

DEPARTMENT OF PUBLIC ENTERPRISES STRATEGIC PLAN

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Minister's foreword

Our department is tasked with the vital responsibility of providing shareholder oversight and leadership to a number of state owned enterprises (SAA Transnet, Eskom, Safcol, Alexkor, Denel, PBMR, Broadband Infraco, Aventura and SAX). Our mandate of oversight and leadership is defined and guided by a range of government policies and strategies including the New Growth Path and the Industrial Policy Action Plan. We, as a shareholder department, have the mandate to align the strategies and operations of SOE with government's objectives as defined in these policies.

The two infrastructure SOEs, Transnet and Eskom are in a powerful position to catalyse growth in that they either place constraints on, or create opportunities for, additional investment in both their customer and supplier communities. These opportunities can be unlocked through creating additional capacity either through SOE investment or through efficiency improvements. In addition, given their strategic position, these infrastructure SOEs can play a leadership role in both the customer and supplier community in driving programs that catalyse socio-economic transformation in these sectors. The role of the DPE in this context is thus to drive investment, efficiencies and transformation in its portfolio of SOE, their customers and their suppliers to unlock growth, create jobs and develop skills.

For the SOEs to unlock growth and transformation, new sources of funding for the infrastructure programs will need to be found and developmental procurement and other business process capabilities will need to be developed and implemented. The New Growth Path in particular, challenges us to think beyond the existing approach to Shareholder Management. The policy challenges us to develop compacts with our key stakeholders to enhance our joint impact on the economy. In order to do this, we need to develop an investment planning approach that goes beyond the constraints of SOE balance sheets with the objective of working with our customers and other key stakeholders to raise the funding to drive investment and employment creation to qualitatively new levels.

An important component of this process will be to establish an enabling policy and regulatory environment. This will include the DPE developing new policies to guide the SOE in the implementation of the strategy. In addition, the DPE will be engaging with Treasury, sectoral policy Department and their regulators to ensure that the regulatory regime provides both confidence in the future stability of the SOEs and enables special compacts between the SOEs, their customers and the broader financial community.

In response to the economic and social challenges facing South Africa, this plan represents a key step in moving from a balance sheet to a broader growth perspective in SOE investment planning, funding, procurement and operations. This approach will require active and decisive leadership from the DPE and I have already started a process of engaging directly with all SOE Chairs and CEOs. Such engagements are intended to ensure there is a definitive clarity about government's strategies to be reflected by SOEs and also to provide our department with a timely grasp of strategic and operational issues being faced by our SOEs.

In summary, we look forward to the challenges ahead with enthusiasm and determination, ever cognisant of the impact our contributions will have on our economy and the continent at large.

The deputy minister and I are confident that the strategies intended are obtainable if our capable efforts are applied through cogitated action for the grander benefits of our South African economy. Our confidence is further reassured by the committed and competent leadership of the department being spearheaded by our Director General Tshediso Matona.

Minister Malusi Gigaba



Tshediso Matona
Director-General's report

Director-General's report

We in the Department of Public Enterprises are actively engaged with the imperatives of forging a growing and labour-absorbing economy as envisioned in Government's key policy statements, in particular, the New Growth Path and the Industrial Policy Action Plan. The development of the country's economic infrastructure is central to this vision, and the challenge for the DPE and the state-owned enterprises (SOE) for which we shareholder responsibility is clear.

The stage has been set for our country's intentions to create an economy that factors larger labour absorption into its growth, through, among other things, the development of our economic infrastructure.

The Department of Public Enterprises is responsible for guiding SOE in our portfolio to become more financially sustainable entities which contribute positively towards our national growth and development objectives. SOE, particularly those operating in network infrastructure industries, are key levers to catalyse growth, and therefore higher labour absorption.

Government has clearly prioritised employment-creation in the period ahead, during this Administration and beyond. In his State of the Nation Address President Jacob Zuma has given us our marching orders with regard to delivering on this priority, and the DPE, together with the SOE in our portfolio, accept this challenge, and commit ourselves to the achievement of this central objective. This requires an unambiguous understanding by our SOEs of government's economic policy and strategy. To this end, with the guidance of the Minister and Deputy Minister, we have undertaken to be more hands-on with regard to our oversight and shareholder responsibility over the SOE, to ensure that they are in alignment with Government policy and strategy.

The SOE, together with the private sector, are pivotal in the imperative to reposition the economy to a New Growth Path, central to

which is the overriding priority of job creation and poverty alleviation. Our two biggest SOE, Eskom and Transnet, have embarked on the biggest infrastructure investment by the public sector, infrastructure that will be a catalyst for our economy to grow, and therefore to crowd in the private sector for higher levels of employment creation. It is therefore important that the SOE are financially viable and able to fund these investments from the strength of their balance sheets. In addition to financial viability, the SOE need certainty and clarity in terms of policy and regulatory direction, a key factor when investment decisions need to be made. The role of the State as shareholder, regulator and policy-maker must be clearly defined, if the SOE are to have certainty to enable them to execute their mandate.

In recognition of the powerful role that an SOE can play in the economy, a Presidential Review Committee has been established to identify ways of enhancing the impact of SOE on the objectives and priorities of Government. We look forward to the recommendations to be made by the PRC later in 2011, as they will be critical in helping us to further shape and refine Government's strategic role as a Shareholder. The PRC's recommendations will provide greater insight into the role that SOE should play in the context of a Developmental State, and how Government should improve its Shareholder oversight capabilities to support and strengthen this role.

In conclusion, I would like to thank the Minister for the visionary leadership he is providing to the Department and the SOE, and the support of the Deputy Minister in this regard. Lastly, I would like to urge my colleagues in the Department to continue to strive for excellence as we work towards the achievement of our goals as a Department, and as a country.

Director-General Tshediso Matona



Part A : Strategic overview

Vision

The aim of the Department of Public Enterprises is to provide effective shareholder management of state owned enterprises that report to the department, and support and promote economic efficiency and competitiveness for a better life for all South Africans.

Mission Statement

Revised mission statement and 2011–2014 strategic plan

The state owned enterprises are strategic instruments of industrial policy and core players in the New Growth Path. The department aims to provide decisive strategic direction to the state owned enterprises so that their businesses are aligned with the national growth strategies arising out of the New Growth Path. It will do this by ensuring that their planning and performance, and investments and activities, are in line with Government's medium term strategic framework and the Minister's service delivery agreement.

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), which forms the basis of the Minister's service delivery agreement, signed in October 2010. Over the medium term, the department will focus on achieving the outputs and sub-outputs that are linked to the Outcome and contained in the Agreement.

These 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 state owned enterprises operate.
- Improving the operational efficiencies of the state owned enterprises, particularly in relation to the reliable delivery of rail and ports services and the reliable generation, distribution and transmission of electricity.
- And developing operational indicators for each of the required sub-outputs identified as part of the delivery agreement and where necessary including these shareholder compacts concluded within the state owned enterprises.

Government Economic Objectives and DPE Strategy

Three government frameworks provide a context for the definition of the key objectives that should guide the DPE strategy. These frameworks are the performance evaluation framework, the New Growth Path and the Industrial Policy Action Plan.

There are 12 outcomes in the performance evaluation framework. Given the nature of the DPE portfolio of SOE, the following outcomes, which are focused on the economic cluster, are of particular significance to the DPE.

Decent employment through inclusive growth:

- Increasing GDP
- Higher rates of labour absorption, meaning that more of the working-age population has jobs.

Efficient, Competitive and Responsive Economic Infrastructure Network.

- Globally competitive infrastructure service delivery.
- Provision of additional capacity to provide for growth requirements.

The **New Growth Path** is a strategy to identify focus areas for greater competitiveness and labour absorbing growth through the provision of focused policy and political support for these sectors. The path has the objective of creating five million jobs over ten years. The approach is to fine-tune macro and micro policies to support more equitable and employment-intensive growth through:

- Measures to make the economy as a whole more competitive, including the value of the currency, enhanced infrastructure services and capacity and the development of skills.
- Systematically encouraging more labour-intensive and green activities, including through African regional integration.
- Developing relatively labour intensive manufacturing, particularly through leveraging public procurement, in support of the Industrial Policy Action Plan



A core element of the **New Growth Path** is to promote social dialogue and solidarity, through the building of relevant social compacts to achieve targeted objectives, as central to the change process.

The **Industrial Policy Action Plan** is extremely complimentary to the New Growth Path and has as its objective development of manufacturing and associated industrial capabilities to facilitate a diversification of the economic base beyond the present dependence on resources and non-tradable services. Core to the Industrial Policy Action Plan is the provision of competitive infrastructure services and the leveraging of public procurement to promote investment in manufacturing. This includes a special “fleet procurement” process whereby long term fleet requirements are identified and procurement is structured so as to create a firm foundation for investment and learning in the national supplier sector. The leveraging of the SOE capital investment programs, or the Competitive Supplier Development Program, is a further core strategy of the IPAP.

In summary, the DPE needs to leverage the SOE to contribute to the following key national objectives:

- The provision of competitive infrastructure services and associated capacity to lead growth and stimulate employment creation.
- The development of industrial manufacturing capabilities as a whole as well as niched areas of advanced capabilities.
- The development of skills.
- The development of new technologies, particularly those contributing towards employment creation and a green growth trajectory.
- The development of social and economics compacts to align stakeholders behind the key growth objectives.

Strategic focus over the medium term

Providing decisive leadership and ensuring that the government shareholder management model is implemented

The department provides support to the Minister in his interactions with the state owned enterprises.

This involves preparing for structured meetings between the Minister and the Chairperson of each board, as well as research and briefings on issues.

The department's shareholder management model measures the state owned enterprises' performance against delivery targets. The model aims to achieve consistency in compliance with

corporate governance as well as the synchronisation of outcomes - based planning and performance reporting.

The model is being continuously refined.

- Progress on the model to date includes: clarity on the strategic intent of each state owned enterprise and performance focused shareholder compacts.
- The development of a logical planning and monitoring and evaluation framework; the development of guidelines on board management and founding documents.
- And the tracking of trends in financial and operational performance through the department's performance measuring dashboard, the Isibuko dashboard. The dashboard facilitates the quarterly reporting required from the state owned enterprises.

Optimising capital investment and operational efficiencies in state owned enterprises

The provision of adequate and efficient infrastructure services can stimulate investment and increase the productivity of the customers of state owned enterprises'. In 1976, public investment in infrastructure in South Africa peaked at 16 per cent of GDP. By 1994, it had declined to approximately 4 per cent of GDP where it remained until Eskom and Transnet announced the major build programmes in 2004 and government began a fixed asset investment programme in 2005.

Benchmarking actual public investment in infrastructure between 1994 and 2009 against a steady state of investment of at least 10 per cent of GDP per year over the same period suggests a shortfall of approximately R1.5 trillion. This illustrates a gap in infrastructure investment which needs to be addressed and funded.

A number of state owned enterprises suffer from operational inefficiencies, which negatively impacts on the economy. A key challenge for the department is to play a catalytic role in improving efficiencies through positively influencing the Boards' oversight function and in turn effective management of the enterprises. This will require a much higher level of analysis, benchmarking, target setting and remedial action than in previous years. The department will also continue to monitor progress on the expansion of the capacity of state owned enterprises, such as the capital programmes of Eskom and Transnet, through better funding and risk management.



