Estimates of Public Expenditure

2009

Public Enterprises

National Treasury

Republic of South Africa

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Public Enterprises

Budget summary

	2009/10				2010/11	2011/12
R thousand	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	78 797	76 864	680	1 253	82 254	87 855
Energy and Broadband Enterprises	1 957 646	11 366	1 946 280	–	148 692	12 707
Legal, Governance, Risk and Transactions	152 754	23 664	129 090	–	24 283	25 737
Manufacturing Enterprises	8 467	8 467	–	–	9 084	9 607
Transport Enterprises	1 566 004	16 924	1 549 080	–	16 235	14 733
Joint Project Facility	33 678	33 678	–	–	31 315	32 970
Total expenditure estimates	**3 797 346**	**170 963**	**3 625 130**	**1 253**	**311 863**	**183 609**
Executive authority	Minister of Public Enterprises					
Accounting officer	Director-General of Public Enterprises					
Website address	www.dpe.gov.za					

Aim

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.

Programme purposes

Programme 1: Administration

Purpose: Achieve the department's strategic objectives through providing overarching management and key supporting functions and processes.

Programme 2: Energy and Broadband Enterprises

Purpose: Align and timeously monitor the corporate strategies and performance of Eskom, Pebble Bed Modular Reactor and Broadband Infraco against government's strategic intent and associated performance targets.

Programme 3: Legal, Governance, Risk and Transactions

Purpose: Align corporate governance, risk management practices and significant and material transactions of state owned enterprises with government objectives and requirements and applicable legislation, litigation and transactions management.

Programme 4: Manufacturing Enterprises

Purpose: Align and timeously monitor the corporate strategies and performance of Denel and the South African Forestry Company Limited against government's strategic intent and performance targets.

Programme 5: Transport Enterprises

Purpose: Align and timeously monitor the corporate strategies and performance of Transnet, South African Airways and South African Express Airways against government's strategic intent and performance targets.

Programme 6: Joint Project Facility

Purpose: Leverage the assets, activities and/or capabilities of the state owned enterprises to the benefit of state owned enterprises and the economy as a whole.

Strategic overview: 2005/06 – 2011/12

The Department of Public Enterprises provides shareholder management of nine state owned enterprises: Alexkor, Broadband Infraco, Denel, Eskom, Pebble Bed Modular Reactor, the South African Forestry Company, South African Airways, South African Express Airways and Transnet.

One of the department's key activities is to monitor the performance and financial and operational stability of the state owned enterprises to promote efficiency and investment in strategically important sectors of the economy. To this end, the enterprises are required to submit standardised corporate plans, quarterly reports and annual reports for assessment. The corporate plans are evaluated to determine whether the strategies and financial plans are consistent, coherent and aligned with government objectives. The department assesses the forecasts to determine whether enterprises require government financial support in the form of funding for recapitalisation, or borrowing guarantees. Quarterly and annual reports are analysed to determine whether strategic objectives have been met, and to highlight any emerging risks. The department also monitors the enterprises' compliance with the Public Finance Management Act (1999) and National Treasury Regulations.

A chief investment and portfolio manager post was created to focus on portfolio management and shareholder investment. A new electronic dashboard system was implemented, which enables timely reporting by state owned enterprises and rapid access to information in key areas, such as finance, operations, capital investment, intragovernmental policy, socioeconomic impacts and risks. In addition, the department has established various forums to allow for discussion and the implementation of strategies.

Investments in key infrastructure, procurement processes and capacity building

Eskom and Transnet are responsible for large investments in key economic infrastructure in the electricity and transport logistics sectors. More than R300 billion has been budgeted for Eskom to invest in upgrading electricity infrastructure over the next five years. This includes constructing new coal fired power stations and refurbishing those that have been mothballed. Transnet's capital expenditure budget amounts to approximately R80.3 billion over the next five years.

Targeting the key electricity and transport logistics sectors for industrial development, the department has implemented a large scale procurement and capacity building programme for Transnet and Eskom. The competitive supplier development programme, launched in 2007, aims to ensure that the large infrastructure investment programmes have an optimal impact on industrial development. The programme's objectives are to improve the competitiveness, capability and capacity of the local supply base, which will in turn lead to savings in procurement costs, better security of supply, improved performance by state owned enterprises, job creation and growth in the local industry.

Following consultations with industry and relevant government departments, Transnet, Pebble Bed Modular Reactor and Eskom have developed supplier development plans. Key performance indicators and targets have been written into shareholder compacts between the department and the state owned enterprises, and regular progress reporting takes place. In addition, the South African power project, a joint initiative with various stakeholders, including the departments of trade and industry and science and technology, is developing and implementing a medium term strategy aimed at optimising the industrial and technological impact of the electricity build programme.

Critical to the success of these initiatives is the development of human capital in both state owned enterprises and supplier networks. In April 2008, the department established the Employment and Skills Development

Agency to establish partnerships with sector education and training authorities, further education training colleges, state owned enterprises and their supplier networks to facilitate work placements for artisan trainees. The agency aims to address the scarce and critical skills shortages relating to the investment programme to support achieving the objectives of the Accelerated and Shared Growth Initiative for South Africa and the Joint Initiative for Priority Skills Acquisition.

Key policy developments

In 2008, the department proposed the Government Shareholder Management Bill to codify the role and functions of government as a shareholder in state owned enterprises, with a view to optimise the contribution of state owned enterprises to growth and development. The bill includes a framework for a harmonised and consistent approach to state owned enterprises shareholder management and corporate governance across government, as well as measures and initiatives for improving the return on the state's investment in state owned enterprises. The bill also aims to align shareholder management practices with the policy and planning functions of government. Cabinet mandated a ministerial oversight committee to review the draft bill.

Litigation

The department will continue to monitor the implementation of the deed of settlement in the Richtersveld community's land claim. Litigation is ongoing in the R2.2 billion claim instituted against government and Transnet by the Umthunzi consortium.

A transaction aimed at transferring majority ownership of Komatiland Forests to the private sector was terminated in March 2006 due to concerns raised by the Competition Commission, which will need to be addressed in the current Komatiland Forests privatisation process. Land claims have been registered for about 60 per cent of the state forest land used by Komatiland Forests, and any privatisation transaction should recognise and address the expectations of land claimants. The Londoloza consortium's application for leave to appeal to the Supreme Court's judgement relating to the previous Komatiland Forests privatisation process has been denied. Londoloza has now filed an application for the matter to be heard by the Constitutional Court.

