 Denel End State Cabinet recommendations
5. Denel Aerostructures business sustainability

### ALEXKOR

6. Re-direction of Alexkor's commercial focus and sustainability
7. Alexkor Board Review
8. Oversight of Richtersveld Deed of Settlement implementation

### SAFCOL

9. Definition of role and Institutional form for SAFCOL
10. Maximising value of current SAFCOL processing assets.
11. Transfer of Minority Shares
12. KLF land claims Settlement Model
13. Enhancement of SAFCOL Developmental Contribution

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.4.1 Strategic Objective Annual Targets for 2012/13

Strategic objective		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>DENEL</b>								
<b>4.1 Shareholder Oversight of Denel, Alexkor and Safcol</b>								
Analysis and assessment of corporate plan	Assessed corporate plans to ensure alignment to both the Shareholder Strategic Intent and long term sustainability of the SOC	Assessed corporate plans to ensure alignment to both the Shareholder Strategic Intent and long term sustainability of the SOC	Assessed corporate plans to ensure alignment to both the Shareholder Strategic Intent and long term sustainability of the SOC	Assessed corporate plans to ensure alignment to both the Shareholder Strategic Intent and long term sustainability of the SOC	Assessment of corporate plans to ensure alignment to both the Shareholder Strategic Intent and long term sustainability of the SOC	Assessment of corporate plans to ensure alignment to both the Shareholder Strategic Intent and long term sustainability of the SOC	Assessment of corporate plans to ensure alignment to both the Shareholder Strategic Intent and long term sustainability of the SOC	Assessment of corporate plans to ensure alignment to both the Shareholder Strategic Intent and long term sustainability of the SOC
	Decision memorandum approved by Minister	Decision memorandum approved by Minister	Decision memorandum approved by Minister	Decision memorandum approved by Minister	Decision memorandum to be approved by Minister	Decision memorandum to be approved by Minister	Decision memorandum to be approved by Minister	Decision memorandum to be approved by Minister
Analysis of annual report	Analysed performance of the SOC against agreed targets as in the Shareholder Compact, governance framework, PFMA and other applicable legislations. Prepared decision memorandum with recommendations for approval by Minister	Analysed performance of the SOC against agreed targets as in the Shareholder Compact, governance framework, PFMA and other applicable legislations. Prepared decision memorandum with recommendations for approval by Minister	Analysed performance of the SOC against agreed targets as in the Shareholder Compact, governance framework, PFMA and other applicable legislations. Prepared decision memorandum with recommendations for approval by Minister	Analysed performance of the SOC against agreed targets as in the Shareholder Compact, governance framework, PFMA and other applicable legislations. Prepared decision memorandum with recommendations for approval by Minister	Analysis of the performance of the SOC against agreed targets as in the Shareholder Compact governance framework, PFMA and other applicable legislations. Prepare decision memorandum with recommendations for approval by Minister	Analysis of the performance of the SOC against agreed targets as in the Shareholder Compact, governance framework, PFMA and other applicable legislations. Prepare decision memorandum with recommendations for approval by Minister	Analysis of the performance of the SOC against agreed targets as in the Shareholder Compact, governance framework, PFMA and other applicable legislations. Prepare decision memorandum	Analysis of the performance of the SOC against agreed targets as in the Shareholder Compact, governance framework, PFMA and other applicable legislations. Prepare decision memorandum with recommendations for approval by Minister
Negotiation and approval of shareholder compact	Negotiated and reached agreement on key shareholder compact targets for the financial year. Decision memorandum approved by Minister. Shareholder compact signed at the next AGM	Negotiated and reached agreement on key shareholder compact targets for the financial year. Decision memorandum approved by Minister. Shareholder compact signed at the next AGM	Negotiated and reached agreement on key shareholder compact targets for the financial year. Decision memorandum approved by Minister. Shareholder compact signed at the next AGM	Negotiated and reached agreement on key shareholder compact targets for the financial year. Decision memorandum approved by Minister. Shareholder compact signed at the next AGM	Negotiate and agree on key shareholder compact targets for the financial year. Decision memorandum to be approved by Minister. Shareholder compact to be signed at the next AGM	Negotiate and agree on key shareholder compact targets for the financial year. Decision memorandum to be approved by Minister. Shareholder compact to be signed at the next AGM	Negotiate and agree on key shareholder compact targets for the financial year. Decision memorandum to be approved by Minister. Shareholder compact to be signed at the next AGM	Negotiate and agree on key shareholder compact targets for the financial year. Decision memorandum to be approved by Minister. Shareholder compact to be signed at the next AGM
Strategic Intent Statement in preparation for Annual General Meeting	Drafted Strategic Intent Statement. Decision memorandum approved by Minister	Drafted Strategic Intent Statement. Decision memorandum approved by Minister	Drafted Strategic Intent Statement. Decision memorandum approved by Minister	Drafted Strategic Intent Statement. Decision memorandum approved by Minister	Draft Strategic Intent Statement. Decision memorandum approved by Minister	Draft Strategic Intent Statement. Decision memorandum approved by Minister	Draft Strategic Intent Statement. Decision memorandum approved by Minister	Draft Strategic Intent Statement. Decision memorandum approved by Minister

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.4.1 Strategic Objective Annual Targets for 2012/13 (cont.)

Strategic objective		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	Assessment of quarterly reports and reparation of quarterly investor briefs	Performed assessment providing financial, operational performance of the SOC against pre-determined targets and other Government objectives. Memorandum with recommendations and communiqué to the SOC approved by Minister	Performed assessment providing financial, operational performance of the SOC against pre-determined targets and other Government objectives. Memorandum with recommendations and communiqué to the SOC approved by Minister	Performed assessment providing financial operational performance of the SOC against pre-determined targets and other Government objectives. Memorandum with recommendations and communiqué to the SOC approved by Minister	Conduct assessment providing financial operational performance of the SOC against pre-determined targets and other Government objectives. Memorandum with recommendations and communiqué to the SOC to be approved by Minister	Conduct assessment providing financial operational performance of the SOC against pre-determined targets and other Government objectives. Memorandum with recommendations and communiqué to the SOC to be approved by Minister	Conduct assessment providing financial operational performance of the SOC against pre-determined targets and other Government objectives. Memorandum with recommendations and communiqué to the SOC to be approved by Minister	Conduct assessment providing financial operational performance of the SOC against pre-determined targets and other Government objectives. Memorandum with recommendations and communiqué to the SOC to be approved by Minister
	Evaluation and review of SOC Board	Board reviewed and recommendations made to Minister	Board reviewed and recommendations made to Minister	Board reviewed and recommendations made to Minister	Perform annual Board evaluation and review with recommendations to Minister	Perform annual Board evaluation and review with recommendations to Minister	Perform annual Board evaluation and review with recommendations to Minister	Perform annual Board evaluation and review with recommendations to Minister
	Financial and Technical assessment of PFMA Applications	Decision memos approved by Minister	Decision memos approved by Minister	Decision memos approved by Minister	Decision memos to be approved by Minister	Decision memos to be approved by Minister	Decision memos to be approved by Minister	Decision memos to be approved by Minister
	Definition of Denel's future role and strategic mandate with associated Turnaround Plan	-	Assessed Turnaround plan submitted by Denel. Guarantees secured	Assessed Turnaround plan submitted by Denel. Guarantees rolled over	Tenets for future Denel business model identified. Independent study undertaken on scope for application of tenets to future Denel strategy. MTEF funding application submitted	Alignment across Government on Denel strategic mandate. Development of turnaround plan that pursues financial recovery and stability through improvements in its operational and financial performance	Development of appropriate funding model/mix to support Denel growth and sustainability	Monitoring implementation of turnaround plan
	Denel/defence industry stakeholder framework	-	-	-	Active engagement in defence industry strategy review forum	Development of Denel/defence industry stakeholder framework which identifies defence industry enablers for Denel's business sustainability	Intervention in relation to respective stakeholders and support mechanisms for Denel's business sustainability	Review/assessment of impact of current strategic equity partnerships on Denel sustainability
	Review of the progress of the 2008 Denel End State Cabinet recommendations	-	-	-	-	Update to Cabinet on progress made on 2008 Denel End State Cabinet recommendations	-	-

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.4.1 Strategic Objective Annual Targets for 2012/13 (cont.)

Strategic objective		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	Denel Aerostructures business sustainability	-	Review of equity partnership	Assessed Denel Aerostructures restructuring plan	Development of the Framework for the resolution of Denel Aerostructures business developed	Assessment of revised Denel Aerostructures business plan	Monitoring Denel Aerostructures business performance	Monitoring Denel Aerostructures business performance
	Definition of role and Institutional form for SAFCOL	-	Workshop held with DAFF, DRDLR and SAFCOL on future role of SAFCOL	Formulated of proposals on the future role and institutional form for SAFCOL	Inter-governmental consultations on the proposed future role	Finalisation of the strategy for SAFCOL's future role	Implement-ation of the strategy	Monitor implementation of the strategy
	Maximising value of current SAFCOL processing assets	-	-	-	Approval to invest in current processing assets	Monitor the viability of the existing custom cut processing plants and Timbadola sawmill	Monitoring the contribution to SAFCOL's performance	Monitoring the contribution to SAFCOL's performance
	Transfer of Minority Shares	-	Identified NEF as the appropriate vehicle to warehouse the shares	DRDLR investigated in house capabilities to warehouse the shares	Inter-ministerial engagements to fast track the process to transfer shares	Transfer minority shares to the Department of Rural Development and Land Reform (DRDLR) through Cabinet approval	Implement cabinet decision.	-
	KLF land claims Settlement Model	-	Stakeholder interaction on the development of the land claims settlement model	Participated in the forestry land claims task team	Facilitate KLF land claims task team	Develop a settlement model for KLF	Implement the settlement model	-
	Enhancement of SAFCOL Developmental Contribution	-	-	Improved contribution to the BBBEE Forestry Sector Charter	Pilot projects on timber framed structures	Contribute to the reduction of socio-infrastructure backlogs in areas where SAFCOL operates by promoting the use of timber framed structures	Roll out of timber framed infrastructures	Monitor the roll out of infrastructure and contribution to the backlog

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.4.2 Programme Performance Indicators and Annual Targets for Manufacturing Enterprises for 2012/13

Programme performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>4.1 Shareholder Oversight</b>							
Formulation of Shareholder Strategic Intent statement	Shareholder Strategic Intent Statement approved and communicated by Minister at the AGM	Shareholder Strategic Intent Statement approved and communicated by Minister at the AGM	Shareholder Strategic Intent Statement approved and communicated by Minister at the AGM	Shareholder Strategic Intent Statement to be approved and communicated by Minister at the AGM	Shareholder Strategic Intent Statement approved and communicated by Minister at the AGM	Shareholder Strategic Intent Statement approved and communicated by Minister at the AGM	Shareholder Strategic Intent Statement approved and communicated by Minister at the AGM
Conclusion of shareholder compact	Shareholder compact agreed and signed by Minister and the chairperson of the SOC at the AGM	Shareholder compact agreed and signed by Minister and the chairperson of the SOC at the AGM	Shareholder compact agreed and signed by Minister and the chairperson of the SOC at the AGM	Shareholder compact to be agreed and signed by Minister and the chairperson of the SOC at the next AGM	Shareholder compact to be agreed and signed by Minister and the chairperson of the SOC at the next AGM	Shareholder compact to be agreed and signed by Minister and the chairperson of the SOC at the next AGM	Shareholder compact to be agreed and signed by Minister and the chairperson of the SOC at the next AGM
Assessment of Corporate Plan	Corporate Plan assessed to determine their alignment to the pre determined objectives and other Government objectives and the long term viability of the SOC. A communiqué sent to the SOC	Corporate Plan assessed to determine their alignment to the pre determined objectives and other Government objectives and the long term viability of the SOC. A communiqué sent to the SOC	Corporate Plan assessed to determine their alignment to the pre determined objectives and other Government objectives and the long term viability of the SOC. A communiqué sent to the SOC	Corporate Plan to be assessed to determine alignment to the pre determined objectives and other Government objectives and the long term viability of the SOC. A communiqué to be sent to the SOC	Corporate Plan to be assessed to determine alignment to the pre determined objectives and other Government objectives and the long term viability of the SOC. A communiqué to be sent to the SOC	Corporate Plan to be assessed to determine alignment to the pre determined objectives and other Government objectives and the long term viability of the SOC. A communiqué to be sent to the SOC	Corporate Plan to be assessed to determine alignment to the pre determined objectives and other Government objectives and the long term viability of the SOC. A communiqué to be sent to the SOC.
Assessment of quarterly reports	-	Quarterly assessments of the financial, operational performance and other strategic objectives targets against predetermined targets. A communiqué to the SOC sent by Minister	Quarterly assessments of the financial, operational performance and other strategic objectives targets against predetermined targets. A communiqué to the SOC sent by Minister	Quarterly assessments to be conducted of the financial operational performance and other strategic objectives targets against predetermined targets. A communiqué to the SOC sent by Minister	Quarterly assessments to be conducted of the financial operational performance and other strategic objectives targets against predetermined targets. A communiqué to the SOC sent by Minister	Quarterly assessments to be conducted of the financial operational performance and other strategic objectives targets against predetermined targets. A communiqué to the SOC sent by Minister	Quarterly assessments to be conducted of the financial operational performance and other strategic objectives targets against predetermined targets. A communiqué to the SOC sent by Minister
Evaluation and review of SOC Board	Board Evaluation and Review	Board Evaluation and Review	Board Evaluation and Review	Board Evaluation and Review	Board Evaluation and Review	Board Evaluation and Review	Board Evaluation and Review
Analysis of Denel, Alexkor and SAFCOL Annual Reports	3	3	3	3	3	3	3
Annual General Meetings – Denel, Alexkor and SAFCOL	3	3	3	3	3	3	3



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.4.2 Programme Performance Indicators and Annual Targets for Manufacturing Enterprises for 2012/13 (cont.)