Refining the policy and regulatory environment

The current policy and regulatory environment has elements that pose key risks to the state owned enterprises and their ability to play a developmental role in the economy. In particular, the regulation of infrastructure tariffs needs to enable both Eskom and Transnet to recover costs and attract investment to meet the needs of the economy. In addition, the department needs to monitor closely what additional investments will be required of Eskom in the Integrated Resource Plan for Energy, as this may require significant additional funding. Another key area relates to the establishment of a Single Buyer Office to enable independent power producers' access to the grid. In relation to Transnet, the department will be engaging with the establishment of the rail and port Regulator to ensure that the policy and regulatory regime provides an appropriate balance between encouraging additional investment and promoting competition. The department will continue to put considerable effort into working with policy departments, such as the Departments of Energy and Transport, to create a more enabling environment for the enterprises to better serve the public interest.

Integrating key programmes into the broader industrial policy and economic cluster programme

Another area of strategic focus over the short to medium term is the systematic integration of key programmes in state owned enterprises into the New Growth Path and the Industrial Policy Action Plan 2. For example, both the Industrial Policy Action Plan and the New Growth Path have prioritised the leveraging of public procurement to develop manufacturing. The department will thus focus on driving the implementation of fleet procurement programmes in locomotives and renewable generation technologies. The integration of supplier development policies that will embed procurement leverage into the state owned enterprise procurement policy framework will also be closely monitored. The department is considering new governance mechanisms to enable better coordination across government departments (particularly with respect to the Department of Trade and Industry) and to provide more effective oversight of the rollout of these programmes. The South African Forestry Company can play a powerful catalytic role in rural development and work is underway on a strategy in this regard.

Knowledge management

It is critical that the department optimise its internal learning processes. This involves collating and recording existing presentations and documents under relevant themes, developing training programmes in key areas and initiating processes that capture the practical experiential learning around shareholder management.

Legislative and Other Mandates

DPE exercises shareholder management over nine SOE. All The SOE are incorporated as companies in accordance with the provisions of the Companies Act, 1973. Except for Denel, all SOE are established in terms of their own enabling legislation which sets out the purpose, mandate and objectives for which they were founded.

DPE is both the founder and the administrator/custodian of all legislation relating to the establishment of SOE.

Constitutional Mandates

In addition to the Companies Act and enabling legislation, SOE are also governed by other legislation such as the Public Finance Management Act of 1999 (PFMA), Competition Act of 1998 and the Insolvency Act of 1936 amongst others.

Within the DPE portfolio, the SOE enabling legislations are the following:

- Eskom: Eskom Conversion Act 13 of 2001
- Transnet: Legal Succession to the South African Transport Services Act 9 of 1989 (as amended)
- Alexkor: Alexkor Limited Act 116 of 1992 (as amended)
- South African Forestry Company (Safcol): Management of State Forests Act 128 of 1992
- Aventura: Overvaal Resorts Limited Act 127 of 1993
- South African Airways: South African Airways Act 5 of 2007, and
- Broadband Infraco: Broadband Infraco Act 33 of 2007

Situational Analysis

Organizational Environment

The Department of Public Enterprises requires high calibre on specialized skills to carry out its mandate. Emphasis has always been placed on ensuring that the organizational structure is adequately resourced to deliver on the organizations key focus areas. Over the years, this has been a constant challenge. The department is limited in its ability to attract and retain such expertise when compared to the private sector. However, it continues to strive towards ensuring that the structure is aptly capacitated.

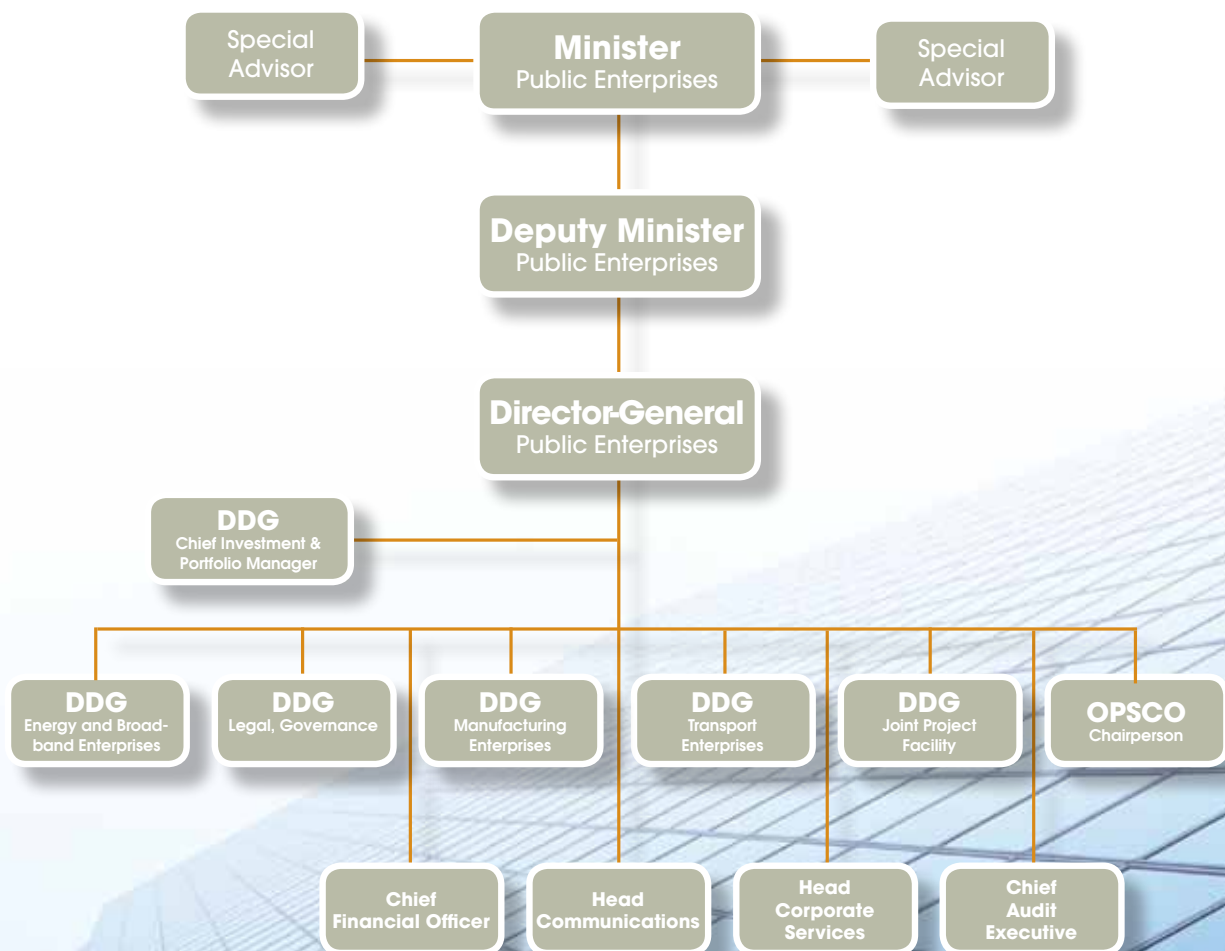
In its endeavour to ensure a feeder channel of applicable skills and talent, the department embarked on a drive to attract and retain young graduates through its internship and graduate development programmes. This has been further strengthened by a continuous focus on internal skills development, mentoring and coaching.

The reorganisation of work streams in the department assisted in ensuring that the sector programmes received dedicated support in the legal and governance aspects of their work. To support this initiative, the Legal and Governance unit was divided into SOE-specific matters and cross-cutting legal support to the department.

The establishment of a Risk Management, Monitoring and Compliance role in Corporate Services, assisted in ensuring closer alignment between the planning function and the monitoring of deliverables in accordance with the department's strategic focus areas. This dedicated resource has allowed for closer evaluation of performance through continuous assessment and analysis of quarterly reports. Internal risks are also captured on the Isibuko Dashboard, electronic business intelligence system which ensures stronger accountability across the organization for risk mitigation through a tightly managed process.

With the appointment of the Minister, Deputy Minister and Director-General as well as the launch of the Presidential Review on State owned enterprises, the Department of Public Enterprises is fully cognisant of the possible review of its mandate. A key focus for the Executive team is to ensure that the internal environment remains stable and conducive for sustainable high performance. The department is geared for the work it has to produce and remains flexible and agile in its ability to incorporate changes as they become evident, especially regarding reorganization of work for improved performance and efficiencies.

dpe
organisational structure



DPE Budget - Appropriation per Programme

	2010/11	2011/12	2012/13	2013/14
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
1. Administration	106 835	106 734	112 968	118 820
2. Energy and Broadband Enterprises	174 476	58 652	20 246	21 669
3. Legal and Governance	50 023	12 163	13 455	14 321
4. Manufacturing Enterprises	192 782	13 072	13 408	14 275
5. Transport Enterprises	21 257	26 610	25 701	25 465
6. Joint Project Facility	10 176	13 000	13 873	15 862
TOTAL	555 549	230 231	199 651	210 412

DPE Budget - Appropriation per Economic Classification

	2010/11	2011/12	2012/13	2013/14
	Final Appropriation	Medium term estimates		
	R'000	R'000	R'000	R'000
MTEF Baseline	R'000	R'000	R'000	R'000
Current payments				
Compensation of employees	90 315	96 539	101 017	106 169
Goods and services	87 925	91 539	96 643	102 136
Transfers and subsidies				
Public corporations and private enterprises	237 296	40 000	-	-
Gifts and donations	610	753	791	835
Payments for capital assets				
Machinery and equipment	703	1 400	1 200	1 272
Payment for Financial Assets	138 600	-	-	-
Total	555 549	230 231	199 651	210 412

DPE Budget Summary of Transfer payments and payment for Financial assets to SOE

	2010/11	2011/12	2012/13	2013/14
	Final Appropriation	Medium term estimates		
	R'000	R'000	R'000	R'000
Alexkor	36 000	-	-	-
Denel	181 296	-	-	-
Broadband Infraco	138 600			
Pebble Bed Modular Reactor	20 000	40 000	-	-
Total	375 896	40 000	-	-

Part B : Strategic objectives

Programme 1

Administration

Purpose: To achieve the department's strategic objectives by providing management, supporting functions and processes.

The programme is comprised of the following sub-programmes

- Ministry – Minister and Deputy Minister
- Management – Office of the Director-General and Chief Investment Portfolio Manager
- Internal Audit
- Corporate Services – Head: Corporate Services, Human Resources, Secretariat, Administration and Facilities, Knowledge Centre and Internal Risk Management and Performance Monitoring
- Office of the Chief Financial Officer – Financial Administration, Supply Chain Management and Information Management
- Communications
- Office Accommodation
- Performing performance monitoring and shareholder risk management to investments in state owned enterprises
- Developing the department's capital structure framework for state owned enterprises
- Managing the equity interest and contingent liability exposure of the department's investment portfolio
- Developing investment policy and identifying sources for capital funding
- Ensuring economic and regulatory cohesion for network infrastructure
- Providing specialist transaction input and advice
- Implementing the Richtersveld deed of settlement
- Redirecting Alexkor's commercial focus and sustainability.

Strategic Objectives

- To provide strategic direction and leadership.
- To provide support services to enable the department to deliver on its organisational objectives in an environment where the human capital within DPE is both motivated and empowered.
- To improve the quality of corporate governance and performance monitoring systems by ensuring that appropriate policies, processes and procedures are reviewed, updated and implemented within the DPE.

The Office of the Chief Investment and Portfolio Manager applies a portfolio approach to the management and shareholder investment of all state owned enterprises falling under the purview of the department, including conducting comprehensive cross cutting portfolio reviews on a quarterly basis. The office serves to enhance portfolio management through portfolio analysis to determine overall portfolio structure, highlight shifts in portfolio composition, determine potential impact to portfolio performance and identify measures to strengthen the portfolio.