Selected performance and operations indicators

Table 30.1 Public Enterprises

Indicator	Programme	Past			Current	Projections		
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Number of new shareholder compacts signed	Energy and Broadband Enterprises; Legal, Governance, Risk and Transactions; Manufacturing Enterprises; Transport Enterprises	3	4	5	3	8	8	8
Number of new corporate plans reviewed	Energy and Broadband Enterprises; Legal, Governance, Risk and Transactions; Manufacturing Enterprises; Transport Enterprises	6	7	8	5	8	8	8
Number of quarterly financial reviews	Energy and Broadband Enterprises; Legal, Governance, Risk and Transactions; Manufacturing Enterprises; Transport Enterprises	24	28	32	15	32	32	32
Number of projects each year	Joint Project Facility	4	7	13	11	8	8	8

Expenditure estimates

Table 30.2 Public Enterprises

Programme				Adjusted	Revised			
	Audited outcome			appropriation	estimate	Medium-term expenditure estimate		
R thousand	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
1. Administration	46 311	50 681	66 281	73 081	73 081	78 797	82 254	87 855
2. Energy and Broadband Enterprises	585 264	1 841 355	2 514 327	2 137 979	2 137 979	1 957 646	148 692	12 707
3. Legal, Governance, Risk and Transactions	30 681	105 434	95 788	152 416	152 416	152 754	24 283	25 737
4. Manufacturing Enterprises	2 007 912	577 456	1 159 944	269 435	267 559	8 467	9 084	9 607
5. Transport Enterprises	1 315	3 500	752 128	604 360	604 360	1 566 004	16 235	14 733
6. Joint Project Facility	–	11 409	15 516	32 107	32 107	33 678	31 315	32 970
Total	**2 671 483**	**2 589 835**	**4 603 984**	**3 269 378**	**3 267 502**	**3 797 346**	**311 863**	**183 609**
Change to 2008 Budget estimate				261 516	259 640	1 531 655	(4 128)	(2 941)
Economic classification								
Current payments	**76 537**	**100 362**	**126 566**	**166 317**	**166 317**	**170 963**	**171 953**	**182 244**
Compensation of employees	42 442	47 208	55 998	67 970	67 970	79 476	85 288	90 356
Goods and services	34 095	53 046	70 541	98 347	98 347	91 487	86 665	91 888
of which:								
Administrative fees	*150*	*531*	*652*	*4 341*	*4 341*	*5 187*	*5 662*	*6 002*
Advertising	*133*	*355*	*1 549*	*1 096*	*1 096*	*1 332*	*1 399*	*1 483*
Assets less than R5 000	*2 266*	*485*	*580*	*326*	*326*	*402*	*268*	*284*
Audit costs: External	*1 220*	*1 372*	*956*	*980*	*980*	*1 141*	*1 198*	*1 270*
Bursaries: Employees	*150*	*212*	*439*	*361*	*361*	*700*	*735*	*779*
Catering: Departmental activities	*423*	*383*	*1 021*	*1 506*	*1 506*	*1 926*	*2 024*	*2 145*
Communication	*2 893*	*2 294*	*2 492*	*3 101*	*3 101*	*2 116*	*2 221*	*2 354*
Computer services	*1 631*	*1 190*	*2 406*	*2 065*	*2 065*	*1 750*	*1 889*	*2 026*
Consultants and professional services: Business and advisory services	*4 401*	*19 714*	*21 028*	*52 663*	*52 663*	*42 199*	*35 874*	*37 477*
Consultants and professional services: Legal costs	*281*	*3 129*	*4 523*	*4 866*	*4 866*	*6 000*	*5 826*	*6 236*
Contractors	*1 553*	*754*	*4 406*	*1 382*	*1 382*	*3 481*	*3 400*	*3 604*
Agency and support / outsourced services	*1 273*	*2 975*	*5 205*	*4 278*	*4 278*	*4 204*	*4 099*	*4 345*
Entertainment	*56*	*147*	*111*	*260*	*260*	*198*	*208*	*222*
Inventory: Fuel, oil and gas	–	–	–	*6*	*6*	–	–	–
Inventory: Materials and supplies	–	–	–	*4*	*4*	–	–	–
Inventory: Medical supplies	–	*2*	–	*2*	*2*	–	–	–
Inventory: Other consumables	*28*	*16*	*11*	*216*	*216*	*71*	*43*	*45*
Inventory: Stationery and printing	*1 252*	*1 142*	*2 314*	*2 336*	*2 336*	*1 955*	*2 053*	*2 665*
Lease payments	*3 997*	*5 408*	*6 333*	*967*	*967*	*1 910*	*2 006*	*2 126*
Owned and leasehold property expenditure	*4 722*	*1 750*	*505*	*623*	*623*	–	–	–
Travel and subsistence	*5 463*	*9 323*	*10 423*	*11 927*	*11 927*	*12 757*	*13 394*	*14 197*
Training and development	*615*	*750*	*1 648*	*1 788*	*1 788*	*2 020*	*2 121*	*2 249*
Operating expenditure	*1 107*	*680*	*2 020*	*1 293*	*1 293*	*1 073*	*1 128*	*1 195*
Venues and facilities	*481*	*434*	*1 919*	*1 960*	*1 960*	*1 065*	*1 117*	*1 184*
Financial transactions in assets and liabilities	–	108	27	–	–	–	–	–
Transfers and subsidies	**2 593 997**	**2 486 732**	**4 473 912**	**3 102 166**	**3 100 290**	**3 625 130**	**139 310**	**753**
Provinces and municipalities	129	42	–	–	–	–	–	–
Departmental agencies and accounts	372	3 589	–	–	–	–	–	–
Public corporations and private enterprises	2 593 396	2 482 517	4 473 342	3 101 516	3 099 640	3 624 450	138 600	–
Households	100	584	570	650	650	680	710	753
Payments for capital assets	**949**	**2 741**	**3 506**	**895**	**895**	**1 253**	**600**	**612**
Machinery and equipment	936	2 517	2 377	895	895	1 253	600	612
Software and other intangible assets	13	224	1 129	–	–	–	–	–
Total	**2 671 483**	**2 589 835**	**4 603 984**	**3 269 378**	**3 267 502**	**3 797 346**	**311 863**	**183 609**

Expenditure trends

Expenditure increased from R2.7 billion in 2005/06 to R3.3 billion in 2008/09 at an average annual rate of 7 per cent due to transfer payments to state owned enterprises. These were for both capital and current expenditure. Combined, transfer payments to state owned enterprises grew at an average annual rate of 6.1 per cent, from R2.6 billion in 2005/06 to R3.1 billion in 2008/09.

The following transfer payments were made from 2005/06 to 2008/09:

- Denel: R4 billion (including R480 million indemnity claims)
- Alexkor: R298.2 million
- Pebble Bed Modular Reactor: R6 billion (including VAT)
- South African Airways: R744.4 million
- Broadband Infraco: R1 billion for establishment and operational costs
- Transnet: R140 million for the purchase and transfer to government of South African Express Airways
- South African Express Airways: R445 million for recapitalisation, of which R40 million was for working capital and R405 million to make certain payments for existing aircraft.

The joint project facility was also funded from the budget for the first time in 2006/07, receiving R59 million between 2006/07 and 2008/09.