Programme performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Assessment of PFMA Applications for Denel, Alexkor and SAFCOL	Completed	Completed	Completed	As required	As required	As required	As required
<b>4.2 Definition of Denel's Future Role and Strategic Mandate with Associated Turnaround Plan</b>							
Definition of Denel's future role and strategic mandate by alignment across Government on Denel strategic mandate	-	-	Identified and engaged on key areas necessary for alignment	Key issues facing Denel and interventions identified	Strategic Intent Statement to be agreed by all relevant Departments and stakeholders	Formulation of Denel's future role and mandate	Implement-ation of the strategy for Denel's future role
Development of turnaround plan that pursues financial recovery and stability to secure its long term viability and reduce dependence on the fiscus	-	-	Assessed turnaround plan submitted by Denel	Tenets for future Denel business model identified and communicated to Denel	Review and decision on independent study that was undertaken to assess the applicability of the identified tenets for future Denel model	Implementation of the recommendations of the study	-
Development of funding model/mix to support Denel growth and sustainability	-	Guarantees of R1.3 billion secured.	Roll over of R1.3 billion approved and additional R550million secured	MTEF application of R2 billion made to National Treasury	Investigate alternative funding options to support growth strategy	Review funding model based on the growth of the business	Review funding model based on the growth of the business
<b>4.3 Denel/Defence Industry Support Framework</b>							
Development of Denel/defence industry stakeholder framework which identifies defence industry enablers and support mechanisms for Denel's business sustainability	-	-	-	Active engagement in defence industry strategy review forum	Development of Denel/defence industry stakeholder framework which identifies defence industry enablers for Denel's business sustainability	intervention in relation to respective stakeholders and support mechanisms for Denel's business sustainability	Review/assessment of impact of current strategic equity partnerships on Denel sustainability
Review/assessment of impact of current strategic equity partnerships on Denel sustainability	Monitored performance of current strategic equity partnerships	Monitored performance of current strategic equity partnerships	Monitored performance of current strategic equity partnerships	Monitoring performance of current strategic equity partnerships	Review/assessment of impact of current strategic equity partnerships on Denel sustainability to enable informed input into policy guideline for private sector participation	Input into policy guideline for private sector participation in Denel	Monitoring private sector participation in Denel



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.4.2 Programme Performance Indicators and Annual Targets for Manufacturing Enterprises for 2012/13 (cont.)

Programme performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>4.4 Review of the Progress of the 2008 Denel End State Cabinet Recommendations</b>							
Status update to Cabinet on the progress of the 2008 Denel End State Cabinet recommendations	-	-	-	-	Review/assessment of progress made on 2008 Denel End State Cabinet recommendations	-	-
Review/ assessment of benefits/ lessons learnt from Rooivalk programme and how these can be applied to other major Denel programmes	-	-	Assessed PFMA application to discontinue Rooivalk	Secure client funding to continue Rooivalk programme	Study on benefits/lessons learnt from Rooivalk programme and how these can be applied to other major Denel programmes	Application of study recommendations to other major Denel programmes	-
<b>4.5 Denel Aerostructures Business Sustainability</b>							
Assessment of revised Denel Aerostructures business plan and impact of revised work package contract terms on the viability of Denel Aerostructures business	-	Reviewed equity partnership in Denel Aero-structures business. Exit options investigated.	Assessed Denel Aero-structures restructuring plan and funding requirements developed, involving internal restructuring and renegotiation of work package contract for commercial sustainability	Framework for the resolution of Denel Aero structures business package contract terms on the viability of Denel Aerostructures business (financial, operational, technical, programme management)	Assessment of revised Denel Aerostructures business plan and impact of revised work financial, operational, technical, programme management targets	Monitoring Denel Aero-structures business performance against financial, operational, technical, programme management targets	Monitoring Denel Aero-structures business performance against financial, operational, technical, programme management targets
Development of funding model and other support mechanisms for Denel Aerostructures business sustainability	-	Indemnity claim processed	Assessed Denel Aero-structures funding requirementsIndemnity claim processed	MTEF funding application. Indemnity claim processed	Investigate alternative funding options to support growth strategy.	Support Denel Aero-structures business in accessing additional work packages to ensure sustainability	Support Denel Aero-structures business in accessing additional work packages to ensure sustainability

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

Programme performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>4.6 Re-direction of Alexkor's Commercial Focus and Sustainability</b>							
Development of evaluation framework and funding model/mix to guide the investment decisions for new mining ventures and downstream beneficiation initiatives	-	Assessed impact of Richtersveld Deed of Settlement on Alexkor commercial sustainability	Alexkor strategy developed to ensure the company's long term viability, enabling it to effectively address its environmental rehabilitation and other liabilities.	MTEF funding application submitted for identified potential new mining ventures.	Development of evaluation framework and funding model/mix to guide the investment decisions for new mining ventures and downstream beneficiation initiatives (sampling, resource estimation, mine planning and treatment, and financial and economic modelling and capital constraints)	Assessment of identified potential mining ventures to ensure viability and positive impact on Alexkor strategy	Assessment of identified potential mining ventures to ensure viability and positive impact on Alexkor strategy
Monitoring new mining ventures and downstream beneficiation initiatives	-	-	-	Identification of new mining ventures and securing funding for new mining ventures	Approval of investment in new mining ventures	Monitoring new mining ventures and downstream beneficiation initiatives	Monitoring new mining ventures and downstream beneficiation initiatives
<b>4.7 Alexkor Board Review</b>							
Board evaluation and review for appointment of a full complement of members with the requisite skills, experience and expertise to drive the company's strategy	Board Evaluated and Reviewed	Board Evaluated and Reviewed	Board Evaluated and Reviewed	Board Evaluation and Review	Board Evaluation and Review	Board Evaluation and Review	Board Evaluation and Review
<b>4.8 Oversight of Richtersveld Deed of Settlement Implementation</b>							
Monitoring and assessment of performance of Pooling and Sharing Joint Venture between Alexkor and the Richtersveld Mining Company	-	Suspensive conditions for formation of Pooling and Sharing Joint Venture fulfilled	Pooling and Sharing Joint Venture formally established	Monitoring performance of the Pooling and Sharing Joint Venture (prospecting plan, work programme, mining plan) to ensure sustainability	Monitoring performance of the Pooling and Sharing Joint Venture (prospecting plan, work programme, mining plan) to ensure sustainability	Monitoring performance of the Pooling and Sharing Joint Venture (prospecting plan, work programme, mining plan) to ensure sustainability	Monitoring performance of the Pooling and Sharing Joint Venture (prospecting plan, work programme, mining plan) to ensure sustainability
Monitoring of Alexander Bay Township infrastructure upgrade and transfer of outstanding assets to the Richtersveld Community	-	Funding allocated for Alexander Bay Township infrastructure upgrade	Monitored Alexander Bay Township infrastructure upgrade according to project plan	Completion of Alexander Bay Township infrastructure upgrade project	Transfer of outstanding assets to the Richtersveld Community in accordance with the Deed of Settlement	-	-

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.4.2 Programme Performance Indicators and Annual Targets for Manufacturing Enterprises for 2012/13 (cont.)

Programme performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>4.9 Definition of Role and Institutional Form for SAFCOL</b>							
Define the role and Institutional form for SAFCOL to strengthen its contributions to rural development and the Forestry industry	-	Workshop conducted with DAFF, DRDLR and SAFCOL on future role of SAFCOL	Formulation of proposals on the future role and institutional form for SAFCOL	Inter-governmental consultation on the proposed future role	Finalising the strategy for SAFCOL's future role	Implementation of the strategy	Monitor implementation of the strategy
<b>4.10 Maximising Value Of Current SAFCOL Processing Assets</b>							
Maximise value of the processing assets through Brown-field investments and refurbishments of current sawmills	-	-	-	Approval to invest in current processing assets subsequent to assessment of 2011 corporate plan	Monitor the viability of the existing custom cut processing plants and Timbadola sawmill	Monitoring the contribution to SAFCOL's performance	Monitoring the contribution to SAFCOL's performance
<b>4.11 Transfer of SAFCOL Minority Shares</b>							
Transfer of SAFCOL minority shares to the Department of Rural Development and Land Reform (DRDLR) through Cabinet approval	-	Identified NEF as the appropriate vehicle to warehouse the shares	DRDLR investigated in house capabilities to warehouse the shares	Inter-ministerial engagements to fast track the process to transfer shares	Transfer minority shares to the Department of Rural Development and Land Reform (DRDLR) through Cabinet approval	Implement cabinet decision	-
<b>4.12 KLF land claims Settlement Model</b>							
Develop a settlement model to fast track Komatiand Forests (KLF) land claims that will ensure meaningful benefits to the successful land claimants	-	KLF land claims Settlement Model	Stakeholder interaction on the development of the land claims settlement model	Participate in the forestry land claims task team.	Facilitate KLF land claims task team	Develop a settlement model for KLF	Implement the settlement model
<b>4.13 Enhancement of SAFCOL Developmental Contribution</b>							
Reduction of socio-infrastructure backlogs in Mpumalanga, Limpopo and KZN by promoting the use of timber framed structures in the housing, education and health areas	-	-	Improved contribution to the BBBEE Forestry Sector Charter	Pilot projects on timber framed structures	Contribute to the reduction of socio-infrastructure backlogs in areas where SAFCOL operates by promoting the use of timber framed structures	Roll out of timber framed infra-structures	Monitor the roll out of infra-structure and contribution to the backlog

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.4.3 Quarterly Targets for Manufacturing Enterprises for 2012/13

Performance indicator		Reporting Period	Annual targets	Quarterly targets			
			2012	1st	2nd	3rd	4th
4.1 Shareholder Oversight							
	Conclude Strategic intent statement	Annual	1	-	1	-	-
	Analysis of corporate plans	Annual	1	1	-	-	-
	Annual shareholder compact	Annual	1	-	-	1	-
	Board Review	Annual	1	1	-	-	-
	Quarterly Reports	Quarterly	4	1	1	1	1
	Annual Reports	Annual	1	-	1	-	-
	Annual General Meeting	Annual	1	-	1	-	-
4.2 Definition of Denel's future role and strategic mandate with associated Turnaround Plan							
	Strategic Intent Statement to be agreed by all relevant Departments and stakeholders	Annual	1	-	1	-	-
	Review and decision on independent study that was undertaken to assess the applicability of the identified tenets for future Denel model	Annual	1	1	-	-	-
	Investigate alternative funding options to support growth strategy	Annual	1	-	-	1	-
4.3 Denel/defence industry support framework							
	Development of Denel/defence industry stakeholder framework which identifies defence industry enablers for Denel's business sustainability	Annual	1	-	-	-	1
	Review/assessment of impact of current strategic equity partnerships on Denel sustainability to enable informed input into policy guideline for private sector participation	Annual	1	-	-	1	-
4.4 Review of the progress of the 2008 Denel End State Cabinet recommendations							
	Review/assessment of progress made on 2008 Denel End State Cabinet recommendations	Annual	1			1	
	Study on benefits/lessons learnt from Rooivalk programme and how these can be applied to other major Denel programmes	Annual	1	-	-	-	1

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.4.3 Quarterly Targets for Manufacturing Enterprises for 2012/13 (cont.)