The office provides analysis of trends and strategic portfolio recommendations to the Minister of Public Enterprises to pro-actively manage any exposure that may arise.

Objectives and Measures

- Provide strategic leadership and effective oversight over the departmental activities by:
 - Synchronising logical planning, monitoring and evaluation processes

Resource considerations

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

Expenditure increased from R68.4 million in 2007/08 to R106.8 million in 2010/11, at an average annual rate of 16.0 per cent. The growth was driven by spending in the Corporate Services and Management subprogrammes 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 to this programme also contributed to the increase. Spending on compensation of employees increased from R28.8 million in 2007/08 to R48.9 million in 2010/11, at an average annual rate of 19.4 per cent. The increase is attributable to annual salary increments and an increase in the number of personnel in this programme. Spending on goods and services increased from R35.6 million in 2007/08 to R56.5 million in 2010/11, at an average annual rate of 16.6 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 R106.8 million to R118.8 million over the MTEF period, at an average annual rate of 3.6 per cent. The growth is mainly due to inflation related adjustments to the baseline as adjusted to reflect savings from the centralisation of services.

Programme 1 Administration

Measurable objectives and medium term output targets

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
CIPM	Synchronised logical planning, monitoring & evaluation process	SOE strategic intent statements issued for all SOE	SOE Strategic intent statements issued by end of September	SOE strategic intent statement issued by end of September	SOE strategic intent statement issued by end of September
		Shareholder compacts	SOE Shareholder Compacts signed annually	SOE Shareholder Compacts signed annually	SOE Shareholder Compacts signed annually
		SOE Corporate Plans	SOE to submit Corporate Plans annually by end of February	SOE to submit Corporate Plans annually by end of February	SOE to submit Corporate Plans annually by end of February
		SOE performance monitoring & Shareholder Risk Management	Quarterly Shareholder reports on SOE performance Assessment, detection, mitigation and monitoring of cross-cutting shareholder risk	Quarterly Shareholder reports on SOE performance Assessment, detection, mitigation and monitoring of cross-cutting shareholder risk	Quarterly Shareholder reports on SOE performance Assessment, detection, mitigation and monitoring of cross-cutting shareholder risk
	Portfolio equity interest & contingent liability exposure management	Report on government guarantee and shares	SOE Quarterly report on government guarantee and shares	SOE Quarterly report on government guarantee and shares	SOE Quarterly report on government guarantee and shares
		Register government guarantee, shares and shareholders' agreement	Register and safe custody of government guarantee, shares and shareholders' agreement	Register and safe custody of government guarantee, shares and shareholders' agreement	Register an safe custody of government guarantee, shares and shareholders' agreement
	Benchmarking	Guideline for Industry, sector & national economy benchmarking	Benchmarking Guideline for SOE performance indicator & target setting	SOE performance indicator & target setting	SOE performance indicator & target setting
	Shareholder value enhancement	Methodological framework for measuring shareholder value per SOE & aggregation to portfolio	Annual portfolio value assessments	Annual portfolio value assessments	Annual portfolio value assessments
Economic & regulatory cohesion for network infrastructure	Research on economic regulatory models	Report on economic regulatory cohesion for network infrastructure study	Study on regulatory frameworks employed for infrastructure investment		
	Capital structure framework	Annual portfolio value assessments	<ul style="list-style-type: none"> Investment policy for SOE commercial sustainability Financing Instruments Framework SOE capital restructuring assessments 		SOE capital restructuring assessments

Programme 1 Administration (cont.)

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Alexkor	Richtersveld Deed of Settlement implementation	<ul style="list-style-type: none"> Alexander Bay Township infrastructure upgrade Formal establishment of Pooling and Sharing Joint Venture between Alexkor and Richtersveld Mining Company 	<ul style="list-style-type: none"> Completion of Alexander Bay township infrastructure upgrade Approval of Minister of Minerals & Energy for transfer of Alexkor and mining rights to Richtersveld Mining Company Monitoring formal establishment of Pooling and Sharing Joint Venture (prospecting plan, work programme, mining plan) 	Quarterly monitoring and assessment of Pooling and Sharing Joint Venture performance	
	Alexkor Strategy Formulation	<ul style="list-style-type: none"> New business/ growthplan for Alexkor 	<ul style="list-style-type: none"> Stakeholder consultation to clarify positioning of Alexkor in relation to State Mining Company Explore synergies between Alexkor and State Mining Company Alexkor exploring new mining ventures and downstream beneficiation beyond Alexander Bay 		
	Alexkor Monitoring and Oversight	<ul style="list-style-type: none"> Annual Reports, Corporate Plan, Strategic Intent Statement and Shareholder Compact with Alexkor 	<ul style="list-style-type: none"> Analysis and Assessment of the Annual Report and Corporate Plan 	<ul style="list-style-type: none"> Analysis and Assessment of the Annual Report and Corporate Plan 	<ul style="list-style-type: none"> Analysis and Assessment of the Annual Report and Corporate Plan
			<ul style="list-style-type: none"> Negotiation and approval of shareholder compact 	<ul style="list-style-type: none"> Negotiation and approval of shareholder compact 	<ul style="list-style-type: none"> Negotiation and approval of shareholder compact
			<ul style="list-style-type: none"> Shareholder Strategic Intent statement at the AGM 	<ul style="list-style-type: none"> Shareholder Strategic Intent statement at the AGM 	<ul style="list-style-type: none"> Shareholder Strategic Intent statement at the AGM
		<ul style="list-style-type: none"> Alexkor Board Review 	<ul style="list-style-type: none"> Assessment of SOE Board. 	<ul style="list-style-type: none"> Assessment of SOE Board. 	<ul style="list-style-type: none"> Assessment of SOE Board.
		<ul style="list-style-type: none"> Quarterly Reports 	<ul style="list-style-type: none"> Assessment of quarterly reports 	<ul style="list-style-type: none"> Assessment of quarterly reports 	<ul style="list-style-type: none"> Assessment of quarterly reports
				<ul style="list-style-type: none"> Preparation of quarterly investor briefs 	<ul style="list-style-type: none"> Preparation of quarterly investor briefs
		<ul style="list-style-type: none"> Achievement of MTEF targets by Alexkor 	<ul style="list-style-type: none"> Assessment of PFMA Applications 	<ul style="list-style-type: none"> Assessment of PFMA Applications 	<ul style="list-style-type: none"> Assessment of PFMA Applications
		<ul style="list-style-type: none"> Assessment of Alexkor funding requirements to support new business plan 	<ul style="list-style-type: none"> Explore and facilitate access to debt and alternative funding structures 	<ul style="list-style-type: none"> Explore and facilitate access to debt and alternative funding structures 	<ul style="list-style-type: none"> Explore and facilitate access to debt and alternative funding structures

Part B : Strategic objectives (cont.)

Programme 2

Energy and Broadband Enterprises

Purpose: Align the corporate strategies and performance of Eskom, Pebble Bed Modular Reactor and Broadband Infraco with Government's strategic intent and performance targets.

The programme is comprised of the following sub-programmes

- Management comprises the office of the Deputy Director-General. 85.5 percent of the budget is used for compensation of employees.
- ICT Broadband Sector provides shareholder oversight of Broadband Infraco. This includes overseeing agreements between parties, assessing the business plan, monitoring the national and international long distance networks, and providing overarching shareholder management.
- Energy Sector provides shareholder oversight of Eskom. This entails: generating, transmitting and distributing electricity with a particular emphasis on security of supply and optimising current operations; and carrying out oversight of the Pebble Bed Modular Reactor, which includes monitoring the progress of the implementation of the care and maintenance programme to preserve intellectual property and assets as approved by Cabinet.
- Legal and Risk (Energy and Broadband Enterprises) deals with all legal, governance and risk work specifically related to the above-mentioned state owned enterprises.

Strategic objectives

- Continuously ensure the alignment of shareholder strategic intent in relation to state owned enterprises' role in achieving Government's objectives in the energy and communication sectors.
- Evaluate Corporate Plans annually and advise Boards about material deviations.
- Monitor and benchmark the implementation of Corporate Plans and Shareholder Compacts.

- Assess shareholder and enterprise risks at least quarterly, and advise Boards on areas of concern.
- Support the security of electricity supply by:
 - Examining Eskom's maintenance and operational practices, distribution efficiency and the reserve margin annually.
 - Receiving regular updates from and ongoing interaction with Eskom, and engaging with stakeholders in the energy sector.
- Reduce dependence on the fiscus by monitoring cost escalations for the build programme and developing innovative funding mechanisms.
- Monitor the implementation and evaluate quarterly reports of the Competitive Supplier Development Programme to leverage off Eskom's capital expenditure in the development of local supplier industries.
- Maintain state owned assets by monitoring progress against the implementation of the Care and Maintenance programme by the Pebble Bed Modular Reactor.
- Create an enabling policy and regulatory environment for the state owned enterprises by engaging with the Department of Energy and the National Energy Regulator of South Africa on new policies and regulations affecting Eskom as and when they arise over the MTEF period.
- Ensure that the West Coast submarine cable system is ready for service in 2011 by monitoring Broadband Infraco's participation in the West Coast submarine cable system consortium on a quarterly basis.
- Support increased access to broadband by:
 - monitoring Broadband Infraco's price reports annually
 - increasing the number of access points to broadband in major cities and under serviced areas through rolling out the national long distance infrastructure.

Programme 2 Energy and Broadband Enterprises

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Energy	Eskom Monitoring and Oversight	Annual Reports, Corporate Plan, Strategic Intent Statement and Shareholder Compact with Eskom	• Assessment of the Annual Report and Corporate Plan	• Assessment of the Annual Report and Corporate Plan	• Assessment of the Annual Report and Corporate Plan
			• Negotiation and approval of Shareholder Compact	• Negotiation and approval of Shareholder Compact	• Negotiation and approval of Shareholder Compact
			• Shareholder Strategic Intent Communique in preparation for the Eskom AGM	• Shareholder Strategic Intent Communique in preparation for the Eskom AGM	• Shareholder Strategic Intent Communique in preparation for the Eskom AGM
			• Assessment of SOE Board.	• Assessment of SOE Board.	• Assessment of SOE Board.
		Quarterly Reports	• Assessment of quarterly reports	• Assessment of quarterly reports	• Assessment of quarterly reports
			• Preparation of quarterly investor briefs	• Preparation of quarterly investor briefs	• Preparation of quarterly investor briefs
		Achievement of MTEF targets by Eskom	• Assessment of PFMA Applications	• Assessment of PFMA Applications	• Assessment of PFMA Applications
			• Explore and facilitate access to debt and alternative funding structures	• Explore and facilitate access to debt and alternative funding structures	• Explore and facilitate access to debt and alternative funding structures
		Monitoring Eskom's capacity expansion programme	• Capacity delivery as per plan (Shareholder compact and IRP)	• Capacity delivery as per plan (Shareholder compact and IRP)	• Capacity delivery as per plan (Shareholder compact and IRP)
		Mitigation strategy for the declining network performance	• Monitoring and analysis of network performance reports	• Monitoring and analysis of network performance reports	• Monitoring and analysis of network performance reports
	Implementation of the Coal Haulage Road to Rail Migration Plan	Quarterly reports of road to rail migration progress (tons) and road improvements (kms)	• Rehabilitation of coal haulage roads	• Rehabilitation of coal haulage roads	• Rehabilitation of coal haulage roads
			• Migrate Eskom coal from road to rail	• Migrate Eskom coal from road to rail	• Migrate Eskom coal from road to rail
		Progress reports on Eskom's role in MTRMP (DSMEE, ECS implementation, REFIT, etc)	• Report on the implementation of Eskom's responsibilities with respect to the MTRMP	• Report on the implementation of Eskom's responsibilities with respect to the MTRMP	• Report on the implementation of Eskom's responsibilities with respect to the MTRMP
			• Report on the System Adequacy	• Report on the System Adequacy	• Report on the System Adequacy

Programme 2

Energy and Broadband Enterprises (cont.)