Over the MTEF period, expenditure is expected to decrease at an average annual rate of 61.7 per cent, from R3.3 billion in 2008/09 to R183.6 million in 2011/12. Transfers to state owned enterprises over the medium term amount to R6.9 billion, of which R3.5 billion is allocated to Pebble Bed Modular Reactor, R1.5 billion to South African Airways, R724.1 million to Broadband Infraco and R259.1 million to Alexkor. The significant decline in 2010/11 indicates the end of transfer payments to state owned enterprises, with the only remaining transfer payment of R138.6 million being allocated to Broadband Infraco.

Savings and reprioritisation

Over the medium term, savings of R30.4 million, R6 million and R4.8 million have been identified in goods and services, and transfer payments to state owned enterprises.

Departmental receipts

Departmental receipts are accumulated from dividends, proceeds from the sale of state owned enterprises, and minor items such as commissions on insurance premiums and parking.

In 2005/06, dividends of R1.6 billion were received from Eskom. Eskom has not paid dividends since then, as these funds have been reinvested into the planned infrastructure expansion projects for creating more generation capacity. In 2005/06, dividends of R30 million were received from the South African Forestry Company. No further dividends have been received from this entity.

In 2008/09, R435.5 million was received from the Diabo Share Trust, which constituted funds that had not been disbursed to potential beneficiaries. The department will appoint a service provider to accelerate the tracing of beneficiaries.

Table 30.3 Departmental receipts

	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
R thousand	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
Departmental receipts	**1 011 305**	**109**	**69**	**70**	**552**	**70**	**74**	**78**
Sales of goods and services produced by department	25	33	34	34	34	30	32	34
Sales of scrap, waste, arms and other used current goods	2	–	–	–	1	2	2	2
Interest, dividends and rent on land	1 010 992	19	4	14	495	15	16	17
Sales of capital assets	–	18	–	–	–	–	–	–
Financial transactions in assets and liabilities	286	39	31	22	22	23	24	25
Extraordinary receipts	**662 000**	**–**	**–**	**–**	**435 462**	**–**	**–**	**–**
Eskom	662 000	–	–	–	–	–	–	–
Diabo Trust	–	–	–	–	435 462	–	–	–
Total	**1 673 305**	**109**	**69**	**70**	**436 014**	**70**	**74**	**78**

Programme 1: Administration

Expenditure estimates

Table 30.4 Administration

Subprogramme				Adjusted			
	Audited outcome			appropriation	Medium-term expenditure estimate		
R thousand	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Minister [1]	890	885	951	1 612	1 709	1 811	1 913
Management	12 828	11 332	12 428	18 341	21 271	22 432	23 673
Corporate Services	29 338	34 798	48 518	48 330	50 879	52 579	56 511
Property Management	3 255	3 666	4 384	4 798	4 938	5 432	5 758
Total	**46 311**	**50 681**	**66 281**	**73 081**	**78 797**	**82 254**	**87 855**
Change to 2008 Budget estimate				7 095	9 255	8 267	1 895

1. From 2008/09, the current payments relating to the total remuneration package of political office bearers are shown, before this, only salary and car allowance are included.
Administrative and other subprogramme expenditure may in addition include payments for capital assets as well as transfers and subsidies.

Economic classification	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Current payments	**45 320**	**47 570**	**62 284**	**71 536**	**76 864**	**80 944**	**86 490**
Compensation of employees	24 293	23 403	27 206	34 748	38 447	41 095	43 737
Goods and services	21 027	24 059	35 051	36 788	38 417	39 849	42 753
of which:							
Administrative fees	*84*	*127*	*205*	*4 293*	*5 135*	*5 607*	*5 944*
Advertising	*133*	*174*	*1 257*	*1 096*	*1 332*	*1 399*	*1 483*
Assets less than R5 000	*1 240*	*460*	*563*	*326*	*402*	*268*	*284*
Audit costs: External	*1 220*	*1 372*	*956*	*980*	*1 141*	*1 198*	*1 270*
Bursaries: Employees	*73*	*110*	*145*	*361*	*700*	*735*	*779*
Catering: Departmental activities	*330*	*319*	*798*	*1 282*	*1 801*	*1 892*	*2 005*
Communication	*1 753*	*1 254*	*2 023*	*2 520*	*1 437*	*1 508*	*1 599*
Computer services	*620*	*878*	*2 406*	*2 065*	*1 750*	*1 889*	*2 026*
Consultants and professional services: Business and advisory services	*2 365*	*3 610*	*1 574*	*5 662*	*2 912*	*3 057*	*3 241*
Consultants and professional services: Legal costs	*38*	*–*	*–*	*–*	*–*	*–*	*–*
Contractors	*1 549*	*748*	*4 405*	*1 381*	*3 481*	*3 400*	*3 604*
Agency and support / outsourced services	*640*	*1 191*	*2 239*	*3 489*	*4 204*	*4 099*	*4 345*
Entertainment	*31*	*120*	*91*	*193*	*163*	*171*	*181*
Inventory: Fuel, oil and gas	*–*	*–*	*–*	*6*	*–*	*–*	*–*
Inventory: Materials and supplies	*–*	*–*	*–*	*4*	*–*	*–*	*–*
Inventory: Medical supplies	*–*	*2*	*–*	*2*	*–*	*–*	*–*
Inventory: Other consumables	*28*	*16*	*11*	*215*	*71*	*43*	*45*
Inventory: Stationery and printing	*940*	*1 020*	*2 116*	*2 285*	*1 955*	*2 053*	*2 665*
Lease payments	*3 895*	*5 024*	*6 203*	*967*	*1 910*	*2 006*	*2 126*
Owned and leasehold property expenditure	*1 379*	*1 750*	*505*	*623*	*–*	*–*	*–*
Travel and subsistence	*3 916*	*4 673*	*5 106*	*5 893*	*6 567*	*6 895*	*7 309*
Training and development	*375*	*666*	*1 445*	*1 371*	*2 020*	*2 121*	*2 249*
Operating expenditure	*137*	*396*	*1 712*	*1 090*	*807*	*847*	*898*
Venues and facilities	*281*	*149*	*1 291*	*684*	*629*	*661*	*700*
Financial transactions in assets and liabilities	–	108	27	–	–	–	–
Transfers and subsidies	**169**	**605**	**570**	**650**	**680**	**710**	**753**
Provinces and municipalities	69	21	–	–	–	–	–
Households	100	584	570	650	680	710	753
Payments for capital assets	**822**	**2 506**	**3 427**	**895**	**1 253**	**600**	**612**
Machinery and equipment	809	2 282	2 298	895	1 253	600	612
Software and other intangible assets	13	224	1 129	–	–	–	–
Total	**46 311**	**50 681**	**66 281**	**73 081**	**78 797**	**82 254**	**87 855**

Table 30.4 Administration (continued)