Performance indicator		Reporting Period	Annual targets	Quarterly targets			
			2012	1st	2nd	3rd	4th
4.5 Denel Aerostructures business sustainability							
	Assessment of revised Denel Aerostructures business plan and impact of revised work package contract terms on the viability of Denel Aerostructures business (financial, operational, technical, programme management)	Annual	1	1	-	-	-
	Investigate alternative funding options to support growth strategy.	Annual	1	-	1	-	-
4.6 Re-direction of Alexkor's commercial focus and sustainability							
	Development of evaluation framework and funding model/mix to guide the investment decisions for new mining ventures and downstream beneficiation initiatives(sampling, resource estimation, mine planning and treatment, and financial and economic modelling and capital constraints)	Annual	1	-	-	1	-
	Approval of investment in new mining ventures	Quarterly	As required	As required	As required	As required	As required
4.7 Alexkor Board Review							
	Board evaluation and review	Annual	1	1	-	-	-
4.8 Oversight of Richtersveld Deed of Settlement implementation							
	Monitoring performance of the Pooling and Sharing Joint Venture (prospecting plan, work programme, mining plan) to ensure sustainability	Quarterly	4	1	1	1	1
	Transfer of outstanding assets to the Richtersveld Community in accordance with Deed of Settlement	Annual				1	
4.9 Definition of role and Institutional form for SAFCOL							
	Finalising the strategy for SAFCOL's future role	Annual	1			1	
4.10 Maximising value of current SAFCOL processing assets							
	Monitor the viability of the existing custom cut processing plants and Timbadola sawmill	Annual	1	-	1	-	-

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.4.3 Quarterly Targets for Manufacturing Enterprises for 2012/13 (cont.)

Performance indicator		Reporting Period	Annual targets	Quarterly targets			
			2012	1st	2nd	3rd	4th
4.11 Transfer of SAFCOL Minority Shares							
	Transfer minority shares to the Department of Rural Development and Land Reform (DRDLR) through Cabinet approval	Annual	1	1	-	-	-
4.12 KLF land claims Settlement Model							
	Facilitate KLF land claims task team	Annual	1	-	-	-	1
4.13 Enhancement of SAFCOL Developmental Contribution							
	Contribute to the reduction of socio-infrastructure backlogs in areas where SAFCOL operates by promoting the use of timber framed structures.	Annual	1			1	

#### **Achievements/outputs for the period:**

In addition to the fulfilment of all statutory shareholder functions including the evaluation of the Denel, Alexkor and SAFCOL's corporate plans, development of shareholder compacts (including shareholder strategic intent statements), quarterly and annual reporting, as well as approval of significant and material transactions, the following key enabling environment support was provided to enhance SOC's performance.

The main focus has been engagement with Denel and National Treasury regarding effective implementation of Denel's turnaround strategy, and on cost cutting and revenue growth, as well as the enterprise's interim financial sustainability, with particular focus on Denel Saab Aerostructures. A roll-over of guarantees amounting to R1.85 billion has been secured as interim support to Denel. Denel has steadily reduced its losses and the company recorded a R111 million profit in 2010/11.

A framework for the resolution of Denel Saab Aerostructures (DSA) was developed. This, which included the implementation of a restructuring plan for DSA, was implemented, and this resulted in a 28% performance improvement. Agreement was also achieved with Airbus in the renegotiation of prices and risk sharing on the A400M work package contract, to make the contract more commercially sustainable.

Alexkor reported better results for the year ended 31 March 2011 than the previous year's performance. Alexkor achieved revenue of R195.9 million in 2010/11; a 19.5% increase from the R163.9 million achieved in the previous year. The increase in revenue was mainly as a result of the 13.3% higher carat production achieved compared to the previous year, coupled with higher diamond prices during 2010/11.

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

Alexkor also managed to reduce costs to R184.6 million, thus achieving cost savings of R39.4 million compared to budget. The cost reduction resulted in Alexkor achieving a gross operating profit of R11.3 million, its first gross operating profit since 2005/06 (2009/10: R10.0 million loss). Alexkor recorded a net operating profit of R76.8 million, a significant 184.6% improvement on the R27.0 million profit recorded in 2009/10. This improvement was mainly due to non-cash movements in the income statement relating to the recognition of compensation received from the Department of Rural Development and Land Reform (DRDLR) for the transfer of Alexkor's land mining rights to the Richtersveld Mining Company (R41.2 million) and adjustments to the post-retirement medical aid liability of R13.9 million (2009/10: R45.1 million). The actuarial gain experienced in 2009/10 was mainly attributable to a shift to a lower subsidy level within the medical aid scheme that provides similar benefits at lower contribution rates.

Net financing income amounting to R7.5 million was recorded through investment income from cash held in the rehabilitation trust. No taxation was provided for in 2010/11, as the taxable profits were set off against the accumulated tax losses. Consequently, there was a significant increase in the profit for the year, as Alexkor posted a net profit amounting to R84.2 million (2009/10: R36.1 million profit).

Alexkor returned to a positive equity position for the first time in 6 years as its capital and reserves improved significantly, from a net negative R67.3 million equity position in 2009/10, to R16.9 million, owing to a profit of R84.2 million.

Significant progress has been made in the implementation of the Deed of Settlement signed with the Richtersveld community in 2007. Alexkor's

agricultural and maricultural assets have been transferred to the community. All Alexkor, state and Northern Cape Provincial land has been transferred, except for the properties in Alexander Bay Township. The upgrade of the Alexander Bay Township civil and electrical engineering services to municipal standards is underway. All the suspensive conditions for the Pooling and Sharing Joint Venture (PSJV) between Alexkor and the Richtersveld Mining Company (RMC) to come into effect have been fulfilled, and the PSJV came into effect in April 2011.

The negative impact of the economic downturn, compounded by losses from fires in previous years, is posing critical challenges to SAFCOL, prompting the need for a business turnaround plan and SAFCOL Board review. A turnaround plan was submitted to the Department in February 2011 and assessed by the Department.

The Department has engaged with the DRDLR on this and on the transfer of minority shares for the benefit of surrounding communities from previously privatised packages. DRDLR is currently finalising its position on the optimal institutional vehicle to warehouse and effect the transfers.

Initial consultation with key role players (DAFF, the dti, EDD and SAFCOL) concerning work by the Department on SAFCOL's future role has occurred. SAFCOL's role is currently under review, taking into account Cabinet's decision in 2007 to privatise KLF and wind up SAFCOL, and in the context of the developmental state, particularly in view of the potential role SAFCOL can play in the advancement of rural development.



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.5 TRANSPORT ENTERPRISES

Purpose: to align the corporate strategies of Transnet, South African Airways (SAA) and South African Express Airways (SAX) with government's strategic intent and to monitor and benchmark their financial and operational performance.

The programme comprises of the following sub-programmes

- Management comprises the office of the deputy director general which provides strategic leadership and management of the programme personnel.
- Transnet - shareholder management and oversight of Transnet which includes the capital expansion programme and the effective operation of Transnet and its business units.
- SAA (South African Airways) and SAX (South African Express Airways) – shareholder management and oversight of SAA and SAX as well as monitoring SAA's transformation into a commercially successful national carrier that will contribute to the development of trade and tourism domestically and the rest of Africa, and overseeing the establishment of SAX as a regional carrier with a focus on the African market.

#### 4.5.1 Strategic Objective Annual Targets for 2012/13

1. Effective shareholder oversight of SAA, SAX and Transnet
2. Ensure the contribution of Transnet to achieving an efficient, competitive and responsive infrastructure (output 3 of outcome 6) – As per Minister's performance agreement
3. Develop National Corridor Performance Measurement (NCPM) tools and indicators
4. Improve investment in transport infrastructure
5. Development of a long term integrated transport infrastructure network plan
6. Strengthen the financial and liquidity position of SAA and SAX to ensure sustainability of the airlines
7. Further development and implementation of the African Aviation Strategy

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.5.1 Strategic Objective Annual Targets for 2012/13

Strategic Objective	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
5.1 Effective shareholder oversight of SAA, SAX and Transnet	Assessed the Annual, Quarterly Reports and Corporate Plans, agreed Shareholder Compacts with the Boards of Transnet, SAA and SAX	Assessed the Annual, Quarterly Reports and Corporate Plans, agreed Shareholder Compacts with the Boards of Transnet, SAA and SAX	Assessed of the Annual, Quarterly Reports and Corporate Plans, agreed Shareholder Compacts with the Boards of Transnet, SAA and SAX	Assessment of the Annual, Quarterly Reports and Corporate Plans, agreed Shareholder Compacts with the Boards of Transnet, SAA and SAX as well as the Strategic Intent Statements	Assessment of the Annual, Quarterly Reports and Corporate Plans, agreed Shareholder Compacts with the Boards of Transnet, SAA and SAX as well as the Strategic Intent Statements	Assessment of the Annual, Quarterly Reports and Corporate Plans, agreed Shareholder Compacts with the Boards of Transnet, SAA and SAX as well as the Strategic Intent Statements	Assessment of the Annual, Quarterly Reports and Corporate Plans, agreed Shareholder Compacts with the Boards of Transnet, SAA and SAX as well as the Strategic Intent Statements
5.2 Ensure the contribution of Transnet to achieving an efficient, competitive and responsive infrastructure (output 3 of outcome 6) – As per Minister's performance agreement	Outcomes process not yet in place	Outcomes process not yet in place	Completed phase 1 of the rail reform study; Finalised draft branch lines strategy	Initiated Phase 2 of the rail reform study; three branch lines concession opportunities identified; Cabinet approval of interim license for Transnet Port Terminals at Ngqura container terminals	Increased rail market share to total freight; Introduction of private operators on the branch lines network; Private Sector Participation framework finalised	At least 250 million tons moved on rail ; Multiple operators on the branch lines network; 10 Public Private; Partnerships (PPPs) in rail infrastructure; Licensed operator for Ngqura container terminal	Monitor of outputs in support of Outcome 6
5.3 Develop National Corridor Performance Measurement (NCPM) tools and indicators		Project manager for the National Corridor Performance Measurement (NCPM) appointed. NCPM project charter completed	NCPM project initiated	NCPM implementation on export coal, export iron ore and export manganese. First release of NCPM IT portal completed.	NCPM implementation on Gauteng/Durban and Gauteng/ Cape Town corridors; IT system operational.	Full NCPM system in place; Feedback of NCPM inputs to policy and Transnet Shareholder compact.	Monitor corridor performance via NCPM system.
5.4 Improve investment in transport infrastructure	Assessment of Transnet's capex programme	Assessed Transnet's capex	Assessed Transnet's; Assessment of Transnet's Infrastructure Plan	Assessment and monitoring of Transnet's capex programme	Assessment and monitoring of Transnet's capex programme	Assessment and monitoring of Transnet's capex programme	Assessment and monitoring of Transnet's capex programme
5.5 Development of a long term integrated transport infrastructure network plan		Project in the Department's plans	High level assessment of project requirement and budget	Draft Terms of Reference for the Long term freight network plan	Study on freight network plan initiated	National freight network design completed.	Freight network plan utilised as the guiding framework for Transnet's investments
5.6 Strengthen financial and liquidity position of SAA and SAX to ensure sustainability of the airlines		Modelling of the capital requirements of SAA and impact of high debt levels completed and facilitation of R1.6bn guarantee by National Treasury	Monitoring of the GCC conditions for the R1.6 billion guarantee through the shareholder compact	Reduced reliance of SAA on government support for the Air Traffic Liability required by the International Licensing Council; Review of the SAA business model completed	Assessment of the appropriate capital structures for SAA and SAX;	Increased sustainable levels of state owned airlines	Increased sustainable levels of state owned airlines
5.7 Further development and implementation of the African Aviation Strategy		Traffic flows and role of state airlines assessed	Assessed of SAA and SAX route network in relation to African expansion	Assess launch of new African routes	Approval of the Africa Aviation Strategy by Cabinet	Monitor implementation of the African Aviation Strategy	Monitor implementation of the African Aviation Strategy

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.5.2 Programme Performance Indicators and Annual Targets for Transport Enterprises for 2012/13