Measurable objectives and medium term output targets

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
	Ring-fenced purchasing function to procure the IPP REFIT allocation as per IRP1	Ring-fenced purchasing function with approved governance arrangements	<ul style="list-style-type: none"> Ring-fencing directive through Eskom shareholder compact 		
	MYPD3 application and the migration to tariff cost reflectivity	Approval/support for the Eskom application such that Eskom is sustainable and the economy is not compromised	<ul style="list-style-type: none"> Assessment and decision on the Eskom application for MYPD3 		
	Re-negotiation of Special Pricing Agreements (Aluminium South Africa)	Support/approve minimizing of impact of ASA agreements to Eskom/ economy	<ul style="list-style-type: none"> Elimination of risks associated with Special Pricing Agreements 		
PBMR	Care and Maintenance Strategy implemented	<ul style="list-style-type: none"> Monitor and facilitate the implementation of the care and maintenance strategy Quarterly progress report 	<ul style="list-style-type: none"> Regular (monthly and quarterly) progress reports 	<ul style="list-style-type: none"> Regular (monthly and quarterly) progress reports 	
ICT Broadband Sector	Infraco monitoring and Oversight	Strategic Intent Statement and Shareholder Compact with Infraco	<ul style="list-style-type: none"> Analysis and Assessment of the Annual Report and Corporate Plan. 	<ul style="list-style-type: none"> Analysis and Assessment of the Annual Report and Corporate Plan. 	<ul style="list-style-type: none"> Analysis and Assessment of the Annual Report and Corporate Plan.
			<ul style="list-style-type: none"> Negotiation and approval of shareholder compact 	<ul style="list-style-type: none"> Negotiation and approval of shareholder compact 	<ul style="list-style-type: none"> Negotiation and approval of shareholder compact
			<ul style="list-style-type: none"> Shareholder Strategic Intent Communiqué in preparation for the AGM 	<ul style="list-style-type: none"> Shareholder Strategic Intent Communiqué in preparation for the AGM 	<ul style="list-style-type: none"> Shareholder Strategic Intent Communiqué in preparation for the AGM
			<ul style="list-style-type: none"> Assessment of SOE Board. 	<ul style="list-style-type: none"> Assessment of SOE Board. 	<ul style="list-style-type: none"> Assessment of SOE Board.
		Quarterly and Annual Reports, Corporate Plan	<ul style="list-style-type: none"> Assessment of quarterly reports 	<ul style="list-style-type: none"> Assessment of quarterly reports 	<ul style="list-style-type: none"> Assessment of quarterly reports
			<ul style="list-style-type: none"> Preparation of quarterly investor briefs 	<ul style="list-style-type: none"> Preparation of quarterly investor briefs 	<ul style="list-style-type: none"> Preparation of quarterly investor briefs
		Achievement of MTEF targets by Infraco	<ul style="list-style-type: none"> Assessment of PFMA Applications 	<ul style="list-style-type: none"> Assessment of PFMA Applications 	<ul style="list-style-type: none"> Assessment of PFMA Applications
			<ul style="list-style-type: none"> Explore and facilitate access to debt and alternative funding structures 	<ul style="list-style-type: none"> Explore and facilitate access to debt and alternative funding structures 	<ul style="list-style-type: none"> Explore and facilitate access to debt and alternative funding structures
	A drop in wholesale prices to the levels that are affordable and sustainable	Wholesale price reduction	Benchmarking and Monitoring of Infraco's pricing in relation to the local and international market prices.	Benchmarking and Monitoring of Infraco's pricing in relation to the local and international market price	Benchmarking and Monitoring of Infraco's pricing in relation to the local and international market price

Programme 2 Energy and Broadband Enterprises (cont.)

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
	Increased national broadband penetration	Percentage increase in broadband penetration per annum	Monitoring the rollout of the national and international network according to the National Broadband targets.	Monitoring the rollout of the national and international network according to the National Broadband targets.	Monitoring the rollout of the national and international network according to the National Broadband targets.
	Business sustainability for Infraco	Diversification of Revenue Stream	Monitoring the contracts on a quarterly basis	Monitoring the contracts on a quarterly basis	Monitoring the contracts on a quarterly basis
		Sentech JV to enable retail service provision access	Formulate a collaboration/synergy between Infraco and Sentech in order to assist Government to achieve its ICT objectives.	Manage and monitor the relationship on a quarterly basis	Manage and monitor the relationship on a quarterly basis
	Network reliability and performance	Quarterly reports indicating progress with reliability and performance improvement	Monitor implementation plans that are in place to improve reliability and performance.	Monitor implementation plans that are in place to improve reliability and performance.	Monitor implementation plans that are in place to improve reliability and performance.
	International connectivity	Commissioning of the West African Cable System (WACS) Project	Support Infraco during the roll-out phase (ends in 2011).	Monitor the performance and maintenance of Infraco's capacity on quarterly basis.	Monitor the performance and maintenance of Infraco's capacity on quarterly basis.
Legal and Governance	<ul style="list-style-type: none"> To provide effective and sound legal advice to ensure that potential legal risks are highlighted and accounted for. Monitoring and oversight of Eskom, PBMR and Infraco 	Ensuring effective shareholder oversight in Eskom, PBMR and Infraco	Assisting in assessing applications for approval of significant and materiality framework	Assisting in assessing applications for approval of significant and materiality framework	Assisting in assessing applications for approval of significant and materiality framework
Legal and litigation			Monitoring the Department's legislative compliance	Monitoring the Department's legislative compliance	Monitoring the Department's legislative compliance
Governance	Oversight	Providing assistance on developing and negotiating shareholder compacts, corporate plans, significance and materiality framework, Board appointments and shareholder preparations for AGMs	• Developing a methodology on Board appointments and reappointment	<ul style="list-style-type: none"> Continuously updating database on Board appointments Monitor and oversee SOE remuneration 	<ul style="list-style-type: none"> Continuously updating database on Board appointments Monitor and oversee SOE remuneration
			• Continuously updating database on Board appointments		
			• Monitor and oversee SOE remuneration		
			• High level audit of PBMR winding up		

Resource considerations

Spending in this programme over the medium term will focus on making transfer payments to: the Pebble Bed Modular Reactor Company for the decommissioning and dismantling costs in 2010/11 and 2011/12, and Broadband Infraco for the final capitalisation transfer in 2010/11.

Expenditure decreased from R2.5 billion in 2007/08 to R174.5 million in 2010/11, at an average annual rate of

58.9 per cent. Over the medium term, expenditure is expected to decrease to R21.7 million, at an average annual rate of 50.1 per cent. The decrease in both periods is due to a reduction of transfer payments to state owned enterprises, particularly the Pebble Bed Modular Reactor project, as it has been placed into care and maintenance, and Broadband Infraco, as the entity will not be receiving further funding from the fiscus.

Part B : Strategic objectives (cont.)

Programme 3

Legal & Governance

Purpose: Provide systems that align state owned enterprises with legal and corporate governance best practice and with Government's strategic intent.

The programme comprises the following sub-programmes

- Management - Office of the Deputy Director-General.
- Legal provides effective and sound legal advice to the department to ensure that potential legal risks to the department are highlighted and accounted for. The subprogramme has a staff complement of 4 and 55.3 per cent of the budget is used on goods and services, including expert legal advice and normal operational expenditure.
- Governance develops frameworks to promote transparency and good corporate governance within state owned enterprises. The subprogramme has a staff complement of 2 and 69.6 per cent of the budget is used on goods and services, including expert legal advice and normal operational expenditure.

Strategic objectives

- Ensure effective shareholder oversight of all the state owned enterprises by:
 - addressing constraints on state owned enterprise contract negotiation and management to improve commercial competence and contribute to economic growth and development.

- providing assistance on developing and negotiating shareholder compacts, significance and materiality frameworks annually, and as and when necessary, borrowing power delegations.
- assisting in assessing applications for the approval of significant and material transactions.
- assisting in board appointments and shareholder preparations for annual general meetings.
- continuously updating the database on board appointments on the department's dashboard.
- annually reviewing the ownership policy, governance toolkit and guidelines, as well as appointments to, and remuneration and performance of the boards of the state owned enterprises.
- Ensure that state owned enterprises and the department comply with legal requirements by:
 - monitoring, quarterly, state owned enterprises' corporate governance indicators through the dashboard.
 - monitoring and assessing legislative impacts on state owned enterprises and alerting the enterprises to changes and possible risks.

Programme 3

Legal & Governance

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
LEGAL	Legal Advice	The department's Legislative Compliance	Monitoring department's Legislative Compliance	Monitoring department's Legislative Compliance	Monitoring department's Legislative Compliance
	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.
	Drafting of legal documents	Drafting of SLAs and Legal opinions;	Drafting SLAs and Legal opinions timeously;	Drafting SLAs and Legal opinions timeously;	Drafting SLAs and Legal opinions timeously;
	Winding down of Aventura	Implementing and monitoring of the winding up process	Approval and transfer of the remaining resorts	n/a	n/a
			Lodge relevant documentation with the Registrar of Companies		
			Closure of the matter		
	Winding down of Diabo Trust	Trace and payout to beneficiaries	Monitor the winding up process and distribution to beneficiaries	n/a	n/a
			Closure of the matter		
	Finalisation and closure of the litigation : Londoloza/ Paharpur	• Pre – trial proceedings	Successful resolution of Government's case and Court order in favor of the Department		
• Pre – trial proceedings					
LEGAL	Nabera: Finalisation and closure of the litigation	Conclude litigation	Review alternative measures to conclude the litigation	Approval from Parliament	Promulgation and implementation of the Act
Governance	Develop the Government Shareholder Management Model	DPE Legislative Mandate	Approval from the shareholder Cabinet approval Development of the Green/ White paper	• Consultation with State Law Advisers • Enactment and President's Minute	
	• Shareholder Management Practices	Effective shareholder management through legislative compliance and corporate governance tools	• Implementing Companies Act corporate governance tools (e.g. standard Memorandum of incorporation) for all SOE	• SOE Performance monitoring and evaluation framework	SOE Performance monitoring and evaluation framework
	• Enhance relationship between Strategic state Shareholdings, capital markets and the private sector		• Provide support to the Inter Ministerial Oversight Committee		
			• Advise on specific company law and corporate governance questions		
			• Develop SOE legislative and regulatory frameworks to provide for the legislative environment within which the SOE operate.		

Programme 3

Legal & Governance (cont.)