R thousand	Audited outcome 2005/06	2006/07	2007/08	Adjusted appropriation 2008/09	Medium-term expenditure estimate 2009/10	2010/11	2011/12
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	**69**	**21**	**–**	**–**	**–**	**–**	**–**
Regional Services Council levies	69	21	–	–	–	–	–
Households							
Other transfers to households							
Current	**100**	**584**	**570**	**650**	**680**	**710**	**753**
Gifts and donations	100	584	570	650	680	710	753

Expenditure trends

Expenditure increased from R46.3 million in 2005/06 to R73.1 million in 2008/09 at an average annual average rate of 16.4 per cent. The growth in expenditure was driven by the *Corporate Services* and *Management* subprogrammes, as the department centralised operational expenditure such as IT licences and services, photocopying equipment, training and communication. The establishment of posts for a chief investment portfolio manager and staff in this unit resulted in compensation of employees increasing at an average annual rate of 12.7 per cent, from R24.3 million in 2005/06 to R34.7 million in 2008/09, and goods and services at an average annual rate of 20.5 per cent, from R21 million in 2005/06 to R36.8 million in 2008/09.

Expenditure grows moderately over the MTEF period, at an average annual rate of 6.3 per cent, from R73.1 million in 2008/09 to R87.9 million in 2011/12. This is generally in line with inflation, but also reflects savings resulting from the centralisation of services, such as training, bursaries, IT and leases on equipment.

Programme 2: Energy and Broadband Enterprises

- *Management.*
- *ICT Sector Broadband* provides oversight of Broadband Infraco. Funding is disbursed on the basis of an annual business plan and service level agreement between the department and the entity.
- *Energy Sector* provides shareholder oversight of Eskom, with an emphasis on security of supply and optimising current operations. Funding is disbursed on the basis of an annual business plan and service level agreement between the department and the entity.
- *Nuclear Sector* provides oversight of Pebble Bed Modular Reactor. Funding is disbursed on the basis of an annual business plan and service level agreement between the department and the entity.
- *Initial Public Offering* includes transfers to the Diabo Share Trust and the Khulisa Trust (where Telkom shares were housed). Funding is disbursed on the basis of annual business plans and service level agreements between the department and these entities.

Objectives and measures

- Ensure that the corporate strategies of state owned enterprises are aligned with government's strategic intent by reviewing these strategies when necessary, and evaluating business plans annually.
- Ensure that corporate strategies and shareholder compacts are implemented as intended by benchmarking and monitoring the financial, operational and infrastructure targets on a quarterly basis and assessing shareholder and enterprise risks.
- Expand South Africa's ICT infrastructure to improve capacity and lower costs by:
  – expanding Broadband Infraco's national full service network to incorporate the State Information and Technology Agency and other strategic state projects that require broadband, by mid-2008

– completing the construction of the South Africa-Europe submarine cable by the end of the first quarter of 2010.

- Monitor Eskom's generation adequacy by examining its maintenance and operational practices, distribution efficiency, and capacity expansion programme to ensure delivery of new energy generation capacity.
- Secure long term environmentally sustainable electricity supply through nuclear power generation by:
  – monitoring funding requirements and securing funding for capital projects undertaken by Pebble Bed Modular Reactor
  – monitoring regulatory compliance by Pebble Bed Modular Reactor, including environmental impact assessment recommendations
  – monitoring construction and testing outcomes against Pebble Bed Modular Reactor's business and strategic plans and feasibility studies.

Service delivery and spending focus

Eskom is responsible for generating, transmitting and distributing electricity. In 2008, the Department of Public Enterprises played a formative role in the national electricity response team, which deals with the electricity supply crisis. The department requested funding assistance to support Eskom's Cabinet approved accelerated new build programme. R60 billion was allocated as a subordinated loan to Eskom over a 3-year period to support this investment in electricity generation capacity. The department co-authored the Cabinet approved national emergency electricity response plan. The department is also participating in restructuring the electricity distribution industry by supporting a proposed amendment to the Constitution to allow the electricity function to be performed at the national level. All electricity utilities will have to participate in forming the regional electricity distributors.

The department has monitored and facilitated the capital funding requirements for the expansion of South Africa's ICT infrastructure. The Broadband Infraco Act (2007) came into effect in early 2008 and Broadband Infraco was listed as a schedule 2 public entity in terms of the Public Finance Management Act (1999). The department's oversight functions of Broadband Infraco include agreements between parties, assessing the business plan, monitoring the commissioning of the full service network and providing overarching shareholder management.

The department's oversight of Pebble Bed Modular Reactor includes monitoring progress on research into an alternative nuclear electricity generation and process heat technology, as well as the establishment of a demonstration power plant and pilot fuel plant. Pebble Bed Modular Reactor's first annual report was tabled in Parliament in November 2007. The strategic framework for developing the North American market for the entity's intermediate temperature reactor for process heat applications has been approved. This programme is currently focusing on research and testing of safe and efficient nuclear fuel. The National Nuclear Regulator granted the commissioning licence for the advanced coater facility at Pelindaba.

Expenditure estimates

Table 30.5 Energy and Broadband Enterprises

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Management	2 353	3 606	2 112	1 071	1 675	1 814	1 911
ICT Sector Broadband	–	627 000	1 358	378 624	210 555	140 532	2 036
Energy Sector	2 539	2 146	7 804	7 124	6 547	4 701	7 026
Nuclear Sector	580 000	1 205 014	2 503 053	1 751 160	1 738 869	1 645	1 734
Initial Public Offering	372	3 589	–	–	–	–	–
Total	**585 264**	**1 841 355**	**2 514 327**	**2 137 979**	**1 957 646**	**148 692**	**12 707**
Change to 2008 Budget estimate				399	(15 590)	(4 561)	(1 000)

Table 30.5 Energy and Broadband Enterprises (continued)