Programme performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>5.1 Effective shareholder oversight of SAA, SAX and Transnet</b>							
Signed Shareholder Compacts	Concluded Shareholder compacts for Transnet, SAA and SAX	Concluded Shareholder compacts for Transnet, SAA and SAX	Concluded Shareholder compacts for Transnet, SAA and SAX	Conclude Shareholder compacts for Transnet, SAA and SAX	Conclude Shareholder compacts for Transnet, SAA and SAX	Conclude Shareholder compacts for Transnet, SAA and SAX	Conclude Shareholder compacts for Transnet, SAA and SAX
Quarterly Reports Assessed for Transnet, SAA and SAX	Completed assessment of quarterly performance	Completed assessment of quarterly performance	Completed assessment of quarterly performance and accompanying investor briefs	Complete assessment of quarterly performance and accompanying investor briefs	Complete assessment of quarterly performance and accompanying investor briefs	Complete assessment of quarterly performance and accompanying investor briefs	Complete assessment of quarterly performance and accompanying investor briefs
Analysis and assessment of Annual Reports and Corporate Plans of Transnet, SAA and SAX	Analysis and assessment of the annual reports and corporate plans completed	Analysis and assessment of the annual reports and corporate plans completed	Analysis and assessment of the annual reports and corporate plans completed	Conduct analysis and assessment of the annual reports and corporate plans	Conduct analysis and assessment of the annual reports and corporate plans	Conduct analysis and assessment of the annual reports and corporate plans	Conduct analysis and assessment of the annual reports and corporate plans
Strategic intent statement prepared for the Annual General Meetings of Transnet, SAA and SAX	Shareholder communiqué at AGMs.	Shareholder communiqué at AGMs.	Draft Strategic intent statement finalised. Shareholder communiqué at AGMs.	Strategic intent statements prepared for discussion at the AGMs	Strategic intent statements prepared for discussion at the AGMs	Strategic intent statements prepared for discussion at the AGMs	Strategic intent statements prepared for discussion at the AGMs
<b>5.2 Ensure the contribution of Transnet to achieving an efficient, competitive and responsive infrastructure (output 3 of outcome 6) – As per Minister's performance agreement</b>							
Increase in rail market share to total freight		Transnet Freight Rail (TFR) moved 177 million tons per annum (mtpa) on rail	TFR achieved 182 mtpa on rail	TFR Target to move 206 mtpa on rail	Transnet compact target to move 224 mtpa on rail	Compact target for Transnet to move 250 mtpa on rail	Increased volumes of cargo moved on rail
Private sector participation in the rail environment	Outcomes process not yet in place	Outcomes process not yet in place	DPE mandate for Transnet to consider private sector investment to alleviate balance sheet constraints	Draft Private Sector Participation (PSP) framework developed	PSP framework approved by Cabinet	10 Public Private Partnerships achieved on rail	Continuous private sector participation in the rail environment
Multiple branch lines operators		Approval of the Transnet's PFMA application to implement concession model for branch lines network	Branch lines strategy finalised jointly with Department of Transport	Branch lines opportunities identified for concessioning; Enhanced model for branch lines approved	At least three private operators on branch lines	Monitor introduction of multiple operators on the branch lines network	Monitor introduction of multiple operators on the branch lines network
Licensed operator for the Ngqura container terminal		Ngqura container development commissioned	Process to regularize current operations at Ngqura initiated	Cabinet approval of interim license for Transnet Port Terminals to operate the Ngqura container terminal	Facilitate Request For Proposal to be issued to commence competitive process	Monitor process by National Ports Authority to license an operator for the terminal	Operator for the Ngqura container terminal licensed in terms of section 56 of the Ports Act

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.5.2 Programme Performance Indicators and Annual Targets for Transport Enterprises for 2012/13 (cont.)

Programme performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Incremental improvements in ports productivity		Transnet achieved 22 crane moves per hour at Durban Container Terminal (DCT)	Transnet achieved 23 crane moves per hour at DCT	Target to achieve 26 crane moves per hour at DCT	Target to achieve at least 28 gross crane moves per hour at DCT	Compact target to achieve 35 crane moves per hour at DCT	Increased levels of port productivity at Durban port
<b>5.3 Develop National Corridor Performance Measurement (NCPM) tools and indicators</b>							
Operational efficiency of strategic freight corridors		Appointment of project manager for the National Corridor Performance Measurement (NCPM) project	NCPM project initiated	NCPM rolled out on three corridors (export coal, export iron ore and export manganese)	Implementation of NCPM on Durban-Gauteng and Gauteng – Cape Town corridors; NCPM IT system portal in place	Full NCPM system implementation	Monitor operational efficiencies on freight corridors
<b>5.4 Improve investment in transport infrastructure</b>							
Accelerated investment in fit for purpose transport infrastructure and monitoring thereof		Transnet's rolling five year capex initiated	Assessment and monitoring of Transnet's R80 billion capex programme	Assessment of Transnet's Infrastructure Plan and monitoring of Transnet's R110 billion capex programme	Monitoring of Transnet's increased capex investment; Approval of R300 billion capex	Continued assessment and monitoring of Transnet's capex	Continued assessment and monitoring of Transnet's capex
<b>5.5 Development of a long term integrated transport infrastructure network plan</b>							
Strategic direction to Transnet's investments in ports and rail infrastructure		Project in the Department's plans	High level assessment of project requirement and budget	Draft Terms of Reference approved for the Long term freight network plan	Study on freight network plan initiated	National freight network design complete.	Freight network plan utilised as the guiding framework for Transnet's investments
<b>5.6 Strengthen financial and liquidity position of SAA and SAX to ensure sustainability of the airlines</b>							
Financial sustainability of SAA and SAX		Modelling of the capital requirements of SAA and impact of high debt levels completed and facilitation of R1.6bn guarantee by National Treasury	Monitoring of the GCC conditions for the R1.6 billion guarantee through the shareholder compact	Reduced reliance of SAA on government support for the Air Traffic Liability required by the International Licensing Council; Review of the SAA business model completed	Assessment of the appropriate capital structures for SAA and SAX	Increased sustainable levels of state owned airlines	Increased sustainable levels of state owned airlines
<b>5.7 Further development and implementation of the African Aviation Strategy</b>							
Integrated African aviation expansion strategy for SAA and SAX		Traffic flows and role of state airlines assessed	Assessed SAA and SAX route network in relation to African expansion strategy	Review of SAX joint venture operations in the DRC; Approved PFMA application by SAA to launch new African routes	Cabinet approval of the Africa Aviation Strategy and capitalisation requirements to execute strategy	Implementation of the African Aviation Strategy	Implementation of the African Aviation Strategy

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.5.3 Quarterly Targets for Transport Enterprises for 2012/13

Performance indicator	Reporting Period	Annual targets	Quarterly targets			
		2012	1st	2nd	3rd	4th
Signed Shareholder Compacts with the Boards of Transnet, SAA and SAX	Annual	Shareholder compact signed at AGM	Finalisation of draft shareholder compact; review of the board	Transnet , SAA and SAX AGM memos	Monitoring of performance against shareholder compact targets	Monitoring of performance against shareholder compact targets
Quarterly Reports Assessed for Transnet, SAA and SAX	Quarterly	Quarterly memos submitted and assessed	Assessment of quarterly memos and investor brief	Assessment of quarterly memos and investor brief	Assessment of quarterly memos and investor brief	Assessment of quarterly memos and investor brief
Analysis and assessment of Annual Reports and Corporate Plans of Transnet, SAA and SAX	Annual	Corporate plans memos submitted and assessed	Assessment of Corporate Plans	Assessment of annual reports in preparation for AGMs	Monitoring of performance	Monitoring of performance
Strategic intent statement prepared for the Annual General Meetings of Transnet, SAA and SAX	Annual	Strategic intent statements to the SOC Boards	Consultation with key stakeholder departments on strategic issues to be raised in the intent statement	Strategic intent statements finalised prior to SOC AGMs	Monitoring of alignment of corporate strategy to strategic intent	Monitoring of alignment of corporate strategy to strategic intent
Increase in rail market share to total freight	Quarterly	Assessment of Transnet Freight Rail (TFR) market share to total freight	Assessment of TFR market share against budget and review of strategies to increase rail market share	Assessment of TFR market share against budget and review of strategies to increase rail market share	Assessment of TFR market share against budget and review of strategies to increase rail market share	Assessment of TFR market share against budget and review of strategies to increase rail market share
Private sector participation in the rail environment	Annual	Cabinet approval of the private sector participation framework	Draft PSP framework finalised for Minister's approval	Cabinet submission of framework	Monitor implementation in the Transnet environment	Monitor implementation in the Transnet environment
Multiple branch lines operators	Annual	At least three branch lines concessions	Approval of Transnet's proposed branch lines opportunities	Cabinet submission on branch lines concessions	Monitor Transnet process to introduce private operators	Monitor Transnet process to introduce private operators
			Alignment with the policy department on regulatory environment			
Licensed operator for the Ngqura container terminal	Quarterly	Facilitate Request For Proposal to be issued to commence competitive process	Assessment of transaction framework and timelines by Transnet National Ports Authority (TNPA)	Monitor and exercise shareholder oversight of competitive process by TNPA	Monitor and exercise shareholder oversight of competitive process by TNPA	Monitor and exercise shareholder oversight of competitive process by TNPA
Incremental improvements in ports productivity	Quarterly	Target to achieve at least 28 gross crane moves per hour at DCT	Quarterly assessment of port productivity	Quarterly assessment of port productivity	Quarterly assessment of port productivity	Quarterly assessment of port productivity

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.5.3 Quarterly Targets for Transport Enterprises for 2012/13 (cont.)

Performance indicator	Reporting Period	Annual targets	Quarterly targets			
		2012	1st	2nd	3rd	4th
Operational efficiency of strategic freight corridors	Quarterly	Implementation of NCPM on Durban-Gauteng and Gauteng – Cape Town corridors; NCPM IT system portal in place	System acceptance on Gauteng-Durban corridor	System acceptance on Cape –Gauteng corridor	Implementation of IT system portal on export corridors	Implementation of IT system portal on NatCor and CapeCor
Accelerated investment in fit for purpose transport infrastructure and monitoring thereof	Annual	Monitoring of Transnet's increased capex investment; Approval of R300 billion capex	Quarterly assessment of Transnet capex project	Quarterly assessment of Transnet capex project	Quarterly assessment of Transnet capex project	Quarterly assessment of Transnet capex project
Strategic direction to Transnet's investments in ports and rail infrastructure	Annual	Study on freight network plan initiated	Terms of Reference approved	Explore and implement strategic partnership to execute and fund the project	Explore and implement strategic partnership to execute and fund the project	Explore and implement strategic partnership to execute and fund the project
Financial sustainability of SAA and SAX	Quarterly	Full assessment of the appropriate capital structures for SAA and SAX	Finalise business review of SAA and appropriate capital structure	Facilitate state support for capitalisation of SAA and SAX	Monitor performance of SAA and SAX	Monitor performance of SAA and SAX
Integrated African aviation expansion strategy for SAA and SAX	Quarterly	Cabinet approval of the Africa Aviation Strategy and capitalisation requirements to execute strategy	Report on African Aviation Strategy completed	Cabinet approval for implementation of strategy	Implementation of strategy in line with Cabinet approval	Implementation of strategy in line with Cabinet approval

#### **Achievements/outputs for the period:**

The Department fulfilled all statutory shareholder functions including the evaluation of the SAA, SAX and Transnet's corporate plans; development of a shareholder compacts (including a shareholder strategic intent statement), quarterly and annual reporting, as well as approval of significant and material transactions.

Major achievements in the rail and port sector included significant progress in the implementation of the National Corridor Performance Measurement (NCPM) on the coal, iron ore, manganese bulk export lines, and the completion of the first release of the IT portal for the NCPM system in the Department. In addition the Department finalised Phase 1 of the

rail reform study to inform the emerging rail policy options by the Department of Transport in 2011. Most notably, under the auspices of the Competitive Supplier Development Programme (CSDP), Transnet received the first two of one hundred diesel electric locomotives arising from the GE transaction.

In Aviation, the major achievements included the final approval of the Airbus transaction and the delivery of the first A330-200 in February 2011 by SAA; completion of the South African Airways Technical (SAAT) business plan, and the feasibility of expanding SAAT as an effective regional maintenance and repair facility.



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.5 TRANSPORT ENTERPRISES

Has been realigned from a function as a consulting facility (previously in Programme 6: Joint Project Facility) and comprises. Management comprises the office of the deputy director general which provides strategic leadership and management of the programme personnel. This sub-programme comprises:

- Environmental Policy Alignment - oversee alignment and implementation of SOC strategically important developments (SIDs) with special focus on Eskom's and Transnet's Build Programmes. Oversight and alignment of the Climate Change Policy Framework for SOC in support of national policies and the green economy.
- Economic Policy Alignment - will focus on appropriate macro-economic modeling and research to enhance the links between industrial policy, macro-economic policy and the role of the State Owned Companies (SOC). Economic modeling will be outsourced to relevant institutions to determine the impact of SOC investment and operations on the economy including the impact on customers and suppliers.
- Transformation, Skills and Youth Development - will focus on the provision of scarce and critical skills by the SOC in support of the National Skills Agenda and the New Growth Path as well as optimizing the SOC skills training facilities through National Skills Funding amongst others. Transformation and youth development areas will form new areas for incorporation into SOC Shareholder Compacts. This includes overseeing the alignment and implementation of SOC transformation agenda in support of national policies and the New Growth Path Framework with focus on: Job creation; Youth development and development of targeted groups (i.e. women, people with disabilities,

co-operatives, etc); Broad – Based Black Economic Empowerment (B-BBEE), Employment Equity (EE) and disposal of non-core property.