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
	Governance Toolbox and Audit	Monitor SOE adherence to corporate governance principles	<ul style="list-style-type: none"> Develop an Owner's expectation manual Finalise manual with SOEs and obtain Minister's and Cabinet 	<ul style="list-style-type: none"> Implement manual Monitor SOE adherence to corporate governance principles 	Monitor SOE adherence to corporate governance principles
	SOE Board and Executive remuneration	Monitor compliance to SOE Remuneration guidelines	<ul style="list-style-type: none"> Roll out to the SOE Implementation by SOE Monitor compliance to SOE Remuneration guidelines 	Monitor compliance to SOE Remuneration guidelines	Monitor compliance to SOE Remuneration guidelines
	SOE Subsidiary Lists	Monitor acquisition and disposal of subsidiaries by SOE through the dashboard	Monitor acquisition and disposal of subsidiaries by SOE through the dashboard	Monitor acquisition and disposal of subsidiaries by SOE through the dashboard	Monitor acquisition and disposal of subsidiaries by SOE through the dashboard
	Developing a Board Database	Database for potential SOE Board members	<ul style="list-style-type: none"> Recruit and select potential candidates for the SOE Boards Develop a Board database 	Maintain and update Board database	Maintain and update Board database
	Develop a Board appointment Framework	Uniform application by SOE sector teams to enhance efficiency in board appointment process.	<ul style="list-style-type: none"> Approval by DPE Leadership Roll out to SOE sector teams. 	<ul style="list-style-type: none"> Implementation by Boards Monitoring and evaluation 	Monitoring and evaluation
	<ul style="list-style-type: none"> Stakeholder Engagements Presidential Review Committee on SOE Governance Forum Structured engagement with Labour 	Promote effective stakeholder relations	Formalise and implement Forum	Structured engagement with key stakeholders	Structured engagement with key stakeholders

Resource considerations

Expenditure decreased from R93.7 million in 2007/08 to R50.0 million in 2010/11, at an average annual rate of 18.9 per cent. Over the medium term, expenditure is expected to decrease to R14.3 million, at an average annual rate of 34.1 per cent. The decrease in both

periods is driven by the reduction in transfers to Alexkor due to the finalisation of the Richtersveld community's land claim, which formed part of the court case settlement, and the final establishment of the township.

Programme 4

Manufacturing Enterprises

Manufacturing Enterprises

Purpose: Align the corporate strategies and performance of Denel and the South African Forestry Company Limited with Government's strategic intent and performance targets. Develop proposals in terms of the state owned enterprises' role in developing an advanced manufacturing cluster.

The programme comprises the following sub-programmes

- Management – Office of the Deputy Director-General.
- Defence Sector oversees Denel's financial and strategy implementation.
- Forestry Sector monitors the activities of the South African Forestry Company.
- Legal and Risk (Manufacturing) deals with all legal, governance and risk work specifically related to above mentioned state owned enterprises.

Strategic objectives

- Ensure alignment in shareholder strategic intent in relation to state owned enterprises' role in achieving objectives in the defence manufacturing and the forestry sectors by reviewing enterprise strategies and mandates in the context of political and sectoral policy shifts.
- Ensure that the corporate strategies and plans of state owned enterprises are aligned with government's strategic intent by reviewing and evaluating these strategies and plans annually, and alerting the boards and enterprises to material deviations.
- Facilitate the financial and operational sustainability of Denel by reviewing the Denel Board to bring it to a full complement of members with the requisite skills, experience and expertise, as well as developing a turnaround plan that clearly indicates how the company will achieve commercial sustainability and reduce its dependence on the fiscus.
- Monitor Denel's turnaround by:
 - measuring ongoing performance against the turnaround plan

- setting working capital management targets and conducting monthly performance reviews.
- providing support to ensure the effective restructuring of Denel Saab Aerostructures and Denel Dynamics to return to commercial viability.
- ensuring optimal alignment between Denel's restructuring plan and the strategic requirements of the Department of Defence and Military Veterans, particularly the alignment with the Department of Defence and Military Veterans' military strategy, once the Department of Defence has finalised their revision of the defence strategy.
- Facilitate the process of defining Denel's future role in the economy by regular interaction and discussions with various stakeholders.
- Facilitate financial sustainability to ensure commercial viability by assessing and monitoring the implementation of the South African Forestry Company turnaround plan, measured by improved financial performance on an ongoing basis.
- Provide clarity on the future role of the South African Forestry Company by:
 - developing an internal position paper for broader consultation between the South African Forestry Company Limited and the Departments of Agriculture, Forestry and Fisheries and Rural Development and Land Reform
 - ensuring that the mandate of the South African Forestry Company is aligned with Government's strategic objectives both domestically and internationally by assessing the company's quarterly reports.
- Facilitate the disposal of minority shares by engaging with the Department of Rural Development and Land Reform on its position on the optimal institutional vehicle to ensure the transfer of shares and developmental benefits to community beneficiaries.
- Monitor progress on resolving land claims over the 61 per cent of land owned by the South African Forestry Company.

Programme 4 Manufacturing Enterprises

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
DENEL	Denel Board Review	Appointment of Nine (9) new Board members (incl. Chairman) to bring the Board to its full complement	<ul style="list-style-type: none"> Nine new Board members appointed 		
	Enabling Denel's Strategic Role in provision of Defence Capabilities	Alignment between Denel strategy and SANDF requirements (Retention of strategic and sovereign capabilities in areas agreed to with DoD)	<ul style="list-style-type: none"> Optimal alignment between Denel's business model and the strategic requirements of the Department of Defence and Military Veterans' defence strategy 	<ul style="list-style-type: none"> Ongoing monitoring of alignment 	<ul style="list-style-type: none"> Ongoing monitoring of alignment
	Denel Turnaround Plan	New business/growth strategy for Denel	<ul style="list-style-type: none"> Development of turnaround plan that pursues financial recovery and stability through improvements in its operational and financial performance to secure its long term viability and reduces dependence on the fiscus 	<ul style="list-style-type: none"> Quarterly monitoring of Implementation of turnaround plan 	<ul style="list-style-type: none"> Quarterly monitoring of Implementation of turnaround plan
	Resolution of Government's position on the future of Denel Saab Aerostructures	Managed exit from DSA Airbus A400M contract	Renegotiation and exit of DSA Airbus A400M contract		
	Review of Denel's company and group structure	New group structure with optimal governance structure that creates value, achieves greater business efficiency, stronger functionality whilst minimizing cost and duplication	Denel's future role in the economy defined by regular interaction and discussions with various stakeholders		
	Developmental Contribution	<ul style="list-style-type: none"> Training and skills development and succession planning Improved performance in terms of BBBEE targets 	<ul style="list-style-type: none"> Agreement with Denel on increased usage of Denel's training facilities Quarterly Report on skills development strategy and succession planning Agreement with Denel on BBBEE targets included in the 2011/12 shareholder compact for attainment of Level 4 BEE contribution by March 2012 	<ul style="list-style-type: none"> Quarterly Report on skills development strategy and succession planning 	<ul style="list-style-type: none"> Quarterly Report on skills development strategy and succession planning

Programme 4 Manufacturing Enterprises (cont.)

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
SAFCOL	Provide shareholder oversight	Strategic Intent Statement, Shareholder Compact, Corporate Plan and Annual Report	• Assess the Corporate Plan.	• Assess the Corporate Plan.	• Assess the Corporate Plan.
			• Negotiate Shareholder Compact and its approval	• Negotiate Shareholder Compact and its approval	• Negotiate Shareholder Compact and its approval
			• Update Strategic Intent Statement and Communiqué in preparation for the AGM	• Update Strategic Intent Statement and Communiqué in preparation for the AGM	• Update Strategic Intent Statement and Communiqué in preparation for the AGM
			• Board assessment.	• Board assessment.	• Board assessment.
			• Assess Turnaround Plan	• Monitor Turnaround Plan.	• Monitor Turnaround Plan.
			• Assess Section 54(2) PFMA applications as required	• Assess Section 54(2) PFMA applications as required	• Assess Section 54(2) PFMA applications as required
		Quarterly	• Assess quarterly reports and provide investor briefs	• Assess quarterly reports and provide investor briefs	• Assess quarterly reports and provide investor briefs
		Position paper on SAFCOL's future role	• Inter-governmental consultation and consensus on SAFCOL's future role.	• Implementation	• Implementation
			• Cabinet memorandum.		
		Facilitate share transfer to minority shareholders pending inter-departmental resolution on optimal model	• Implementation	• Implementation	• Implementation
		Facilitate land claims process	• Ensure SAFCOL's participation in land claims process	• Ensure SAFCOL's participation in land claims process	• Ensure SAFCOL's participation in land claims process

Resource considerations

The spending focus of the programme will be primarily on administrative costs as no transfers will be made to state owned enterprises over the MTEF period.

Expenditure decreased from R1.2 billion in 2007/08 to R192.8 million in 2010/11, at an average annual rate of 45 per cent. This is primarily due to the decrease in transfers to Denel. Denel received R1.2 billion in 2007/08, including R221 million to pay a claim for an indemnity granted to Denel and R933 million as a final capital investment.

Additional transfers of R257.6 million in 2008/09, R191.9 million in 2009/10 and R181.3 million in 2010/11 were made as further payments for indemnity claims.

Expenditure is expected to decrease from R192.8 million in 2010/11 to R14.3 million in 2013/14, at an average annual rate of 58 per cent. The decrease is due to the cessation of transfer payments to the state owned enterprises

Part B : Strategic objectives Programme 5

Transport Enterprises

Purpose: Align the corporate strategies and performance of Transnet, South African Airways and South African Express Airways with Government's strategic intent and performance targets.

The programme comprises of the following sub-programmes

- Management – The Office of the Deputy Director-General. Transport Sector provides shareholder oversight of Transnet. Aviation Sector provides shareholder oversight of South African Airways and South African Express Airways.
- Legal and Risk (Transport) deals with all legal, governance and risk work specifically related to Transnet, South African Airways and South African Express.

Strategic objectives

- Promote the alignment of corporate strategies of state owned enterprises with Government's objectives in relation to the transport and aviation sectors by undertaking a comprehensive review of corporate strategies, business plans, and annual and quarterly performance.
- Provide the Boards of Transnet, South African Airways and South African Express Airways with strategic intent statements at their annual general meetings to highlight shareholder priority areas and guide the policy direction of the enterprises.
- Implement a long term strategy for improving the efficiency and performance of investments by state owned enterprises by annually monitoring the key performance indicators and concluding shareholder compacts with the Boards of Transnet, South African Airways and South African Airways Express.
- Create an enabling environment for transport enterprises and ensure an appropriate balance between the enterprise interest and the consumer interest by:
 - engaging with the policy Departments and relevant regulators on a regular basis as and when required
 - ensuring the compliance of transport enterprises with the Public Finance Management Act (1999) and other legislative prescripts.
 - Ensure the contribution of Transnet to achieving an efficient, competitive and responsive infrastructure (output 3 of outcome 6) by:
 - increasing the market share of total freight to rail to an annualised 250 mt from the current 177 mt by 2014 by undertaking a detailed diagnosis of challenges facing

Transnet Freight Rail and developing an integrated government response to growing rail market share

- facilitating the introduction of private sector investment in rail through public private partnerships to assist with the provision of requisite infrastructure where such investments are unaffordable on the Transnet balance sheet
- overseeing the introduction of multiple private operators on the branch line network to revitalise the network as a feeder to the core network and to realise socioeconomic benefits
- facilitating the introduction of competition for the management of container terminals through the establishment of the Ngqura container terminal as a transshipment terminal
- pursuing incremental improvements in ports productivity and rail operational efficiencies by creating performance incentives via the Transnet shareholder compact.
- Ensure the global competitiveness of the South African freight logistics industry by implementing national corridor performance measurement tools and indicators over the MTEF period to quantify the operational efficiency of freight corridors.
- Improve investment in rail infrastructure by monitoring the rollout of Transnet's capital expenditure programme by annually assessing its impact for any significant deviations from corporate plans, including tracking cost overruns and time delays on major capital projects and taking the necessary action.
- Monitor the implementation of the Competitive Supplier Development Programme to leverage Transnet's capital expenditure for the development of local supplier industries by evaluating the quarterly Transnet reports.
- Provide support to South African Airways to achieve sustainable levels of profitability by:
 - overseeing the implementation of the initiatives relating to the R1.6 billion guarantee to South African Airways
 - encouraging consistent generation of bottom line profits in order to strengthen South African Airways' balance sheet.
- Monitor the alignment, strategy and mandate of South African Airways and South African Express Airways with the African aviation strategy by evaluating quarterly, corporate plans and performance against targets.