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	**4 844**	**6 308**	**12 054**	**10 979**	**11 366**	**10 092**	**12 707**
Compensation of employees	4 274	3 482	5 898	5 667	6 355	7 030	7 401
Goods and services	570	2 826	6 156	5 312	5 011	3 062	5 306
of which:							
Administrative fees	*–*	*174*	*68*	*–*	*52*	*55*	*58*
Advertising	*–*	*44*	*115*	*–*	*–*	*–*	*–*
Assets less than R5 000	*6*	*1*	*4*	*–*	*–*	*–*	*–*
Bursaries: Employees	*19*	*45*	*216*	*–*	*–*	*–*	*–*
Catering: Departmental activities	*13*	*41*	*15*	*34*	*37*	*39*	*41*
Communication	*–*	*248*	*107*	*102*	*127*	*134*	*142*
Computer services	*12*	*84*	*–*	*–*	*–*	*–*	*–*
Consultants and professional services: Business and advisory services	*134*	*662*	*4 606*	*3 386*	*4 000*	*2 000*	*4 180*
Contractors	*–*	*–*	*–*	*1*	*–*	*–*	*–*
Entertainment	*1*	*1*	*5*	*22*	*6*	*6*	*7*
Inventory: Stationery and printing	*–*	*37*	*6*	*8*	*–*	*–*	*–*
Lease payments	*–*	*34*	*6*	*–*	*–*	*–*	*–*
Travel and subsistence	*200*	*945*	*881*	*1 387*	*677*	*711*	*753*
Training and development	*49*	*289*	*83*	*5*	*–*	*–*	*–*
Operating expenditure	*66*	*142*	*14*	*5*	*–*	*–*	*–*
Venues and facilities	*70*	*79*	*30*	*362*	*112*	*117*	*125*
Transfers and subsidies	**580 395**	**1 834 992**	**2 502 273**	**2 127 000**	**1 946 280**	**138 600**	**–**
Provinces and municipalities	23	3	–	–	–	–	–
Departmental agencies and accounts	372	3 589	–	–	–	–	–
Public corporations and private enterprises	580 000	1 831 400	2 502 273	2 127 000	1 946 280	138 600	–
Payments for capital assets	**25**	**55**	**–**	**–**	**–**	**–**	**–**
Machinery and equipment	25	55	–	–	–	–	–
Total	**585 264**	**1 841 355**	**2 514 327**	**2 137 979**	**1 957 646**	**148 692**	**12 707**
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	**23**	**3**	**–**	**–**	**–**	**–**	**–**
Regional Services Council levies	23	3	–	–	–	–	–
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	**372**	**3 589**	**–**	**–**	**–**	**–**	**–**
Diabo Trust	–	3 589	–	–	–	–	–
Khulisa Trust	372	–	–	–	–	–	–
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**580 000**	**1 831 400**	**2 502 273**	**2 127 000**	**1 946 280**	**138 600**	**–**
Pebble Bed Modular Reactor	580 000	1 204 400	2 502 273	1 750 000	1 737 750	–	–
Broadband Infraco	–	627 000	–	377 000	208 530	138 600	–

Expenditure trends

Spending in this programme is dominated by transfer payments to Pebble Bed Modular Reactor and Broadband Infraco. Expenditure increased from R585.3 million in 2005/06 to R2.1 billion in 2008/09 at an average annual rate of 54 per cent. Large increases in spending were due to transfer payments of: R627 million for the establishment of Broadband Infraco in 2006/07, including the purchase of the full service network from Eskom and Transtel; and R1.2 billion in 2006/07 and R2.5 billion in 2007/08 to Pebble Bed Modular Reactor to fund essential contracts for the demonstration plant and the fuel plant.

Expenditure is expected to remain high at R2.1 billion in 2008/09 and just under R2 billion in 2009/10, as Broadband Infraco and Pebble Bed Modular Reactor continue to receive substantial transfer payments. Expenditure is expected to decrease from R2 billion in 2009/10 to R12.7 million in 2011/12, at an average annual rate of 81.9 percent, when transfers to entities are ceased.

Public entity

Broadband Infraco

Strategic overview: 2005/06 - 2011/12

Telecommunications is central to the information society and a key driver for economic growth. South Africa lags behind its international counterparts in terms of ICT penetration and the rate at which new technology is adopted, and broadband services here are more expensive and the penetration is much lower than international benchmarks. Broadband Infraco was established in 2007 as a state led intervention to normalise the telecommunications market. It is a company under the Broadband Infraco Act (2007). It funds investment in infrastructure that is too expensive for the private sector. Broadband Infraco 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, in anticipation of the licensing of the second network operator. It is now focusing on investing in an international marine cable network to be deployed between South Africa and the United Kingdom.

Selected performance and operations indicators

Table 30.6 Broadband Infraco

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Gross profit margin	–	–	89%	-39%	78%	–	–
Earnings before interest and taxes margin	–	–	71%	-11%	-33%	–	–
Net profit margin	–	–	35.7%	-19.3%	-48%	–	–
Return on equity	–	1%	6%	-1%	-14%	–	–

Service delivery and spending focus

In 2008/09, Broadband Infraco made progress with the deployment and commissioning of the national long distance fibre optic network, which has enabled Neotel to start functioning.

Broadband Infraco is involved in the West African cable system project, which involves a merger between the Telkom-led SAT-4 African west coast project and the Broadband Infraco-led African west coast cable project. This joint venture project involves Broadband Infraco, Telkom, MTN, Vodacom and Neotel. A memorandum of understanding was signed in September 2008.

In 2009/10, Broadband Infraco will focus on resolving all regulatory and licensing issues with the Independent Communications Authority of South Africa, updating the company's business plan, detailing the financing of the capital plan, resolving the financial arrangements of the submarine cable, resolving recapitalisation requirements and shareholder arrangements, and addressing fiscal implications.

Expenditure estimates

Table 30.7 Broadband Infraco: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Revenue							
Non-tax revenue	**–**	**–**	**173 672**				
Sale of goods and services other than capital assets	–	–	112 316				
of which:							
Sales by market establishments	*–*	*–*	*112 316*				
Other non-tax revenue	*–*	*–*	*61 356*				
Total revenue	**–**	**–**	**173 672**				
Expenses							
Current expense	**–**	**3 918**	**116 231**				
Compensation of employees	–	3 146	12 445				
Goods and services	–	514	58 869				
Depreciation	–	–	22 345				
Interest, dividends and rent on land	–	258	22 572				
Total expenses	**–**	**5 054**	**132 889**				
Surplus / (Deficit)	**–**	**(5 054)**	**40 783**				
Statement of financial position							
Carrying value of assets	–	6 304	599 630				
of which: Acquisition of assets	*–*	*6 304*	*615 672*				
Receivables and prepayments	–	953	93 269				
Cash and cash equivalents	–	–	593 372				
Assets not classified elsewhere	–	1 136	54 300				
Total assets	**–**	**8 393**	**1 340 572**				
Accumulated surplus / deficit	–	(2 782)	38 001				
Borrowings	–	–	627 000				
Trade and other payables	–	–	660 049				
Liabilities not classified elsewhere	–	11 175	15 522				
Total equity and liabilities	**–**	**8 393**	**1 340 572**				

Expenditure trends

Broadband Infraco's revenue has come mainly from government transfers as capitalisation. Future revenue will be derived mainly from ICT services. In 2006/07, the year in which it was established, the company did not generate any revenue; it only incurred setup costs. In 2007/08, revenue generated through rental services was R112 million and profit before tax was R71 million.

Eskom

Strategic overview: 2005/06 - 2011/12

Eskom is among the top 13 energy utilities in the world by generation capacity and among the top 9 by sales. 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 margins have declined over the past few years, with the generating capacity no longer sufficient to meet seasonal peak demand. Power stations have been stretched to run at full capacity, and at certain times, beyond design capacity, resulting in a high number of unplanned outages and a more complex and time-consuming maintenance regime. The load shedding events in 2007/08 were mainly as a result of problems with coal availability and quality, boiler failures, and significant plant being on planned maintenance outage.