The activities and outputs of this sub-programme will entail systematic coordination and partnerships with the relevant government Departments with primary mandate on the above as well as other key stakeholders.

#### 4.6.1 Strategic Objective Annual Targets for 2012/13

- 1 Oversee processes to conduct macro-economic modelling, research and impact evaluation and ensure SOC contribute to New Growth Path.
- 2 Oversee processes to enhance and advance alignment between national industrial policy, macro-economic policy and the role of SOC and monitor implementation.
- 3 Oversee alignment and the provision of scarce and critical skills by SOC and their suppliers in support of the National Skills Agenda and the New Growth Path
- 4 Facilitate partnerships for artisan and technician development to optimise SOC training facilities by increasing the number of artisan learners for the national pool.
- 5 Oversee alignment and implementation of SOC transformation agenda in support of national policies and the New Growth Path Framework and include indicators in shareholder compacts.
- 6 Oversee processes to ensure that government policy balances the needs of environmental conservation with the need to develop SOC infrastructure rapidly.



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.6.1 Strategic Objective Annual Targets for 2012/13

Strategic Objective		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
6.1	Oversee processes to conduct macro-economic modelling, research and impact evaluation and ensure SOC contribute to New Growth Path	-	-	-	Partnerships established to provide DPE with access to sustained modelling capability on SOC macro-economic impacts	Implementation and monitoring	Implementation and monitoring	Implementation and monitoring
6.2	Oversee processes to enhance and advance alignment between national industrial policy, macro-economic policy and the role of SOC and monitor implementation				Complete initial thought piece and ensure alignment of SOC programmes to national policies	Implementation and monitoring	Implementation and monitoring	Implementation and Monitoring
6.3	Oversee alignment and the provision of scarce and critical skills by SOC and their suppliers in support of the National Skills Agenda and the New Growth Path		Established partnerships between SOC, FET and industry in support of artisan development	Dashboard developed to monitor implementation of SOC skills development	SOC scarce and critical skills defined in Shareholder Compacts and aligned to National Skills Accord	Monitor implementation on dashboard	Monitor implementation on dashboard	Monitor implementation on dashboard
6.4	Facilitate partnerships for artisan and technician development to optimise SOC training facilities by increasing the number of artisan learners for the national pool		Conducted studies to identify gaps in FET NCV programmes against SAQA revised electrical and welding artisan trades qualifications	Facilitated processes to augment FET NCV curricula from gaps identified to align to SAQA electrical and welding artisan trades qualifications	Partnership with DHET enhanced to optimise SOC training facilities	Implementation and monitoring optimisation of training facilities	Implementation and monitoring optimisation of training facilities	Implementation and monitoring optimisation of training facilities
6.5	Oversee alignment and implementation of SOC transformation agenda in support of national policies and the New Growth Path Framework and include indicators in shareholder compacts				Define transformation baseline and develop strategic framework	Transformation indicators included in Shareholder Compacts and dashboard reporting requirements developed	Monitor implementation on dashboard	Monitor implementation on dashboard
		-	-	-	Launch Youth Economic Participation programme	Develop a strategy and three year action plan	Implementation and monitoring	Implementation and monitoring

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.6.1 Strategic Objective Annual Targets for 2012/13 (cont.)

Strategic Objective		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
		-	Noncore property list approved by Minister	Implementation of disposals of noncore property	Property disposals and facilitation of Key Integrated Developments	Align Property Sector Charter Code with SOC Non-Core Property Disposal Policy and BBEE Guidelines	Implementation and monitoring	Implementation and monitoring
		-	Dissemination of non-core lists. Attend and participate in inter-governmental task team on housing delivery	Dissemination of non-core lists. Attend and participate in inter-governmental task team on housing delivery	Disseminate non-core lists. Attend and participate in inter-governmental task team on housing delivery	Develop property disposal procedures	Implementation and monitoring	Implementation and monitoring
		-	-	-	BBEE Property Guidelines revised	Review status of SOC noncore lists	Implementation and monitoring	Implementation and monitoring
		-	-	-	Alexkor-Richtersveld CPA property transfers	Review status of SOC non-core lists and provide support on transfers	Implementation and monitoring	Implementation and monitoring
6.6	Oversee processes to ensure that government policy balances the needs of environmental conservation with the need to develop SOC infrastructure rapidly	-	-	DPE-DEA-Eskom MOU to streamline EIA for Strategically Important Developments was signed	Monitoring of EIA for SID. Appropriate intervention to resolve delays. Facilitation of SOC Fund.	Analysis, monitoring and appropriate intervention	Analysis, monitoring and appropriate intervention	Analysis, monitoring and appropriate intervention
		-	-	-	Development and Approval of Climate Change Framework for SOC	Approval of Implementation Guidelines for Climate Change Framework Implementation. Launch of Climate Change Framework for SOC	Implementation and monitoring	Implementation and monitoring

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.6.2 Programme Performance Indicators & Annual Targets for Economic Impact & policy Alignment for 2012/13

Programme performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>1. Oversee processes to conduct macro-economic modelling, research and impact evaluation and ensure SOC contribute to New Growth Path</b>							
Partnerships established to provide DPE with access to sustained modelling capability on SOC macro-economic impacts.				Project to only commence in 2012 and is dependent resource availability	Sign MOU with partner institutions and SOC and initial model of key SOC impacts developed	Implementation and monitoring	Implementation and monitoring
<b>2. Oversee processes to enhance and advance alignment between national industrial policy, macro-economic policy and the role of SOC and monitor implementation</b>							
Ensure alignment of SOC programmes to national policies				Project to only commence in 2012 and is dependent on resource availability	Analysis of NGP and align SOC contribution with national policy	Implementation and monitoring	Implementation and monitoring
<b>3. Oversee alignment and the provision of scarce and critical skills by SOC and their suppliers in support of the National Skills Agenda and the New Growth Path</b>							
Monitor SOC and supplier network skills implementation		Established SOC scarce and critical skills and dashboard reporting requirements	Skills dashboard reporting system developed and implementation monitored on dashboard	SOC skills indicators to be included in Shareholder Compacts and aligned to NGP National Skills Accord commitments	Monitor implementation of SOC skills to ensure support to NGP	Monitor implementation of SOC skills to ensure support to NGP	
<b>4. Facilitate partnerships for artisan and technician development to optimise SOC training facilities by increasing the number of artisan learners for the national pool</b>							
Establish partnerships with DHET to optimise SOC training facilities to increase national pool		Study conducted to review FET curricula against revised SAQA electrical and welding qualifications	Augmented gaps in FET curricula to meet industry needs (electrical and welding)	Obtained commitment to optimise SOC training facilities	Obtain funds from NSF implementation process to optimise SOC training facilities	Implementation and monitoring optimisation of training facilities funded by NSF	Implementation and monitoring optimisation of training facilities funded by NSF
<b>5. Oversee alignment and implementation of SOC transformation agenda in support of national policies and the New Growth Path Framework and include indicators in shareholder compacts</b>							
Monitor SOC transformation (B-BBEE, employment equity), job creation, youth initiatives and disposal of noncore property	-	-	Develop baseline reports on SOC BBEE, EE and develop a strategic framework	Transformation indicators included in Shareholder Compacts and develop dashboard reporting requirements	Transformation indicators included in Shareholder Compacts and monitored on dashboard	Transformation indicators included in Shareholder Compacts and monitored on dashboard	Transformation indicators included in Shareholder Compacts and monitored on dashboard
	-	-	Project to only commence in 2012	Develop SOC Youth initiatives baseline report. Launch DPE Youth Economic Participation	Monitoring SOC Youth Economic Participation initiatives	Monitoring SOC Youth Economic Participation initiatives	Monitoring SOC Youth Economic Participation initiatives

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.6.2 Programme Performance Indicators & Annual Targets for Economic Impact & policy Alignment for 2012/13 (cont.)

Programme performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	-	-	Project to only commence in 2012	SOC NGP job creation plans and reports consolidated. Indicators included in SOC Shareholder Compacts	SOC job creation indicators included in Shareholder Compacts and monitored on dashboard	SOC job creation indicators included in Shareholder Compacts and monitored on dashboard	SOC job creation indicators included in Shareholder Compacts and monitored on dashboard
	-	Noncore property list approved by Minister	Implementation of disposals of noncore property	Property disposals and facilitation of Key Integrated Developments	Align Property Sector Charter Code with SOC Non-Core Property Disposal Policy and B-BBEE Guidelines	Implementation and monitoring	Implementation and monitoring
	-	Dissemination of non-core lists. Attend and participate in inter-governmental task team on housing delivery	Dissemination of non-core lists. Attend and participate in inter-governmental task team on housing delivery	Dissemination of non-core lists. Attend and participate in inter-governmental task team on housing delivery	Develop property disposal procedures	Implementation and monitoring	Implementation and monitoring
	-	-	-	BBBEE Property Guidelines to be revised	Review status of SOC noncore lists	Implementation and monitoring	Implementation and monitoring
	-	-	-	Alexkor-Richtersveld CPA property transfers	Provide support to implementation and monitoring of Alexkor-Richtersveld CPA transfers.	Implementation and monitoring	Implementation and monitoring
6. Oversee processes to ensure that government policy balances the needs of environmental conservation with the need to develop SOC infrastructure rapidly							
Monitor Environmental Impact Assessments for Strategically Important Developments and Develop and implement Climate Change Policy framework for SOC				Initial meeting to be held with Eskom	Engage DEA to revise DPE-DEA-Eskom MOU	Implement MOU	Implement MOU
				Climate Change Policy Framework for SOC completed	Approval of Implementation Framework Guidelines and launch of Climate Change Framework for SOC	Monitoring and Evaluation	Monitoring and Evaluation

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.6.3 Quarterly Targets for Economic Impact and Policy Alignment for 2012/13

Performance indicator		Reporting Period	Annual targets	Quarterly targets			
			2012	1st	2nd	3rd	4th
1.	Partnerships established to provide DPE with access to sustained modelling capability on SOC macro-economic impacts	Annual	MOU signed with partner institutions and SOC and initial model of key SOC impacts developed. (Subject to availability of resources)	Understanding of SOC models and their outputs	Clear TOR for integrated model and selection of partner	Commence modelling	First results produced
2.	Ensure alignment of SOC programmes to national policies	Bi-Annual	Analysis of NGP and align SOC contribution with national policy. (subject to availability of resources)	Clear audit of SOC policy environment	Framework for SOC policy alignment.	Implementation of Framework and discussion document on SOC and the economic policy	Continuous implementation of the Framework
3.	Monitor SOC and supplier network skills implementation.	Quarterly	Monitor implementation of SOC skills to ensure support to NGP.	Analyses of Dashboard reports and submit final reports to DHET for incorporation into National Skills Accord report	Analyses of Dashboard reports and submit final reports to DHET for incorporation into National Skills Accord report	Analyses of Dashboard reports and submit final reports to DHET for incorporation into National Skills Accord report	Analyses of Dashboard reports and submit final reports to DHET for incorporation into National Skills Accord report
		Annually	Evaluate SETA Sector Skills Plans (SSP) to ensure alignment to DPE SOC strategic intents			Contribute to development and analysis of SETA SSP	
4.	Establish partnerships with DHET and key stakeholders to optimise SOC training facilities to increase national pool	Quarterly	Obtain funds from NSF implement process to optimise SOC training facilities	Facilitate SOC ADT TT Meetings	Facilitate SOC ADT TT Meetings	Facilitate SOC ADT TT Meetings	Facilitate SOC ADT TT Meetings
		Quarterly	Coordination of SOC/DPE Skills Forum	Convene quarterly meetings	Convene quarterly meetings	Convene quarterly meetings	Convene quarterly meetings
		Quarterly	Participate in DHET led skills governance structures and other intergovernmental initiatives	Engagement with intergovernmental structures	Engagement with intergovernmental structures	Engagement with intergovernmental structures	Engagement with intergovernmental structures
		Annually	Conduct a study to investigate SOC learner management systems and development of framework to enhance dashboard reporting.	Project implementation (conduct study)	Project conclusion	Implement findings and recommendations from study conducted to enhance dashboard reporting	Develop SOC capacity on new reporting requirements

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.6.3 Quarterly Targets for Economic Impact and Policy Alignment for 2012/13 (cont.)