Programme 5 Transport Enterprises

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
Transnet	Shareholder Oversight	Annual reports, Corporate Plan, Shareholder Compact	<ul style="list-style-type: none"> Assessment of the Annual Report and Corporate Plan 	<ul style="list-style-type: none"> Assessment of the Annual Report and Corporate Plan 	<ul style="list-style-type: none"> Assessment of the Annual Report and Corporate Plan
			<ul style="list-style-type: none"> Negotiation and approval of Shareholder Compact 	<ul style="list-style-type: none"> Negotiation and approval of Shareholder Compact 	<ul style="list-style-type: none"> Negotiation and approval of Shareholder Compact
			<ul style="list-style-type: none"> Preparation of the Quarterly Investor Brief 	<ul style="list-style-type: none"> Preparation of the Quarterly Investor Brief 	<ul style="list-style-type: none"> Preparation of the Quarterly Investor Brief
				<ul style="list-style-type: none"> Appropriately skilled and representative Boards 	<ul style="list-style-type: none"> Appropriately skilled and representative Boards
		Achievement of MTEF targets	<ul style="list-style-type: none"> Quarterly and annual monitoring 	<ul style="list-style-type: none"> Quarterly and annual monitoring 	<ul style="list-style-type: none"> Quarterly and annual monitoring
			<ul style="list-style-type: none"> Assessment of PFMA Applications 	<ul style="list-style-type: none"> Assessment of PFMA Applications 	<ul style="list-style-type: none"> Assessment of PFMA Applications
		Annual General Meetings – Advice to Minister on exercise of shareholder right	<ul style="list-style-type: none"> AGM agenda and shareholder response Appropriately skilled and representative board 	<ul style="list-style-type: none"> AGM agenda and shareholder response Appropriately skilled and representative board 	<ul style="list-style-type: none"> AGM agenda and shareholder response Appropriately skilled and representative board
		SOE five year performance review	<ul style="list-style-type: none"> Analysis of 5 year performance Input to DPE SOE five year review publication 	<ul style="list-style-type: none"> Analysis of 5 year performance Input to DPE SOE five year review publication 	<ul style="list-style-type: none"> Analysis of 5 year performance Input to DPE SOE five year review publication
	Develop and implement a rail freight improvement programme to increase market share	Increased rail market share to total freight	<ul style="list-style-type: none"> Diagnostic workshop with Transnet and report on key initiatives to address modal shift Facilitate increase and improvements to Transnet rolling stock fleet Lead the development of an integrated government response to growing market share (by identifying relevant legislation to be amended and approved by Cabinet to support modal shift to rail) Monitor and ensure incremental targets for rail market share in shareholder compact 	<ul style="list-style-type: none"> Facilitate implementation of identified measures to achieve increase in Transnet rail market share (arising from the diagnostic workshop report and legislative amendments) Monitor and ensure incremental targets for rail market share in shareholder compact 	Monitor rail market share in shareholder compact
	Create scope for multi-operator involvement in under-utilized branch lines	Multiple private operators on the branch lines network	<ul style="list-style-type: none"> Concession and rollout of first wave of concessions Facilitate at least 3 branch lines concessions 	Rollout of second and third wave concessions	Continued rollout and introduction of new operators

Programme 5

Transport Enterprises (cont.)

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
	Introduction of private sector investment in rail	Public Private Partnerships (PPPs) in rail infrastructure	<ul style="list-style-type: none"> Facilitate approval of the Transnet private sector participation framework by Cabinet Oversee market testing of private sector appetite to invest 	<ul style="list-style-type: none"> Monitor frameworks/ agreements negotiated and entered into with private sector Facilitate four PPPs in rail by Transnet 	Achievement of ten PPPs in rail
	Oversee private sector participation in Ngqura container terminal	Licensed operator for Ngqura container terminal	<ul style="list-style-type: none"> Framework for private sector involvement in Ngqura container terminal developed and approved Oversee appointment of transaction advisor by Transnet 	<ul style="list-style-type: none"> Request for proposal (RFP) for advertised by Transnet Agreement signed with new operator Ngqura container operator licensed by Ports Regulator 	<ul style="list-style-type: none"> Operator in place Monitor performance of Ngqura as a transshipment terminal
	Develop National Corridor Performance Measurement (NCPM) tools and indicators	<ul style="list-style-type: none"> IT system in place Agreed indicators Population and monitoring of system data Business intelligence outputs 	<ul style="list-style-type: none"> Gauteng – Durban (Natcor) Gauteng – Cape Town (Capecor) Gauteng – Port Elizabeth Gauteng – Maputo IT system operational 	<ul style="list-style-type: none"> Full NCPM system in place Feedback of NCPM inputs to policy in DoT, DTI and Transnet shareholder compact 	Monitoring of corridor performance via NCPM system
	Monitor roll out of Transnet's capex programme	<ul style="list-style-type: none"> Monitor compliance to budget Assess impact of changes in plan 	<ul style="list-style-type: none"> Quarterly and Annual assessment Monitor delivery of the Transnet NMPP main trunk line 	<ul style="list-style-type: none"> Quarterly and Annual assessment Monitor delivery of coastal terminal and completion of Transnet NMPP 	Quarterly and Annual assessment
	Complete a long term National Freight Network Plan (Rail and ports)	<ul style="list-style-type: none"> National Freight Network Design Inputs to Transnet NIP 	<ul style="list-style-type: none"> Initiate study on National Freight Network Design (rail and ports) Input to DOT's NATMAP process 	<ul style="list-style-type: none"> Completed study, including funding options for infrastructure development. 	
	Implementation of Competitive Supplier Development Programme	Leverage of Transnet capex in the development of local supplier industries	<ul style="list-style-type: none"> Oversee development of Transnet supplier development plan Monitor delivery of new jobs in supplier industries 	<ul style="list-style-type: none"> Monitor implementation Monitor delivery of new jobs in supplier industries 	<ul style="list-style-type: none"> Monitor implementation Monitor delivery of new jobs in supplier industries
	Consideration of Transnet corporate structure options	Defined role for in a developmental economy	Develop corporate structure options for Transnet		
Aviation	Oversight SAA and SAX	<ul style="list-style-type: none"> Annual reports, Corporate Plan, Shareholder Compact 	<ul style="list-style-type: none"> Assessment of the Annual Report and Corporate Plan Negotiation and approval of Shareholder Compact 	<ul style="list-style-type: none"> Assessment of the Annual Report and Corporate Plan Negotiation and approval of Shareholder Compact 	<ul style="list-style-type: none"> Assessment of the Annual Report and Corporate Plan Negotiation and approval of Shareholder Compact

Programme 5 Transport Enterprises (cont.)

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
			• Preparation of the Quarterly Investor Brief	• Preparation of the Quarterly Investor Brief	• Preparation of the Quarterly Investor Brief
			• Shareholder Strategic Intent Communique in preparation for the SAA and SAX AGM	• Shareholder Strategic Intent Communique in preparation for the SAA and SAX AGM	• Shareholder Strategic Intent Communique in preparation for the SAA and SAX AGM
			• Assessment of SOE Board	• Assessment of SOE Board	• Assessment of SOE Board
		• Achievement of MTEF targets	• Quarterly and annual monitoring	• Quarterly and annual monitoring	• Quarterly and annual monitoring
			• Assessment of PFMA Applications	• Assessment of PFMA Applications	• Assessment of PFMA Applications
		• Annual General Meetings – Advice to Minister on exercise of shareholder rights	• AGM agenda and shareholder response	• AGM agenda and shareholder response	• AGM agenda and shareholder response
		• SOE five year performance review	• Analysis of 5 year performance	• Analysis of 5 year performance	• Analysis of 5 year performance
			• Input to DPE SOE 5 year review publication	• Input to DPE SOE 5 year review publication	• Input to DPE SOE 5 year review publication
	Develop a strategic scenario planning model for SAA	• Assessment of strategic options	• Financial model developed and scenarios assessed	• Scenario planning and forecasting	• Scenario planning and forecasting
			• Scenario planning and forecasting		
	Ring-fencing of selected SAA business units and strategic equity investments (Voyager, Air Chefs, Galileo and Cargo)	• Development of an independent business focus and new strategic alignment	• Review and implement business plans	• Implement business plans	• Monitoring of implementation of business plan
	Assess options for establishing South African Airways Technical as a multi-airline focused African maintenance hub	• Feasibility study	• Proposal to Cabinet and draft enabling Act	• Implement decisions	• Monitoring of implementation of business plan

Resource considerations

The spending focus of the programme will be primarily on administrative costs as no transfers will be made to state owned enterprises over the MTEF period.

Expenditure decreased from R752.1 million in 2007/08 to R21.3 million in 2010/11, at an average annual rate of 69.5 per cent. The decrease was due to the cessation of

transfers to state owned enterprises. Over the medium term, expenditure is expected to increase to R25.5 million, at an average annual rate of 6.2 per cent, mainly to provide adequate support to the entities managed in this programme.



Part B : Strategic objectives

Programme 6

Joint Project Facility

Purpose: Align the department and its portfolio of state owned enterprises to national economic strategies, such as the New Growth Path and associated objectives, through focused policy research and the development of catalytic projects.

The programme comprises the following sub-programmes

- Management- The Office of the Deputy Director-General.
- Joint Project Facility provides programme management support for a number of catalytic projects that align the department and its portfolio of state owned enterprises to national economic strategies. 79.1 per cent of the subprogramme's budget over the MTEF period will be used for goods and services.

Strategic objectives

The Joint Project Facility's (JPF) new mandate aims to align the DPE and its portfolio of SOE to national economic strategies and associated objectives through focused policy research and the development of catalytic projects.

Achievements of Joint Project Facility projects

- The procurement leverage/competitive supplier development programme leverages off state owned enterprises' capital and operational procurements associated with Eskom and Transnet's build programmes to promote investments in plant, technologies and skills in state owned enterprises' suppliers. This supports the Industrial Policy Action Plan 2 and the New Growth Path. It includes both Transactional and Programmatic (fleet procurement) The South African Renewables Initiative aims to reduce the cost of capital for renewables and provide additional funding for the renewable energy feed-in tariff. In future, the procurement leverage programme aims to establish a Centre of Excellence. The Infrastructure Supplier Benchmarking Programme, which builds the competitiveness of the local supplier base and is focused on supplier profiling, benchmarking, capacity building and matchmaking, will be relocated to the Department of Trade and Industry.
- Policy programmes aim at establishing the role of state owned enterprises and the shareholder executive in the Developmental State. They will also focus on the role of state owned enterprises in Government's New Growth Path and develop a departmental position on macroeconomic policy.
- The innovative infrastructure investment dialogue programme aims at interrogating existing investment plans' assumptions around unlocking growth and developing policies and funding strategies to increase the rate of investment in Eskom and Transnet. Better dialogue with key

stakeholders is being contemplated to improve the performance of state owned enterprises.