Eskom's financial performance has been affected by the dramatic increase in the cost of primary energy, especially coal and diesel. This has resulted in the need to use peaking plant to meet base load requirements when no other generating plant is available. Eskom's expansive capital plan has strained its finances, resulting in a downgrade in its credit rating.

Eskom has three funding mechanisms: government loans or equity, debt and tariff increases. To address its financial sustainability, Eskom applied to the National Energy Regulator of South Africa for a price increase for 2008/09 to ensure full cost recovery. The regulator decided to allow Eskom to recover additional primary energy costs of R2.8 billion through increased tariffs. Eskom is seeking independent power producers, including a pilot national co-generation programme, a medium term power purchase programme, and a multi-site base load independent power producer programme. Government policy is that Eskom will provide 70 per cent of the required new electricity generation capacity, and the independent power producers will provide 30 per cent.

Eskom's expansion programme entails using different energy sources (wind and gas generated electricity) to meet demand, recommissioning the mothballed coal fired power stations, and building new coal fired base load power stations. In relation to developing renewable energy, Eskom has set a target of 1 600MW by 2025. Eskom's contribution to the target will be wind generation, and possibly solar thermal power generation. Eskom is also investing in strengthening its transmission infrastructure. Eskom is a signatory to major international business declarations and coalitions on climate change.

Service delivery and spending focus

In 2007/08, the Bond Exchange of South Africa gave Eskom its Spire award for the best new issuance for 2007.

Eskom aligned its annual reporting with international sustainability initiatives, including the Global Reporting Initiative's sustainability guidelines.

Eskom's financial efficiency and technical performance were impacted negatively by the increase in primary energy costs and poor plant performance. Its profit for 2008/09 was R1.3 billion (R6 billion in 2007/08) after taking into account the fair value loss on embedded derivatives of R149 million (fair value gain was R4.1 billion in 2007/08). Growth in electricity sales (GWh) was 2.9 per cent compared to 4.9 per cent in 2007/08.

Eskom contributes to BEE by supporting black owned businesses and black women owned businesses. This is reflected in group procurement spend of R25.4 billion in 2008/09 against a target of R19 billion (67 per cent of discretionary spend).

Government has approved guarantees of R176 billion over five years for Eskom's capital expansion programme. The remainder of the guarantees will be to support the issuance of new debt locally and internationally. The guarantees are in addition to the approved R60 billion subordinated loan over the medium term.

Plans for 2009/10 include obtaining agreement on the strategy for the energy mix, reviewing the regulatory framework and obtaining approval for the price control determination, finalising the multi-year price determination and other regulatory matters, securing funding arrangements for the capital programme, and finalising the framework for the introduction of independent power producers.

Pebble Bed Modular Reactor

Strategic overview: 2005/06 - 2011/12

A diverse energy supply is important for energy security and low carbon generation options need to be considered. South Africa's new energy policy and strategy promotes nuclear energy as an important electricity supply option. The Pebble Bed Modular Reactor demonstration power plant plays a pivotal role in supporting government's nuclear strategy in terms of diversification and the use of nuclear technology for peaceful purposes. The Pebble Bed Modular Reactor also contributes to government's policy of decentralised energy generation and the reduction of greenhouse gases. It is a high temperature reactor of unique design which addresses global concerns about nuclear energy safety and proliferation. It also has the potential to revolutionize the nuclear energy industry with the first commercial fourth generation nuclear system, and is key to developing new technology, advanced manufacturing capabilities and local industrialisation.

Selected performance and operations indicators

Table 30.8 Pebble Bed Modular Reactor

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Gross profit margin	–	11%	1%	1%			
Earnings before interest and tax margin	–	6%	5%	1%			
Net profit margin	–	6%	5%	1%			

Service delivery and spending focus

As the future operator of the Pebble Bed Modular Reactor and the licence applicant, Eskom completed the public participation process for the environmental impact assessment in October 2008. An environmental impact report was published for public comment. A safety case has been drafted and is being updated for phased submission to Eskom. The estimated date for submission of the safety case is the last quarter of 2010.

A process heat plant project plan has been completed. This is the driver for obtaining licensing approvals for all the planning, engineering and supply chain work. In January 2008, the National Nuclear Regulator issued the licence for hot commissioning. The target date for the completion of the licence application is June 2010. The target date for cold commissioning is February 2011.

The parties have committed to reaching agreement on: the amended strategy for energy supply; evaluating and finalising the new business plan and the funding plan; getting approval for regulatory matters; addressing any going concern and recapitalisation issues; dealing with any underwriting and guarantee of closure costs; resolving shareholder and investor arrangements; and obtaining Cabinet approval for implementation.

Expenditure estimates

Table 30.9 Pebble Bed Modular Reactor: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Revenue							
Non-tax revenue	**310 038**	**195 667**	**130 769**				
Sale of goods and services other than capital assets *of which:*	–	1 732	980				
Sales by market establishments	–	*1 732*	*980*				
Other non-tax revenue	*310 038*	*193 936*	*129 789*				
Transfers received	580 000	1 204 400	1 830 914				
Total revenue	**890 038**	**1 400 067**	**1 961 683**				
Expenses							
Current expense	**882 718**	**1 320 975**	**1 866 637**				
Compensation of employees	284 916	413 699	504 989				
Goods and services	593 668	895 156	1 337 097				
Depreciation	3 995	12 017	24 459				
Interest, dividends and rent on land	139	103	92				
Transfers and subsidies	5 646	–	–				
Total expenses	**888 850**	**1 320 975**	**1 866 637**				
Surplus / (Deficit)	**1 188**	**79 093**	**95 046**				
Statement of financial position							
Carrying value of assets	11 338	31 521	62 697				
of which: Acquisition of assets	*11 348*	*32 201*	*55 635*				
Receivables and prepayments	3 349	61 381	89 564				
Cash and cash equivalents	418 729	201 821	867 094				
Total assets	**433 416**	**294 723**	**1 019 355**				
Capital and reserves	1 575	80 668	175 713				
Trade and other payables	424 445	184 658	344 918				
Provisions	7 396	29 397	134 662				
Liabilities not classified elsewhere	–	–	364 062				
Total equity and liabilities	**433 416**	**294 723**	**1 019 355**				

Expenditure trends

Revenue for the Pebble Bed Modular Reactor is mainly share capital contributions from government and other partners, including the Industrial Development Corporation, Eskom and Westinghouse. Revenue in 2007/08 increased by R561.6 million, mainly due to training reimbursements and royalties. Operating expenditure increased by R545.7 million, mainly due to operating leases, auditors' remuneration and the demonstration power plant project expenses. The surplus was R16 million.