Performance indicator	Reporting Period	Annual targets	Quarterly targets			
		2012	1st	2nd	3rd	4th
5. Monitor SOC transformation (BBBEE, employment equity), job creation, youth initiatives and disposal of noncore property	Annually	Transformation indicators included in Shareholder Compacts and develop dashboard reporting requirements. (Subject to availability of resources)	Finalise SOC baseline reports	Implementation and Monitoring (Contingent on funding and new personnel)	Implementation and Monitoring (Contingent on funding and new personnel)	Implementation and Monitoring (Contingent on funding and new personnel)
	Quarterly	SOC Youth initiatives baseline report developed. DPE Youth Economic Participation (YEP) Programme launched.	DPE YEP Programme Strategy and three year action plan approved.	Implementation and Monitoring	Implementation and Monitoring	Implementation and Monitoring
	Annually	SOC NGP job creation plans and reports consolidated. Indicators included in SOC Shareholder Compacts	-	Analyse and consolidate SOC Job Creation Reports	-	Analyse and consolidate SOC Job Creation Reports
	Annually	Align Property Sector Charter Code with SOC Non-Core Property Disposal Policy and B-BBEE Guidelines	Dependent on gazetting of Property Sector Charter	-	-	-
	Annually	Develop property disposal procedures	-	-	Property disposal procedures approved	-
	Annually	Review status of SOC non-core lists and provide support on transfers	SOC to revisit non-core list and submit to DPE for approval.	Disseminate lists to other state entities to solicit expression of interest	Facilitate expression of interest with SOC	-
	Quarterly	Analysis and monitoring of SIDs	Quarterly Monitoring of EIA for SID on Dashboard	Quarterly Monitoring of EIA for SID on Dashboard	Quarterly Monitoring of EIA for SID on Dashboard	Quarterly Monitoring of EIA for SID on Dashboard
		Revise DPE-DEA-Eskom MOU	Engage DEA to revise DEA-DPE-Eskom MOU	Finalise MOU with DEA	Implement MOU	Implement MOU
	Quarterly	Analysis and monitoring of SIDs	Quarterly Monitoring of EIA for SID on Dashboard	Quarterly Monitoring of EIA for SID on Dashboard	Quarterly Monitoring of EIA for SID on Dashboard	Quarterly Monitoring of EIA for SID on Dashboard

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### ***Achievements/outputs for the period:***

A Policy for Programmatic and Transactional Procurements was developed, as was a strategy and business plan for a proposed Centre of Excellence for complex capital procurements, with support interventions defined for locomotive fleet procurement.

The Locomotive Procurement Pre-feasibility study was completed during the year.

The Department has completed processes to align the Further Education and Training (FET) National Certificate Vocational (NCV) curricula for industry requirements, in collaboration with the Department

of Higher Education and Training (DHET) for welding and electrical artisan trades. The DPE/DHET process will enhance support to SOC to increase the national pool of artisan learners.

A Parliamentary Learning Programme facilitation was conducted during August 2011, for both the Portfolio Committee on Public Enterprises and the NCOP Select Committee for Labour and Public Enterprises.

The climate change framework for SOC was completed.



## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.7 STRATEGIC PARTNERSHIPS

Purpose:

Provide oversight of the building of focused strategic partnerships between SOC, Strategic Customers, Suppliers and Financial Institutions.

The programme comprises following sub-programmes

- Management comprises the office of the Deputy Director General which provides strategic leadership and management of the programme personnel.
- Project Oversight - definition of catalytic investments to be driven by DPE and oversight of project implementation from pre-feasibility to completion, including the design of relevant compacts.
- Funding Mechanisms - development of innovative funding structures and design of associated compacts with relevant partners.
- Supplier Relationships- development of over-

arching procurement leverage policies, oversight of fleet procurement design and implementation, including panel reviews and development and implementation of capability building programmes and institutions.

#### 4.7.1 Strategic Objective Annual Targets for 2012/13

1. Definition of catalytic investments to be driven by DPE, and oversight of project implementation from pre-feasibility to completion, including the design of relevant compacts.
2. Development of innovative funding structures and design of associated compacts with relevant partners.
3. Development of over-arching procurement leverage policies, oversight of fleet procurement design and implementation, including panel reviews and development and implementation of capability-building programmes and institutions.

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.7.1 Strategic Objective Annual Targets for 2012/13

Strategic Objective		Audited/Actual performance			Estimated performance	Medium-term targets		
		2008/09	2009/10	2010/11	2011/12	2012/13	2013 /14	2014/15
1.	Identification and oversight of major investment projects that go beyond SOC balance sheet capacity	-	-	-	New project. To commence in 2012	One project to be identified and implementation initiated (Subject to availability of resources)	Continuous monitoring of initial project. New project to be identified (Subject to availability of resources)	Continuous monitoring of previous projects. New project identified. (Subject to availability of resources)
2.	Secure funding for major investment projects that go beyond SOC balance sheet capacity				New project. To commence in 2012	Funds to be raised for first project from non traditional sources (subject to availability of resources)	Funds to be raised for second project from non-traditional sources (subject to availability of resources).	Funds to be raised for third project from non-traditional sources (subject to availability of resources)
3.	Leveraging SOC procurement programmes to drive industrialisation and create jobs		Competitive Supplier Development Programme adopted by SOC. Supplier Development Plans developed by Eskom and Transnet	Competitive Supplier Development Programme adopted by SOC. Supplier Development Plans implemented by Eskom and Transnet	Competitive Supplier Development Programme to be adopted by SOC. Supplier Development Plans to be implemented by Eskom and Transnet	Monitoring implementation of fleet programme	Monitoring implementation of fleet programme by SOC	Monitoring implementation of fleet programme by SOC
						Next generation supplier development plans released by SOC and monitored	Monitoring implementation of supplier development plans by SOC	Monitoring implementation of supplier development plans by SOC
						Summit held with private sector on supplier development.	Monitoring implementation of collaborative procurement leverage programme between SOC and private sector	Monitoring implementation of collaborative procurement leverage programme between SOC and private sector Establishment of a Centre of Excellence

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.7.2 Programme Performance Indicators and Annual Targets for Strategic Partnerships for 2012/13

Programme performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
1. Identification and oversight of major investment projects that go beyond SOC balance sheet capacity							
Projects identified and implemented				New project. To commence in 2012	Identify one project for implementation	Additional project to be identified for implementation	Additional project to be identified for implementation
2. Secure funding for major investment projects that go beyond SOC balance sheet capacity							
Funds raised from non traditional sources	-	-	-	New project. To commence in 2012	One project funded	One project funded	One project funded
3. Leveraging SOC procurement programmes to drive industrialisation and create jobs							
Fleet procurement implemented by SOC.	-	-	Pre-feasibility study completed for Transnet locomotive fleet procurement	Design of Transnet Locomotive fleet procurement	Monitoring implementation of fleet procurement by SOC	Monitoring implementation of fleet procurement by SOC	Monitoring implementation of fleet procurement by SOC
Continuous expansion of SOC supplier development programme (Eskom and Transnet)	Supplier development incorporated into initial procurements	Additional procurements leveraged	Initial impact assessment and policy review conducted	Review and approve next generation Supplier Development Plans	Monitoring implementation of supplier development plans by SOC	Monitoring implementation of supplier development plans by SOC	Monitoring implementation of supplier development plans by SOC

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.7.3 Quarterly Targets for Strategic Partnerships for 2012/13

Performance indicator		Reporting Period	Annual targets	Quarterly targets			
			2012	1st	2nd	3rd	4th
1. Identification and oversight of major investment projects that go beyond SOC balance sheet capacity							
	Ensure alignment of SOC programmes to national policies	Bi-Annual	Analysis of NGP and align SOC contribution with national policy. (subject to availability of resources)	Clear audit of SOC policy environment	Framework for SOC policy alignment	Implementation of Framework and discussion document on SOC and the economic policy	Continuous implementation of the Framework
2. Secure funding for major investment projects that go beyond SOC balance sheet capacity							
	Funds raised from non-traditional sources. (Subject to resources)	Annual	One project to be funded in principle	Identify possible funding sources in respect of proposed project	Possible funding sources to be researched for prioritised project	Funding source to be prioritised and selected	Facilitate funding MOU for finalisation
3. Leveraging SOC procurement programmes to drive industrialisation and create jobs							
	Fleet procurement implemented by SOC	Annual	Design and implementation of fleet procurement by SOC	Detailed design of fleet procurement completed by SOC	Oversight of implementation of fleet procurement by SOC, subject to Shareholder approval	Oversight of implementation of fleet procurement by SOC, subject to Shareholder approval	Oversight of implementation of fleet procurement by SOC, subject to Shareholder approval
	Continuous expansion of SOC supplier development program.	Annual	Monitoring implementation of Eskom and Transnet Supplier Development Plans	Eskom and Transnet Supplier development plans evaluated and approved for implementation	Monitoring and reporting progress on implementation of supplier development plans by Eskom and Transnet	Monitoring and reporting progress on implementation of supplier development plans by Eskom and Transnet	Monitoring and reporting progress on implementation of supplier development plans by Eskom and Transnet
				Hosting a supplier development summit with SOC key customers and suppliers	Continuous engagement with SOC and relevant stakeholders on the CSDP	Continuous engagement with SOC and relevant stakeholders on the CSDP	Continuous engagement with SOC and relevant stakeholders on the CSDP

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

### 4.7.4 Reconciling Performance Targets with the Budget and MTEF

Expenditure Estimates - Table 4: Portfolio Management and Strategic Partnerships

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Energy and Broadband Enterprises	2,136,811	1,958,790	170,857	58,508	16,605	17,573	18,603
Manufacturing Enterprises	397,027	327,158	225,595	126,391	12,779	13,226	14,890
Transport Enterprises	604,930	1,568,656	19,077	22,776	17,928	16,765	17,393
Economic Impact and Policy Alignment	30,553	24,986	10,134	13,134	15,063	15,972	16,867
Portfolio Management and Strategic Partnerships (previously Joint project Facility)	7,835	7,929	11,493	7,371	5,366	5,674	6,010
<b>Total</b>	<b>3,177,156</b>	<b>3,887,519</b>	<b>437,156</b>	<b>228,180</b>	<b>67,741</b>	<b>69,210</b>	<b>73,763</b>
Change to 2011 Budget estimate				115,169	(7,293)	(9,952)	(19,827)
Economic classification							
<b>Current payments</b>	<b>77,516</b>	<b>71,203</b>	<b>61,260</b>	<b>71,925</b>	<b>67,741</b>	<b>69,210</b>	<b>73,763</b>
Compensation of employees	30,062	28,827	33,948	34,930	39,391	41,360	44,603
Goods and services	47,454	42,376	27,312	36,995	28,350	27,850	29,160
of which:							
Administrative fees	46	–	–	–	–	–	–
Advertising	–	–	–	8	–	–	–
Catering: Departmental activities	144	134	112	143	135	142	150
Communication	305	316	298	599	644	682	724
Computer services	28	–	–	–	–	–	–
Consultants and professional services: Business and advisory services	40,940	36,898	22,558	29,948	19,012	17,972	18,689
Consultants and professional services: Legal costs	–	216	146	–	–	–	–
Contractors	3	–	1	–	28	29	31
Agency and support / outsourced services	464	–	–	–	–	–	–
Entertainment	21	15	–	43	61	65	68
Inventory: Stationery and printing	21	4	2	–	46	47	50
Travel and subsistence	4,187	4,339	3,162	5,002	6,731	7,121	7,549
Training and development	277	93	352	100	150	159	169
Operating expenditure	52	64	82	111	337	357	377
Venues and facilities	966	297	599	1,041	1,206	1,276	1,353
Transfers and subsidies	2,277,640	2,058,706	237,296	156,255	–	–	–
Public corporations and private enterprises	2,277,640	2,058,706	237,296	156,255	–	–	–
Payments for financial assets	822,000	1,757,610	138,600	–	–	–	–
<b>Total</b>	<b>3,177,156</b>	<b>3,887,519</b>	<b>437,156</b>	<b>228,180</b>	<b>67,741</b>	<b>69,210</b>	<b>73,763</b>
Details of selected transfers and subsidies							

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS (cont.)

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Public corporations and private enterprises							
Public corporations							
Other transfers to public corporations							
Current	2277 640	2058 706	237 296	156 255	–	–	–
Pebble Bed Modular Reactor	1750 000	1737 750	20 000	40 000	–	–	–
Denel	257 640	191 866	181 296	116 255	–	–	–
Alexkor	130 000	129 090	36 000	–	–	–	–
South African Express	140 000	–	–	–	–	–	–

### Achievements/outputs for the period:

- Logical Planning, Monitoring and Evaluation Framework Guidelines and Calendar developed.
- Standardisation of financial and risk reporting templates and dashboard with enhanced analytical functionality developed.
- Quarterly shareholder reports on SOC performance assessments, detection, monitoring and mitigation of cross-cutting shareholder risk submitted.
- Capital structure assessment for SAFCOL, Denel, Eskom, Infraco, SAX SAA and Transnet completed.
- Study of the different possibilities for facilitating infrastructure funding required by the SOC undertaken
- Guarantee and share office guidelines outlining a framework for issuing government guarantees, adequate monitoring and reporting of government guarantees, shareholder agreements, shareholder loans and share subscriptions, and provision of administrative practices for effective management of these instruments, developed
- Research reports on the key performance indicators on the Ports and Electricity sectors completed.