- The framework for Africa programme aims at defining focus areas with acceptable risk parameters and clear developmental impacts for the involvement of South Africa's state owned enterprises in Africa and will also develop implementation policy for state owned enterprises.
- The human resource, capacity building and transformation programme has several subprogrammes:
 - The skills development programme leverages the skills development capacity of state owned enterprises and their core suppliers to ensure the optimum provision of scarce and critical skills (artisans, technicians and engineers) in support of the build programme. This includes: overseeing skills planning and implementation in state owned enterprises and their suppliers; facilitating partnerships between state owned enterprises, further education and training institutions and industry, in support of artisan development; ensuring that state owned enterprises support the national skills agenda; and monitoring scarce and critical skills in state owned enterprises and ensuring skills performance indicators are included in Shareholder Compacts.
 - The management learning programme develops a cadre of management leadership capability in state owned enterprises, agencies and regulators in South Africa and Africa. The University of Cape Town's Graduate School of Business launched this programme in May 2010.
 - The parliamentary learning programme (Autumn School) is an annual event to provide the Parliamentary Portfolio Committee on Public Enterprises and National Council of Provinces Select Committees on Labour and public enterprises with an opportunity to engage in dialogue with industry experts around key issues facing government and the state owned enterprises.
- The environmental issues project balances environmental conservation with the need to develop infrastructure rapidly. The environmental impact assessment process for strategically important developments has been streamlined for the state owned enterprises' build programmes and a fund has been established to assist the process. The environmental impact assessments for strategically important developments are monitored, and where necessary ministerial intervention can be sought. The project also participates in broader engagements around air quality, water provision and climate change.
- The property project leverages off the non-core property portfolios of state owned enterprises to contribute to state priorities, such as land release for human settlement, property sector transformation, urban renewal and socioeconomic development.

Programme 6 Joint Project Facility

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
HR, Capacity Building and Transformation Programme: SOE and Supplier Skills Development	Provision of scarce and critical skills in SOE	• Establish partnerships between SOE, FET and industry in support of artisan development	Implementation and Monitoring	Implementation and Monitoring	Implementation and Monitoring
		• Monitor skills dashboard.			
		• Skills development KPIs to be included in Compacts			
SOE Transformation Oversight	Implementation of SOE transformation agenda	Monitor B-BBEE, employment equity and management transformation (including succession planning).	Dashboard to include transformation indicators	Implementation and Monitoring	Implementation and Monitoring
Specialised Skills Development Programmes	Management Learning Programme at UCT GSB to facilitate improved SOE performance and management	MLP review	Annual Review of Programme	Annual Review of Programme	Annual Review of Programme
	Parliamentary Learning Programme (PLP)	Hosting of annual PLP for Portfolio Committee on Public Enterprises and National Council of Provinces Select Committee for Labour and Public Enterprises	Annual PLP	Annual PLP	Annual PLP
Procurement Leverage Programme	Leverage SOE capital and operational procurements to promote investments in plant, technologies and skills in SOE supplier communities	• Ensure SOE demand planning and procurement implementation process to enable supplier development	Implementation and monitoring	Implementation and monitoring	Implementation and monitoring
		• Institutionalise governance and accountability	Establish governance and accounting mechanism	Monitoring	Monitoring
	Transactional based leverage to ensure procurements have optimal development impact	• Ensure SOE design and implement next generation supplier development plans.	Oversight of implementation and monitoring	Oversight of implementation and monitoring	Oversight of implementation and monitoring
		• Integration of supplier development with SOE procurement policy.	DPE procurement policy for supplier development	Monitoring	Monitoring
	Programmatic/fleet based leverage	• Design and facilitate the implementation of long term procurements.	Monitor industrial capabilities	Monitoring	Monitoring
		• Locomotive fleet procurement for Transnet.	Establish formal oversight committee and task team	Monitoring	Monitoring
		• Facilitate renewable procurements for the South African Renewables Initiative (SARI).	Leverage international climate financing commitments and align with DOE.	Implementation	Monitoring

Programme 6 Joint Project Facility (cont.)

Sub Programme	Output	Measure/indicator	2011/2012 Target Milestone	2012/13 Target Milestone	2013/14 Target Milestone
		• Nuclear fleet procurement based on IRP2 allocations.	Align roles and responsibilities with DOE.	Implementation	Realignment with IRP3 and implementation
	Establish SOE Centre of Excellence for Complex Capital Projects	Institutional design	Implementation	Implementation	Implementation
		Develop Buyer requirement database.	Implementation	Implementation	Implementation
		SOE procurement capability certification project	Implementation	Implementation	Implementation
		Complex procurement skills development.	Implementation	Implementation and monitoring	Implementation and monitoring
Policy Programmes	Role of SOE and Shareholder in the developmental State	Further development of shareholder management model.	Implementation	Monitoring	Monitoring
	Role of SOE in the New Growth Path.	Analysis of New Growth Path and SOE contribution	Implementation and monitoring	Implementation and monitoring	Implementation and monitoring
	Develop a DPE position on Macro-Economic Policy.	Analysis of macro-economic policy and its impact on SOE viability.	Research alternative policies.	Implementation	Implementation
Strategic Programmes	Innovative Infrastructure Investment Dialogue	Develop funding strategies.	Develop relevant policies.	Implementation	Implementation
	Framework for Africa.	Develop policy and focus areas in Africa for SOE involvement.	Develop implementation policy.	Implementation	Implementation
Property Project	SOE non-core property portfolios contribute to state priorities, property sector transformation, urban renewal and socio-economic development.	Property disposals and facilitation of Key Integrated Developments.	Facilitation and monitoring	Facilitation and monitoring	Facilitation and monitoring
Environmental Issues	Government policy balances environmental conservation with the need to develop SOE infrastructure rapidly	Monitor Environmental Impact Assessments for Strategically Important Developments	Analysis and Monitoring	Analysis and Monitoring	Analysis and Monitoring
		Implement DPE-DEA-Eskom MOU.	Implementation	Implementation	Implementation

Resource considerations

As a result of the realignment of the department's functions, the Joint Project Facility subprogramme was moved to this programme from the Manufacturing Enterprises programme in 2007/08. Historical expenditure has been adjusted accordingly.

Expenditure decreased from R15.5 million in 2007/08 to R10.2 million in 2010/11, at an average annual rate of 13.1 per cent. This was due to the completion of some of the research projects. In 2010/11, the programme's

projects increased from four to five as a result of the South African Renewables Initiative project being launched.

Over the MTEF period, expenditure is expected to increase from R10.2 million to R15.9 million, at an average annual rate of 15.9 per cent. This is mainly due to the expansion over the MTEF period of some of the projects and programmes, and two new projects to be launched from 2011/12.

State Owned Enterprises

Alexkor

Since November 1992, Alexkor has been run as a public company with the State as sole shareholder. Alexkor mines diamonds in the Alexander Bay area, including marine mining and land mining.

In 2003, the Constitutional Court ruled that the Richtersveld community had a legitimate claim to its ancestral land from which it was forcibly removed after diamonds were discovered there in the early 1920s. The court found that the community had been evicted under discriminatory apartheid laws and was entitled to have both the land and mineral rights returned. Alexkor has been subject to a number of business constraints, including the land claim. These constraints have resulted in decreasing diamond recoveries over the years. The deed of settlement for the land claim was signed in April 2007, and the Department of Public Enterprises has mandated Alexkor to explore options to reposition the company as a state owned mining and minerals company. This new strategy will enable Alexkor to respond to new mining and mineral opportunities and ensure the company's long term viability, enabling it to effectively address its environmental rehabilitation and other liabilities while contributing to the socioeconomic development of the region.

While continuing with mining activities in the current constrained economic context, Alexkor is focused on implementing the Richtersveld land restitution order imposed on it by the land claims court. The court order obliges it to transfer land and mineral rights to the Richtersveld community, establish Alexander Bay as a formal township, undertake environmental rehabilitation, and establish a pool and share joint venture with the Richtersveld Mining Company for future mining activities.

Significant progress has been made in the implementation of the settlement signed with the Richtersveld community. All Alexkor, State and Northern Cape provincial land has been transferred,

except for the township erven. The subdivision and zoning of the township has been conducted and the general plan has been approved. Transfer of the township will be made soon. The upgrade of the township civil and electrical engineering services to municipal standards has begun and is expected to be completed in July 2011. Alexkor's agricultural and maricultural assets have been transferred to the community. Transfer of the land mining rights to the community is also imminent, and this paves the way for the development of a more viable mining venture and a redirection of Alexkor's strategy.

This will entail, among other things, seeking opportunities to procure new mining ventures to secure new revenue streams and ensure its future growth. It will also involve exploring opportunities for downstream beneficiation to contribute to the creation of new jobs, the development of the requisite skills, investment in research and development, economic growth, sustainable development and cost effective support for the broader policies of government.

The company showed some improvements in its financial performance in 2009/10, driven by improvements in carat production and the carat price, coupled with reductions in expenses and provisions for the post-retirement medical aid. Alexkor achieved revenue of R163.9 million in 2009/10, a 28.5 per cent increase from the R127.5 million achieved in the previous year. It recorded a net operating profit of R27 million (2008/09: R77.6 million loss) and R36.1 million profit for the year (2008/09: R65.7 million loss). Comprehensive income for the year was R48.8 million, after taking into account the revaluation reserve of R12.7 million. As a result of the profit of R36.1 million coupled with the revaluation of R12.7 million, Alexkor's capital and reserves improved, albeit remaining in a net negative R67.3 million equity position (2008/09: negative R103.4 million equity position).



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 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 Transtel on railway lines, which will form the backbone of the second national operator. By March 2010, Broadband Infraco had deployed and commissioned 12 250 km of the network. Broadband Infraco launched its services to the market in October 2010 after obtaining an electronic communications networks services licence in October 2009.

In addition to national connectivity, international connectivity is also a major cost component. Since

its inception, Broadband Infraco's strategy has focused on reducing the cost of this key element. The construction and maintenance agreement was signed in April 2009. Once completed and fully commissioned, the system will reduce broadband costs and increase bandwidth capacity for all South Africans.

The West Coast Submarine Cable System is expected to be ready for service by the last quarter of 2011/12. All targets set in the previous MTEF cycle such as the marine environmental survey, the manufacturing of the marine cable, the deployment of the optical line terminal equipment have been completed. It is anticipated that the marine cable installation will be completed in March 2011.

Since 2006/07, Broadband Infraco was capitalised with R1.3 billion for establishment and operational costs, which comprised: R627 million in 2006/07, R377 million in 2008/09, R208.5 million in 2009/10, and a final transfer of R138.6 million in 2010/11.



Denel

Denel was incorporated as a private company in April 1992, when it separated from the Armaments Corporation of South Africa. At the time, the industrial and manufacturing activities of the corporation were integrated into Denel. Denel's mandate is to supply South Africa's armed forces with strategic and sovereign capabilities. Denel also plays a major role in contributing to the development of South Africa's advanced manufacturing capability. The Denel group of companies currently delivers products ranging from ammunition to missiles, and also carries out systems design and integration for land and air capabilities for the Department of Defence and Military Veterans.

In 2005, a turnaround strategy for Denel was initiated, which provided for a shift from major systems development towards the manufacture of sub-systems and components for local and global markets. The strategy was driven by the need for Denel to be commercially viable and reduce its dependence on the fiscus. A key part of the strategy was for Denel to enter into equity partnerships that could provide it with access to international markets, technical expertise and capital. Equity partnerships have thus far been secured in four of Denel's businesses: engine manufacturing, munitions, optronics and aero structures.

Although Denel has made some progress since 2005, its solvency position continues to pose serious challenges. While the trading losses in all the trading entities (apart from the aerostructures business) have been brought down and net equity is in the black, Denel is overloaded with debt and is not generating enough gross profit to secure its survival.

The business has largely been relying on debt financing with the help of government guarantees, but this is not sustainable. More sustainable support mechanisms are currently being assessed, and they will be developed, based on a robust turnaround plan. The plan is aiming for financial recovery and stability through improvements in its operational and financial performance to secure its long term viability.