Programme 3: Legal, Governance, Risk and Transactions

- *Management.*
- *Legal and Litigation* provides legal services for all commercial transactions involving the department, including, but not limited to, unbundling, shareholder support and establishing state owned enterprises.
- *Governance* develops corporate governance and shareholder management frameworks to improve adherence to good governance principles in all state owned enterprises.
- *Risk Management* identifies, manages and monitors significant risks at the state owned enterprise level and across the state owned enterprises, and establishes and maintains state owned enterprises and shareholder risk management systems.
- *Transactions* deals with significant and material transactions relating to state owned enterprises through a multidisciplinary team drawn from legal, governance, risk and relevant sector programmes.

Funding in all these subprogrammes is mainly used for compensation of employees, and related expenditure in goods and services.

Objectives and measures

- Complete the transfer of Telkom shares (previously held in Diabo Trust) to intended beneficiaries by appointing a service provider to trace the outstanding beneficiaries.
- Finalise government's exit from Aventura and the South African Forestry Company by disposing of assets such as Komatiland Forests.
- Enhance state owned enterprises' governance practices by:
  - establishing legislative provisions for the governance of strategic state owned enterprises over the MTEF period
  - implementing shareholder guidelines on remuneration, founding documents and shareholder agreements, as well as board member inductions through regular interactions with the governing bodies of state owned enterprises
  - benchmarking risk management practices against industry norms through a quarterly review of performance
  - conducting quarterly assessments of enterprise and shareholder risks
  - measuring improvement in governance by conducting annual governance audits in state owned enterprises.

Service delivery and spending focus

Aventura was sold in June 2003, but the transaction is still being finalised due to delays in the transfer of properties. The disposal of forestry assets is subject to a resolution of the land claims relating to Komatiland Forests. Once these claims are resolved, government's commercial interest in the South African Forestry Company can be concluded.

A deed of settlement in the land claim lodged by the Richtersveld community against the state and Alexcor was concluded, and confirmed by an order of court. The settlement requires a transfer of assets to the Richtersveld community and the establishment of a joint venture between Alexkor and the community. Progress will be monitored by the department.

The department has consulted widely on proposed interventions to ensure effective oversight and monitoring of state owned enterprises. The Government Shareholder Management Bill was submitted to Cabinet for consideration.

In 2008/09, the department reviewed 5 corporate plans and 15 quarterly reports, and completed the annual risk report for state owned enterprises.

Expenditure estimates

Table 30.10 Legal, Governance, Risk and Transactions

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Management	5 610	2 148	2 208	2 214	2 108	2 233	2 354
Legal and Litigation	533	7 690	9 224	10 927	12 913	13 247	14 052
Governance	6 653	5 066	7 511	3 244	2 281	2 494	2 631
Risk Management	2 003	1 567	2 135	4 081	4 430	4 233	4 505
Transactions	15 882	88 963	74 710	131 950	131 022	2 076	2 195
Total	**30 681**	**105 434**	**95 788**	**152 416**	**152 754**	**24 283**	**25 737**
Change to 2008 Budget estimate				(5 747)	(4 648)	(4 766)	(1 500)
Economic classification							
Current payments	**17 197**	**21 126**	**23 041**	**22 416**	**23 664**	**24 283**	**25 737**
Compensation of employees	7 333	12 089	12 406	10 796	11 592	12 581	13 242
Goods and services	9 864	9 037	10 635	11 620	12 072	11 702	12 495
of which:							
Administrative fees	*34*	*48*	*191*	*19*	–	–	–
Advertising	–	*59*	*29*	–	–	–	–
Assets less than R5 000	*1 012*	*2*	*12*	–	–	–	–
Bursaries Employees	*48*	*34*	*54*	–	–	–	–
Catering: Departmental activities	*17*	*5*	*55*	*80*	*24*	*25*	*27*
Communication	*835*	*304*	*190*	*191*	*173*	*181*	*192*
Computer services	*909*	*77*	–	–	–	–	–
Consultants and professional services: Business and advisory services	*1 496*	*2 067*	*1 663*	*4 016*	*4 340*	*4 057*	*4 330*
Consultants and professional services: Legal costs	*243*	*3 129*	*4 523*	*4 866*	*6 000*	*5 826*	*6 236*
Contractors	*3*	*2*	*1*	–	–	–	–
Agency and support / outsourced services	*339*	*1 660*	*2 549*	*13*	–	–	–
Entertainment	*10*	*11*	*9*	*24*	*7*	*9*	*10*
Inventory: Stationery and printing	*237*	*58*	*123*	*5*	–	–	–
Lease payments	*68*	*125*	*33*	–	–	–	–
Owned and leasehold property expenditure	*3 343*	–	–	–	–	–	–
Travel and subsistence	*408*	*1 041*	*944*	*1 875*	*1 243*	*1 305*	*1 383*
Training and development	*85*	*239*	*87*	*257*	–	–	–
Operating expenditure	*709*	*32*	*99*	*133*	*215*	*226*	*239*
Venues and facilities	*68*	*144*	*73*	*141*	*70*	*73*	*78*
Transfers and subsidies	**13 407**	**84 128**	**72 700**	**130 000**	**129 090**	**–**	**–**
Provinces and municipalities	11	11	–	–	–	–	–
Public corporations and private enterprises	13 396	84 117	72 700	130 000	129 090	–	–
Payments for capital assets	**77**	**180**	**47**	**–**	**–**	**–**	**–**
Machinery and equipment	77	180	47	–	–	–	–
Total	**30 681**	**105 434**	**95 788**	**152 416**	**152 754**	**24 283**	**25 737**
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	**11**	**11**	**–**	**–**	**–**	**–**	**–**
Regional Services Council levies	11	11	–	–	–	–	–
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**13 396**	**84 117**	**72 700**	**130 000**	**129 090**	**–**	**–**
Legal claim	–	2 035	–	–	–	–	–
Alexkor	13 396	82 082	72 700	130 000	129 090	–	–

Expenditure trends

Expenditure increased from R30.7 million in 2005/06 to R152.4 million in 2008/09 at an average annual rate of 70.6 per cent. The increase in spending was dominated by transfer payments to Alexkor for an exploration programme, operating costs, restructuring and the payment of value added tax on previous government transfers, as well as funding for the Richtersveld land claim settlement agreement.

Expenditure is expected to decrease over the MTEF period at an average annual rate of 44.7 per cent due to the finalisation of the settlement of the Richtersveld community's land claim against the state and Alexkor. Over the medium term, expenditure in the *Legal and Litigation* programme is expected to increase from R10.9 million in 2008/09 to R14.1 million in 2011/12, at an average annual rate of 8.7 per cent, to cover the anticipated legal costs of a number of transactions, including the disposal of the Komatiland Forests by the South African Forestry Company.