### Expenditure trends

Payments for financial assets amounting to R1,1 billion has been allocated to Denel amounting to R 700 million and Alexkor, amounting to R 350 million in 2012/13.

Expenditure decreased from R3.18 billion in 2008/09 to R228.2 million in 2011/12, at an average annual rate of 58.4 per cent. Over the medium term, expenditure is expected to decrease to R73.8 million, at an average annual rate of 31.4 per cent. The decrease in both periods is due to a reduction of transfer payments to the SOC, particularly the Pebble Bed Modular Reactor Project, which has been placed into care and maintenance; and Broadband Infraco, as the entity will not be receiving further funding from the fiscus, in addition to the reduction of transfers to Denel for indemnity claims between 2008/09 and 2011/12.

### 5 LINKS TO THE LONG-TERM INFRASTRUCTURE AND OTHER CAPITAL PLANS

**Not Applicable**

### 6 CONDITIONAL GRANTS

**Not Applicable**

### 7 STATE OWNED COMPANIES REPORTING TO THE DEPARTMENT

#### 7.1 Alexkor

Alexkor reported better results for the year ended 31 March 2011 than the previous year's performance. Alexkor achieved revenue of R195.9 million in 2010/11, a 19.5% increase from the R163.9 million achieved in the previous year. Alexkor recorded a gross operating profit of R11.3 million, its first gross operating profit since 2005/06. Net profit for the year amounted to R84.2 million. The improved performance is mainly as a result of higher carat production (13.3% higher carat production achieved compared to the previous year) coupled with better cost management.

The settlement agreement reached between Alexkor, Government and the Richtersveld Community in the matter of the Richtersveld Community's land claim against Alexkor and the State entails, inter alia, that Alexkor transfer its land mining rights to Richtersveld Mining Company (RMC). In the interim, the parties agreed to form a Pooling and Sharing Joint Venture (PSJV) between Alexkor and the Richtersveld Mining Company (RMC) as follows:

- Alexkor will remain the holder of its marine mining rights and RMC will remain the holder of its land mining rights;
- Alexkor and RMC will respectively put their marine mining rights and their land mining rights under the full control of a Joint Board of the Joint Venture for purposes of mining both the marine mining resources and the land diamond resources. Alexkor and the Richtersveld Mining Company are each entitled to appoint, remove and replace three (3) members of the Joint Board, who shall be duly authorised to represent that party in respect of all matters relating to the pooled operations
- Alexkor will have a beneficial interest of 51% in the PSJV and the Richtersveld Community, through RMC, will hold a 49 % interest

The commencement of the PSJV was subject to the fulfilment of a number of suspensive conditions namely that:

- RMC and Alexkor must obtain the required approvals to implement the pooling transaction from the Competition Authorities under the Competition Act, 1998; all on an unconditional basis or under circumstances where any conditions attached to any of such approvals, that such conditions are reasonably acceptable to Alexkor and the RMC. The Competition Commission subsequently advised that the transaction was not notifiable;
- The Land Claims Court grants an order confirming or noting the Deed of Settlement and, to the extent necessary, the terms, provisions and conditions of the PSJV. The Land Claims Court made the DoS an order of court on 9 October 2007;
- The existing Environmental Management Plan of Alexkor be amended as contemplated in the Deed of Settlement. Alexkor's revised EMP was submitted to the Department of Mineral Resources (DMR) in November 2008; and
- The land mining rights are transferred to RMC with the permission of the Minister of Minerals and Energy, as contemplated in clause 8.2 of the Deed of Settlement. The Notarial Deed of Cession of the Alexkor land mining right (transferring Alexkor's land mining right to RMC) was registered by the Mineral and Petroleum Titles Registration Office on 6 April 2011.

All the suspensive conditions for the PSJV to come into effect have been fulfilled. Effectively what this means is that given that Alexkor has transferred its land mining rights to the Richtersveld Mining Company, and that the Pooling and Sharing Joint Venture has now come into effect, Alexkor's



operations in Alexander Bay now fall under the control of the Joint Board of the PSJV. In terms of the Deed of Settlement, Alexkor and RMC is each entitled to appoint, remove and replace three members of the Joint Board, who shall be duly authorised to represent that party in respect of all matters relating to the pooled operations. The Joint Board has overall supervision of the operations of the pooled operations and will prepare a development plan in order to upgrade the land and sea diamond resources at Alexander Bay.

An amount of R200 million was allocated to the PSJV, which will be expended both with respect to the land and sea operations, for the establishment of a viable mining operation.

Significant progress has been made in the implementation of the Deed of Settlement signed with the Richtersveld community in 2007. Alexkor's agricultural and maricultural assets have been transferred to the community. All Alexkor, State and Northern Cape Provincial land has been transferred, except for the properties in Alexander Bay Township. These properties will be transferred to the community soon after the upgrade of the township's civil and electrical engineering services to municipal standards. The township upgrade project is expected to be completed in June 2012.

The Deed of Settlement with the Richtersveld Community has considerably changed the landscape of Alexkor and its strategic outlook. Alexkor currently has the following outstanding obligations and liabilities:

1. Environmental rehabilitation liability at Alexander Bay mine: R256.7 million [part of Deed of Settlement obligations];
2. Payment to Richtersveld Property Holding Company to secure Alexkor's right of occupation of the transferred residential properties for a period of 10 years: R45 million [part of Deed of Settlement obligations];
3. Post retirement medical aid liability: R58.4 million.

Given that the PSJV has now come into effect, Alexkor's operations in Alexander Bay will fall under the control of the Joint Board of the PSJV. Alexkor's only source of revenue to fund its obligations and liabilities is revenue from the 51% interest in the profits of the PSJV operations. It is not expected that the mining operations under the PSJV will generate

positive returns within the first three years, as the PSJV will first embark on exploration. Alexkor's financial resources are currently insufficient to meet its obligations and liabilities. Alexkor must therefore actively seek opportunities to procure new mining ventures to secure new revenue streams beyond the Alexander Bay, and independent of the PSJV operations. This will ensure Alexkor's future growth and sustainability and enable the company to effectively address its historical obligations and liabilities. In pursuance of this new strategy, Alexkor will be guided by government's policy objectives. Alexkor will also explore opportunities for downstream beneficiation, to contribute to the creation of new jobs, development of requisite skills, investment in research and development, economic growth, sustainable development and cost-effective support for the broader policies of government.

As these opportunities will undoubtedly require funding, it will be important to explore different funding mechanisms and sources available for the new mining ventures, so as not to depend entirely on the fiscus to fund Alexkor's growth opportunities. The new business ventures will bolster the sustainability of the company and contribute to the broader developmental objectives of government.

### 7.2 Broadband Infraco

South Africa lags behind its international counterparts in terms of ICT penetration and the rate at which new technology is adopted. Broadband services in South Africa are more expensive, and the penetration is much lower than international benchmarks. Broadband Infraco (BBI) was established in 2007 in terms of the Broadband Infraco Act (2007) as a state-led intervention to introduce competition in the telecommunications market and to contribute to increasing access to broadband services, including underserved areas. It has invested in a national long distance fibre optic network based on the fibre optic assets deployed by Eskom on power transmission lines and Transnet on railway lines, which forms the backbone of the second national operator. Broadband Infraco launched its services to the market in November 2010 after obtaining an electronic communications networks services licence in October 2009. By July 2011, Broadband Infraco had deployed and commissioned 13 125 km of the network.

In addition to national connectivity, the other major cost component for capital expenditure for BBI has been the international connectivity, which includes the rollout of the West Africa Coast Cable System (WACS). The delays in obtaining environmental approvals has extended the ready-for-service date from last quarter of 2011/12 to second quarter of 2012/13. Once completed and fully commissioned, the system will reduce broadband costs, increase bandwidth capacity and ensure regional connectivity for South Africa and other African states.

All targets set in the previous MTEF cycle, such as the marine environmental survey, the manufacturing of the marine cable, and the deployment of the optical line terminal equipment have been completed. The marine cable installation was completed in March 2011 and the cable landed in Yzerfontein (Western Cape) on 19 April 2011.

### 7.3 Denel

Although Denel has made some progress since the company embarked on a turnaround strategy in 2005, the solvency position of Denel continues to pose serious challenges. Nonetheless, the turnaround strategy has seen a noticeable reversal of the downward spiral in the fortunes of Denel. Since 2005, when the company posted a loss of R1.6 billion, Denel has steadily reduced its losses and recorded a R111 million profit in the 2010/11 financial year. Denel's Aerostructures business remains a challenge to the entire Denel group as it continues to be the major contributor to Denel's losses. This is largely as a result of the A400M contract concluded with Airbus Military which is not commercially viable. A framework for the resolution of DSA has been developed and is underway. The framework included internal restructuring and renegotiation of the Airbus A400M work package contracts. The 28% improvement in the performance of the Aerostructures business in the previous year was an encouraging sign that the company is beginning to turnaround, mainly due to the ongoing restructuring in the business. Whilst the trading losses in the other trading entities have been reduced, some of Denel's business entities remain financially challenged. A more robust turnaround plan; one that pursues financial recovery and stability through improvements in its operational and financial performance needs to be developed to secure the company's long term viability.

The current mandate of Denel is to:

- Provide the Department of Defence (DoD) with key strategic defence equipment and services in an efficient and sustainable manner;
- Contribute towards the building of a dynamic defence-related industrial cluster;
- Act as a catalyst for advanced manufacturing in the broader economy and;
- Earn export revenue.

In the main, the current mandate of Denel is still relevant as it points to the company being a strategic state asset that provides the DoD with key strategic defence equipment and services. However, Denel's current defence-related strategy is not optimally aligned with the DoD's strategic defence requirements. A structured mechanism will thus be required in order to effect the necessary re-alignment of Denel's defence-related strategies with those of the DoD.

Globally, cutbacks in defence budgets may be seen in the lower turnover figures for companies specializing in defence. The reduction in orders for the defence industry has been reflected by a contraction of activity and has led to an unsustainable rise in production costs due to reductions in economies of scale. Shrinking defence budgets have resulted in the scaling back of certain procurement programmes, with lower economies of scale and increasing unit costs. In addition to this first source of cost increases, the defence industry is subject to the general phenomenon of increases in research and development (R&D) spending (and hence overheads). When combined, these two trends lead to an increase in unit costs of such magnitude that they can no longer be covered solely by military budgets. There is thus a need to re-think Denel's strategic direction going forward.

Given the downward trends in domestic defence spending, Denel must increasingly rationalize defence production, while concentrating on its competitive strengths. Denel must pare back its product lines, collaborate with other firms that have complementary technological assets, and focus on poles of excellence where it enjoys a technical or market advantage.

Denel needs to limit its dependence on defence work and expand its market share in commercial areas, as well as exploring new markets for its product offerings. In the current environment, those companies whose economic survival depends on a narrow range of military products will be exposed to sharp fluctuations in procurement, putting them at risk of going out of business. The more a firm is diversified into the civil sector, the better it can survive slowdowns in military or commercial sales; assuming, of course, that both markets do not decline simultaneously. Denel must diversify by developing civil spinoffs of its core military technologies. The ability to offer products to both civilian and military markets also holds out the prospect of restructuring production operations to benefit from joint expenditure and various synergies. Diversification into civilian sectors will make up for the drop in military budgets and exploit technological dynamics.

One further trend that Denel and the country may have to consider is increased collaboration on military programmes to contain escalating R&D costs. The success achieved in the A-Darter programme with Brazil provides us with a template. This will assist both Denel and the country to continue improving capabilities whilst containing costs.

The advanced industry results in networks of skills and technologies being created in order to deliver the high technology products and/or services. During this process, the newly created skills and knowledge are provided free of charge to other firms in related industries. The process of 'learning by doing' is one of the most effective ways of learning and innovating as it aims at building tacit knowledge – the most difficult type of knowledge to generate and transfer. The development of new knowledge and skills by the advanced industry is analogous to what occurs at a university. However, in an advanced industry the skills development and learning is not restricted to graduate level as it also takes place at the unskilled and artisan level. In addition to skills and technology development, a commercial product is being produced which creates revenue and a sustainable learning environment. Denel will be expected to accelerate its efforts towards skills-development and transformation. The company must generate skills across the full spectrum, ranging from artisan level to engineers and highly skilled technologists.

### 7.4 Eskom

Eskom generates 95 per cent of the electricity used in South Africa and 45 per cent of the electricity used in Africa. Eskom's reserve margin has been steadily declining since 1999 as a result of increasing demand, increases in maintenance backlogs, and under-investment in the new generation capacity required to meet rising demand. This was particularly acute in January 2008, when the reserve margin dropped to alarmingly low levels (3.6 percent commercially available), resulting in extensive load shedding that impacted the economy negatively, and diminished investor confidence in Eskom's ability to provide reliable electricity supply.