A key focus is the restructuring of Denel Saab Aerostructures and ensuring optimal alignment between Denel's business with the strategic requirements of the Department of Defence and Military Veterans, particularly in relation to its military strategy. Coupled with this will be the need to define Denel's future role in the economy to ensure the strengthening of advanced manufacturing technologies in support of government's industrial policy objectives.

Denel recorded a net loss of R246 million, which is an improvement of R287 million compared to the net loss of R533 million incurred in 2008/09. This improvement is due to lower operating costs, the closing of certain legacy contracts, cost cutting and better financial performance by associated companies.

The net loss for the year is mainly ascribed to: Denel Saab Aerostructures (which posted a net loss of R328 million before interest and taxes); Denel Dynamics Missiles (which posted a net loss of R51 million after impairment charges, before interest and taxes); and interest expenses of R139 million on external loans. Revenue has also been negatively impacted by the delays in the A400M programme. Revenue decreased by 8 per cent from R3.9 billion to R3.6 billion in 2009/10.



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 and not enough additional capacity being commissioned. This was particularly acute in January 2008, when the reserve margin dropped to alarmingly low levels (3.6 per cent commercially available), resulting in extensive load shedding. Low coal stockpile levels (12 days compared to the 20 days which is acceptable in the industry) also contributed to the low reserve margin in 2007/08. Eskom has since introduced a recovery plan, which has seen the average stockpile level increase to 37 days as at the end of March 2010. However, this is still less than the company target of 42 days.

Since 2004, Eskom has been undertaking a capacity expansion (build) programme to increase capacity and ensure the secure supply of electricity.

Completed projects between 2005/06 and 2008/09 include the return to service and construction of three power stations. As a result, Eskom delivered 4 9064MW of additional generating capacity into the system between 2005/06 and 2009/10. The focus for 2010/11 includes finalising the funding model to ensure the completion of the capital expansion programme and improving operational performance to ensure security of supply.

Over the five-year period from 2008/09 to 2012/13, Eskom's revised build programme is estimated at R385 billion. Major projects still to be completed include the construction of three new power stations. Other major projects include the return to service of two power stations and the construction of three new power stations and transmission projects. Eskom plans to deliver another 625MW of capacity into the system in 2010/11, and additional generating capacity of 2 025MW between 2010/11 and 2012/13.



Pebble Bed Modular Reactor

The Pebble Bed Modular Reactor was initially set up as a nuclear architect engineering company that was 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 for the Pebble Bed Modular Reactor project, nor has it been able to acquire a customer despite revising its business model in 2008/9, since Government's last funding allocation in 2007, of which the last transfer was effected in 2009/10. The company's business model has subsequently been revised in May 2009 and the company's main focus will be the preservation and maintenance of intellectual property and assets.

In light of the participation in the United States Department of Energy's next generation nuclear

programme in which the Pebble Bed Modular Reactor Company was part of a consortium, 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 will be disbursed in 2010/11, and a further R40 million for disbursement in 2011/12. These funds have been allocated to ensure that the necessary provision for the statutory requirement for decommissioning and dismantling the fuel development laboratory is met by the company.



South African Forestry Company

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, 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 in order 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 percent of the South African Forestry Company Limited land under operation is subject to land claims, with the understanding that shareholder value would be preserved in the interim. However, the economic downturn has had a severe impact on the company's operations and revenue. The company reported a net loss of R468.9 million in 2009/10.



South African Airways

South African Airways is South Africa's national air carrier. Owned by government, it is a full service network operating international, regional and domestic scheduled services, from its head office at OR Tambo International Airport. Its main business units include passenger and mail air services, cargo, South African Airways Technical and a Voyager loyalty programme.

The airline's governance structure has recently been strengthened with the appointment of a new Board of Directors and a new Chief Executive Officer, which continue to build on the successes achieved. Chief among these is the continued rollout of the cost saving measures that were implemented as part of the restructuring plan that was implemented in 2007. These measures achieved savings of R2.5 billion over an 18-month period until March 2009. The department and National Treasury are jointly monitoring what the airline is doing to meet the conditions for approval of a R1.6 billion going concern guarantee provided in 2008. The company did not make use of this guarantee in 2009/10, although R615 million was used to provide for consumer protection guarantees to the domestic and international licensing councils in 2010/11.

In 2009/10, the legacy agreement for the purchase of Airbus A320 aircraft was satisfactorily resolved by

rescheduling the delivery dates of the aircraft from 2010 to 2013 and reducing unit pricing by increasing the number of aircraft contractually committed from 15 to 20. This provided South African Airways with a temporary reprieve to allow it to strengthen its balance sheet.

The stringent focus on operational efficiency following the successful restructuring programme has enabled the airline to record profits over the past three years. These include a profit of R123 million before restructuring costs in 2007/08, a bottom line profit of R11 million in 2008/09, and a bottom line profit of R323 million in 2009/10. The major drawback in the past has been huge hedging losses, of which R1.6 billion was recorded in 2008/09 but reduced to R601 million in 2009/10. The reduction in hedging losses was achieved through the implementation of a new financial risk management policy.

The focus over the MTEF period will be to ensure 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. This is necessary for ensuring that the airline is able to fund the aircraft replacement transaction without government support.



South African Express Airways

South African Express Airways operates regional and domestic flights from OR Tambo International Airport in Johannesburg, serving secondary routes in South Africa and Africa. The airline was established in 1994. The airline's African operation includes services 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 company was transferred from Transnet to the Department of Public Enterprises in 2008/09.

The airline's joint venture with a local partner in the Democratic Republic of Congo, Congo Express, began in February 2010 as part of the implementation of the African hub strategy. However, these operations have not performed as anticipated, although the board and management are addressing the financial and operational aspects to improve the joint venture's prospects.

The load factors of the airline reduced from 71 per cent in 2008/09 to 63 per cent in 2009/10 due to the slowdown in both the domestic economy and regional markets. This affected other key performance indicators, which were mostly below the target. Passenger numbers at 1.56 million in 2009/10 were

below the previous year's passenger numbers of 1.61 million, as well as the target of 1.65 million for 2009/10..

Daily flight hours increased from 6 hours per day in 2008/09 to 7 hours per day in 2009/10, but were below the target of 8 hours per day. It is anticipated that conditions for most regions' air travel will improve in 2010/11. The slowdown in domestic and regional air travel experienced during the 2010 FIFA World Cup is expected to reverse. In addition, the recent appointment of a new Chief Executive Officer is expected to bring stability to the airline.

The airline continues to generate profits, a trend which has been maintained over the last six years. The net profit for 2009/10 was R251 million, a 6 per cent growth compared to 2008/09. This was slightly above the corporate plan target for the year. Net profit increased by 10 per cent from R228 million to R251 million compared to last year. The revenue declined by 10 per cent to R1.7 billion compared to the previous year, and was 21 per cent below target. This was due to falling passenger numbers as a result of the global economic downturn.

Total capital and reserves in 2009/10 amounted to R1.2 billion, 27 per cent above the equity of R943 million in 2008/09.





Transnet

Transnet has been transformed into a focused freight transport company whose mission is to lower the cost of doing business through providing port, rail, and pipeline infrastructure and cost effective, efficient operations within acceptable benchmark standards. Transnet's key role is to assist in lowering the cost of doing business in South Africa and to enable economic growth.

The company made good progress in significant areas of the business for the first six months of 2010/11. The key drivers of the business that reflected improvement were volume growth and productivity, which, together with cost reduction initiatives, contributed to improved profitability. The capital expenditure programme continued despite the global economic downturn, resulting in the creation of capacity ahead of demand.

Capacity on the iron export line increased from 47Mt to 61Mt. Specific interventions to create capacity on the coal line through improved operational procedures and efficiencies are currently in place. This will support the planned R15.4 billion investment on the coal line to create the targeted capacity of 81Mt by 2014, subject to the coal industry entering into long term take or pay contracts which are still being negotiated. Transnet Freight Rail's quantum leap focuses on customer service delivery and operational efficiencies. In the first six months of 2010/11, containers on rail increased by 9 per cent in line with quantum leap targets. Other interventions include investment in rolling stock to address ageing infrastructure, and branch line revitalisation, aimed at contributing to modal shift.

Gross crane moves per hour at the Durban container terminal and pier 1 continue to be below benchmark levels, reported at 21 and 22 gross crane moves per hour for the first half of 2010/11. But substantial improvements were realised in the first few weeks of September 2010, where 24 gross crane hours at the Durban container terminal and 30 in pier 1 were reported. Iron ore loading rates for the same period were above the set target despite the derailments on the line, assisted by dual and staggered loading at the Saldanha bulk terminal.

The new multi-product pipeline 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 design life. Some of the benefits of the new multi-product pipeline include (when fully operational) the reduction in the number of tankers on the road by at least 60 per cent, a reduction in congestion on the roads and a reduction in carbon emissions from road transportation of petroleum products.

In terms of the revised schedule, the 24-inch new multi-product pipeline trunk line is to be completed by December 2011. However, the remaining construction activities to supporting infrastructure are now scheduled to be complete and ready for operation by December 2013. Some delays were experienced following the decision to relocate the construction of the coastal terminal from the old Durban International Airport to Island View in the port of Durban, as well as delays in obtaining the required statutory approvals. The move to Island View resulted in an 11km increase in the length of the pipeline affecting the hydraulics and the need for a change of design. These changes and other matters will have an impact on the new multi-product pipeline's total costs. Transnet will make an announcement once the cost review exercise is completed.

Net profit from continuing operations for the period ending 30 September 2010 was R1.7 billion an increase of 34.7 per cent compared to R1.3 billion up to 30 September 2009. Revenue increased by 76 per cent to R18.7 billion (30 September 2009: R17.3 billion) despite the impact of the organised labour strike that negatively impacted on operations for 17 days. The growth in revenue reflects the increase in volumes of all commodities transported compared to the previous period, except for iron ore, which was negatively impacted by derailments.

Cash generated from operations increased by 13.5 per cent to R8.7 billion, which shows the company's ability to generate stable and strong cash flows. The cash interest cover ratio has decreased to 3.7 times from 4.2 times compared to the same period in 2008/09, due to an increase in net finance costs, which is a consequence of the capital expenditure programme. This ratio, however, remains significantly above the target of a minimum of three times.

Transnet is planning to borrow approximately R35 billion over the next three years to partly fund the execution of the capital expenditure programme. Funding raised by the 30 September 2010 was R7.6 billion, with an estimated funding requirement for the remainder of the year of approximately R9.6 billion. Despite the recent economic downturn, Transnet's investment in infrastructure is still on track. The capital expenditure for the six months ended 30 September 2010 (excluding capitalised borrowing costs) was R10.2 billion, compared to R8.7 billion spent in the previous six-month period.

Acronyms

GDP	Gross Domestic Product
MTEF	Medium-Term Expenditure Framework
PFMA	Public Finance Management Act
IRP	Integrated Resources Plan
MTRMP	Medium-Term Expenditure Framework
DSMEE	Demand Side Management and Energy Efficiency
ECS	Energy Conservation Scheme
REFIT	Renewable Energy Feed in Tariff
IPP	Independent Power producers
MYPD	Multi-Year price Determination
SLA	Service Level Agreement
NCPM	National Corridor Performance Management
NMPP	National Multi Product Pipeline
NATMAP	National Transport Master Plan
NIP	National Infrastructure Plan
FET	Further Education and Training
UCT GSB	University of Cape Town Graduate School of Business
DPE-DEA-Eskom MOU	Department of Public Enterprises-Department of Environmental Affairs-Eskom Memorandum of Understanding