Eskom has since introduced a recovery plan, which includes securing enough primary energy (coal stockpile to 42 days level). This has resulted in the average reserve margin increasing to over 10 percent commercially available.

Additionally, Eskom has since 2004 been undertaking a capacity expansion (build) programme to ensure the secure and reliable supply of electricity. Completed projects between 2005/06 and 2011/12 include the return to service and construction of three power stations. As a result, Eskom installed and commissioned 5 381MW of additional generating capacity into the system and installed and strengthened 3 531 km of transmission networks. The focus for 2012/13 includes securing the balance of the required funding to complete the new build programme; monitoring the rollout of this programme improving operational and maintenance performance to ensure security of supply; assessing the role of Eskom in the implementation of the IRP 2010, and developing the appropriate investment plan for Eskom's future build programme.

Over the five-year period from 2011/12 to 2017/18, the cost of Eskom's build programme is estimated at R453 billion. Eskom plans to deliver additional 11 699MW of capacity into the system and to install 1 169 km of transmission network by 2017/18.

Eskom continues on its profitability path, recording a net profit after tax of R8.4 billion for the 2010/2011 financial year, following a net profit of R3.6 billion in the 2009/10 financial year. The operating profit for the year was R16.4 billion (2009/10: R4.8 billion). The 139% increase in profitability can be attributed mainly to the tariff increases in the 2010/11 financial year, rather than sales volume.

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- Cabinet approval was obtained for Eskom to be granted R174 billion additional guarantees, bringing the total guarantee framework to R350 billion. As a result of the Government Support Package, Eskom was able to issue a US\$ bond and raise R12 billion, without utilising a government guarantee. Eskom's funding plan to 2017 has been finalised, and 70% of the funding has been secured.

### 7.5 Pebble Bed Modular Reactor

The Pebble Bed Modular Reactor project was initially set up as a nuclear architect engineering company focused on the design and licensing of a standardised nuclear heat supply system and pebble fuel. It was established in 1999 to develop and market small scale, high temperature reactors locally and internationally. The company has not been able to acquire additional investment into the Pebble Bed Modular Reactor project, nor has it been able to acquire a customer, despite revising its business model in 2008/09, since government's last funding allocation in 2007, of which the last transfer was made in 2009/10. The company's business model was subsequently revised in May 2009 and the company's main focus will be the preservation and maintenance of intellectual property and assets.

In the light of the PBMR's participation, as part of the consortium in the United States Department of Energy's next generation nuclear programme not materialising, Cabinet approved that the company be placed into care and maintenance to protect its intellectual property and assets, while ensuring that no additional funding will be required from government. The Department of Public Enterprises will therefore be monitoring the implementation of this transition.

No further funds have been committed by government, except for R20 million, which was provided in the adjustments budget and which was disbursed in 2010/11, and a further R40

million disbursement in 2011/12. These funds were allocated to ensure that the necessary provision for the statutory requirement for decommissioning and dismantling the fuel development laboratory is met by the company.

During 2011/12, the Department commissioned a retrospective review of the PBMR project, as part of the winding down of PBMR in line with Cabinet decision. The focus for 2012/13 includes assessing the recommendations of the retrospective reviews, and monthly and quarterly monitoring of the implementation of the care and maintenance strategy.

### 7.6 Safcol

The South African Forestry Company manages and develops commercial forests. The company's activities include forestry management and timber harvesting and processing. The company's main subsidiary, Komatiland Forests, operates in Mpumalanga, Limpopo, KwaZulu-Natal and Mozambique. Softwood saw timber is sold in South Africa and soft and hardwood saw timber and pulp wood in Mozambique. Komatiland Forests has an 80 per cent shareholding in the Mozambican forestry company, Indústrias Florestais de Manica (IFLOMA), while the remaining 20 per cent is held by the Mozambican government through its Instituto de Gestão das Participações do Estado. The company plays an important role in rural development, and various enterprise development projects have been initiated to contribute to poverty alleviation in the rural areas in which it operates.

Government is currently re-examining the privatisation of Komatiland Forests and the future role of the South African Forestry Company, in the context of the developmental state. While the Department of Public Enterprises is carrying out its own review, the Presidency is conducting a broader review of state owned enterprises across all spheres of government. The department will be engaging closely with the presidential review committee on the implications for the company, as well as other key stakeholders such as the Department of Agriculture, Forestry and Fisheries and the Department of Rural Development and Land Reform. Thereafter, a joint proposal will be submitted to Cabinet for consideration.

In 2007, the Minister of Public Enterprises extended the disposal of the company by five years to 2011/12 to allow for the resolution of the land claims lodged with the Department of Rural Development and Land Reform, since 61 per cent of South African Forestry Company land is subject to land claims, with the understanding that shareholder value would be preserved in the interim. However, the company's operations and revenue have been severely impacted by the prevailing economic conditions over the past two years. The company reported a net loss of R468.9 million in 2009/10, yet has since seen improvements, with the net loss of R79.1million in 2010/1,1 and it is expected to be profitable in the 2011/12 financial year.

### 7.7 South African Airways

South African Airways is South Africa's national air carrier which operates a full service network in the international, regional and domestic markets, from its head office at OR Tambo International Airport.

Following the appointment of a new board of directors and a new Chief Executive Officer, SAA continues to build on the successes achieved from the restructuring exercise where savings of R2.5 billion were achieved over an 18-month period to March 2009. The airline achieved a net profit of R398 million in 2008/09, profits of R323 million in 2009/10 and profits of R649 million in 2010/11 financial years, respectively. The sustained profits were as a result of strict cost control and lower hedging losses that have reduced over the period from R1.564 billion in 2008/09 financial year to R970 million in the 2009/10 financial year, and R202 million in 2010/11 financial year. The repayment of R1.567 billion in September 2009 following the recapitalisation of SAA by government also led to savings in interest payment of about R100 million per annum.

Despite the improvements in profitability there are still challenges with cash generation. This follows reduced forward sales as a result of the slowdown in the world economy. The decline in the cash position resulted in a request for government support in 2009 when government provided a R1.6 billion going concern guarantee. The provision of this guarantee was based on certain commitments made by SAA, to ensure that the achievements made with the 2007-09 restructuring exercise were sustained. The department and National Treasury are jointly monitoring the implementation of the commitments

although these were recently revised in 2011 in consideration of current economic circumstances. To date, SAA has not utilised the R1.6 billion guarantee from National Treasury.

In the 2010/11 financial year SAA achieved twenty of the thirty four Key Performance Indicators. In addition, there have been significant improvements in procurement processes and compliance with the PFMA. The legacy agreement for the purchase of Airbus A320 aircraft was satisfactorily resolved in the 2009/10 financial year by rescheduling the delivery dates of the aircraft from 2010 to 2013. Delivery of the first aircraft under the contract will be in 2013. SAA is developing a financing plan which should be in place at least 6 months before the first delivery.

The focus over the MTEF period will be to strengthen SAA's operations in the African market, establish South African Airways Technical as an African Maintenance Repair Overhaul centre of excellence, as well as ensuring the implementation of the initiatives relating to the R1.6 billion guarantee, and to encourage consistent generation of bottom line profits to strengthen the airline's balance sheet.

### 7.8 South African Express Airways

South African Express Airways (SAX) was established in 1994 and transferred to the Department of Public Enterprises in 2008/09. It operates regional and domestic flights from OR Tambo International Airport in Johannesburg, serving secondary routes in South Africa and the continent. SAX operates regional routes to Botswana, Namibia, the Democratic Republic of the Congo and Mozambique. It also provides a feeder air service that connects with the South African Airways network.

The airline's joint venture with a local partner in the Democratic Republic of Congo (DRC), Congo Express, which began in February 2010 as part of the implementation of the African hub strategy, was dissolved in September 2010. This was subsequent to efforts to address the financial and operational performance having failed to improve the joint venture prospect. Lessons learnt from the failed operations in DRC will be used in all future implementation of the African hub strategy.



SAX has been consistently generating profits in the last six years which in turn strengthened its balance sheet. The financial position improved from accumulated losses of R228 million in the 2006/07 financial year to accumulated profits of R288 million by 2009/10 financial year. However due to recent economic slowdown the airline has not been able to sustain similar levels of profit generation. Most significantly, the operation of aged aircraft, most of which are over 15 years of age, resulted in high maintenance cost and disruption in flight schedules due to regular breakdown, and this affected the performance of the airline. Fortunately SAX has now commenced with a fleet replacement programme, and the first six new aircraft were received in the second half of the 2011/12 financial year. SAX expects to receive the remaining 18 aircraft over the next two years.

There were allegations of irregularities at SAX in the 2011/12 financial year, which may have arisen over several years back. The matter is under investigation and could affect the 2010/11 financial statements.

The focus over the MTEF period will be to expand SAX operations in the African market, and to strengthen the airlines balance sheet through generation of profit and cash flow to fund the fleet renewal programme.

### 7.9 Transnet

Transnet's mandate is to assist in lowering the cost of doing business in South Africa, enabling economic growth and ensuring security of supply by providing appropriate port, rail and pipeline infrastructure in a cost-effective and efficient manner, within acceptable benchmarks.

Transnet has relentlessly focussed on improving service levels and customer responsiveness over the past five years. Significant investments have been made in infrastructure and equipment to improve the condition of assets in order to support the drive for greater operating efficiencies, service levels and customer responsiveness.

For the first six months ended 30 September 2011, Transnet posted an impressive set of financial results as ongoing efficiencies, productivity improvements and the growth in volumes were driven by the increased capital expenditure programme.

Export iron ore volumes increased significantly by 21.5% to 24.9Mt (2010: 20.5Mt) due to improvements in operational efficiencies, and additional capacity created through the capital investment programme. Export coal volumes improved only marginally by 2.6% to 31.3Mt, primarily due to the extended period during which the line was shut down during the first quarter, as well other operational challenges faced by the business.

Transnet Freight Rail (TFR) recorded a 6.3% increase in general freight volumes and reported an impressive 25.3% improvement in containers transported by rail, thereby reducing the number of trucks on the roads.

Management focus is now on on-time departures and arrivals for the general freight business and export coal line. For the GFB, a 24-hour, seven days national command centre has been introduced and manned by TFR executives to plan, resource and manage the movement of trains across the country. This initiative is already yielding positive results. At the ports, the Pier 1 Container Terminal at the Port of Durban recorded an impressive leap in productivity with gross crane moves per hour (GCH) – a key measure of productivity for container terminals – improving to an internationally acceptable average of 28 GCH compared to 23GCH achieved in the prior period.

The New Multi-Product Pipeline (NMPP) is a strategic investment to secure the supply of petroleum products to the inland market over the long term. This line will replace the old Durban-Johannesburg pipeline, which is running at full capacity and nearing the end of its economic life. Some of the benefits of the new multi-product pipeline include (when fully operational) a reduction in congestion on the roads, and a reduction in carbon emissions from road transportation of petroleum products.

## PART C: LINKS TO OTHER PLANS (cont.)

The NMPP construction is progressing according to the revised plan, and Transnet Pipelines successfully commissioned the Kendall-Watloo, Jameson Park-Alrode and Alrode-Langlaagte sections of the pipeline on 31 May 2011. Construction of the pipeline and pump stations are now complete, and the focus will be aimed at completing the construction of the coastal and inland terminals.

The financial performance for the six months ending 30 September 2011 reported improved profits and cash flows. Net profit from continuing operations for the period was R2.3 billion, which represents an increase of 33.5% per cent compared to R1.7 billion up to 30 September 2010. This was mainly due to an increase in revenue. Revenue increased by 20.3% per cent to R22.4 billion (30 September 2010: R18.7 billion). The growth in revenue is mainly due to the 7.1% weighted average growth in volumes, as a result of strong growth in iron ore and container volumes.

Cash generated from operations increased by 25.6 per cent to R10 billion (2010: R7.9 billion), demonstrating the company's ability to generate

strong and sustainable cash flows. The cash-interest cover ratio has decreased to 3.1 times from 3.4 times compared to the same period in 2009/10, due to an increase in net finance costs, which is a consequence of the capital expenditure programme. This ratio, however, remains above the target of a minimum of 3 times.

Transnet is planning to borrow approximately R33 billion over the next five years to fund the rolling five year capital expenditure programme. The Group commenced the financial year with a cash balance of R10.9 billion. Consequently only an amount of R1.9 billion was raised during the six months ended 30 September 2011. The capital expenditure for the six months ended 30 September 2011 (excluding capitalised borrowing costs) was R9.5 billion. R5 billion of the total capital expenditure was invested in expanding the current infrastructure and equipment, while R4.5 billion was invested in maintaining the existing capacity.







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