Public entity

Alexkor Limited

Strategic overview: 2005/06 - 2011/12

Alexkor mines diamonds in the Alexander Bay area, including marine mining and land mining operations. Alexkor has been subject to a number of business constraints including a land claim instituted by the Richtersveld community. These constraints resulted in ever decreasing diamond recoveries over the years. The deed of settlement for the Richtersveld Community's 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 intervene in new mining and mineral opportunities.

In terms of the deed of settlement, Alexkor's land mining rights will be transferred to the community, and the marine rights retained by Alexkor. The agreement provides for the formation of a pooling and sharing joint venture between Alexkor and the Richtersveld community, with 51 per cent of shares in the venture vesting in Alexkor and the remainder with the Richtersveld community's mining company, overseen by a joint board.

Alexkor's agricultural and maricultural assets were transferred to the Richtersveld community's agricultural holding company in January 2008, and agricultural land will have been transferred in 2008/09. The department has signed a memorandum of understanding with the Development Bank of Southern Africa for the bank to act as implementing agent for the development of the Alexander Bay township.

As a result of the both the transfers and the formation of the pooled and sharing joint venture, Alexkor has had to restructure itself. Farm employees were transferred, and mine employees retrenched. Voluntary separation packages were offered to farm employees, and voluntary severance packages with similar terms were offered to mine employees.

Selected performance and operations indicators

Table 30.11 Alexkor limited

Indicators	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Earnings before interest and tax margin	-135%	-9%	4.2%	-14.4%	*	*	*
Net profit margin	-132.8%	-17.5%	-3.4%	-31.8%	*	*	*
Return on assets	-38%	-6%	-1.1%	-14.1%	*	*	*
Carat production	43 207	33 503	25 620	*	*	*	*
Revenue	R154.8m	R109.3	R139.8	*	*	*	*
Operating costs as percentage of revenue	235%	109%	96%	*	*	*	*

**Alexkor's 2008/09 corporate plan was premised on the transfer of mining activities to the pooling and sharing joint venture and thus no projections were provided.*

Service delivery and spending focus

In 2009/10, Alexkor plans to finalise the outstanding business case and funding arrangements for the pooling and sharing joint venture, finalise funding arrangements for operational matters, assess the funding arrangements for the township development, and dispose of non-core assets.

Expenditure Estimates

Table 30.12 Alexkor Limited: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Revenue							
Non-tax revenue	**163 516**	**122 883**	**151 412**				
Sale of goods and services other than capital assets	154 758	109 302	139 825				
of which:							
Sales by market establishments	*154 758*	*109 302*	*139 825*				
Other non-tax revenue	*8 758*	*13 581*	*11 587*				
Transfers received	**1 710**	**33 545**	**66 411**				
Total revenue	**165 226**	**156 428**	**217 823**				
Expenses							
Current expense	**370 761**	**161 790**	**207 991**				
Compensation of employees	46 165	39 084	42 788				
Goods and services	313 213	102 341	160 768				
Depreciation	11 370	20 358	4 434				
Interest, dividends and rent on land	13	7	1				
Total expenses	**370 761**	**175 522**	**222 600**				
Surplus / (Deficit)	**(205 535)**	**(19 094)**	**(4 777)**				
Statement of financial position							
Carrying value of assets	457 340	203 526	22 326				
of which: Acquisition of assets	*5 844*	*1 254*	*251*				
Investments	18 972	21 554	22 835				
Inventory	23 393	17 060	189 602				
Receivables and prepayments	6 274	16 589	5 517				
Cash and cash equivalents	35 580	78 010	177 647				
Total assets	**541 559**	**336 739**	**417 927**				
Accumulated surplus / deficit	221 826	(253 794)	(258 560)				
Capital and reserves	–	220 816	220 815				
Post-retirement benefits	108 007	73 737	77 059				
Trade and other payables	13 344	31 082	133 290				
Provisions	193 449	213 365	245 323				
Managed funds	4 933	51 533	–				
Total equity and liabilities	**541 559**	**336 739**	**417 927**				

Expenditure trends

Alexkor's primary source of revenue is income from the sale of rough, gem quality diamonds.

In 2007/08, Alexkor reported 4 per cent below target revenue of R139.8 million excluding non-tax revenue. Operating profit was R5.9 million and net loss R4.7 million, compared to a projected operating loss of R70.9 million and net loss of R92.5 million. Despite lower carat production in 2008/09, total revenue amounted to R139.8 million compared to targeted total revenue of R116.9 million, due to strong diamond prices and the favourable US dollar exchange rate. The carrying value of Alexkor's non-current assets reduced significantly, due to the reclassification of land and buildings earmarked for transfer to the Richtersveld Community in terms of the deed of settlement.

Programme 4: Manufacturing Enterprises

- *Management.*
- *Forestry Sector* monitors the activities of the South African Forestry Company, including forestry management, timber harvesting and processing, both domestically and internationally. Funding is mainly used for compensation of employees, and related expenditure in goods and services.
- *Defence Sector* oversees Denel's financial and strategy implementation. Funding is mainly used for compensation of employees and defence sector analysts, besides the recapitalisation of Denel in previous years

Objectives and measures

- Ensure that the corporate strategies of the state owned enterprises are aligned with government's strategic intent by reviewing these strategies when necessary, and evaluating business plans on an annual basis.
- Ensure that corporate strategies and shareholder compacts are implemented as intended by benchmarking and monitoring the financial, operational and infrastructure trends and targets on a quarterly basis, and assessing shareholder and enterprise risks.
- Assist in returning Denel to profitability by 2011/12 by:
  - monitoring the implementation of the turnaround strategy
  - monitoring performance against the 2006 turnaround strategy
  - facilitating the sourcing of 60 per cent of Denel's turnover from the domestic defence market
  - restructuring the Denel subsidiaries to ensure commercial viability.
- Increase the impact of the defence industry by:
  - ensuring strategic alignment between the Department of Defence and Denel
  - facilitating defence related exports through research, incentives and international cooperation, such as establishing a Defence Export Council in 2009.

Service delivery and spending focus

The Department of Public Enterprises oversees, in particular, Denel's role in supplying South Africa's armed forces with strategic defence capabilities and stimulating the transfer of advanced manufacturing capabilities to the broader manufacturing sector. In October 2008, the department established work groups representing the Department of Defence, Denel and the Armaments Corporation of South Africa to ensure that 60 to 70 per cent of Denel's revenue is derived from South Africa's Department of Defence.

Progress has been made in identifying the defence capabilities that must be retained within South Africa. Moreover, joint task teams comprising representatives from the same bodies will ensure alignment of strategies in future. The committee overseeing the implementation of Denel end state recommendations will introduce a mechanism for placing multiyear orders, and a framework to achieve this has been agreed.

Following the suspension of the Komatiland Forests privatisation process, the primary focus has been on finalising a new 5-year corporate plan and a process to resolve key land claims in areas in which Komatiland Forests operates. The plan outlines key strategic goals and programmes that the South African Forestry Company will implement over the next 5 years, following the prolonged period of planning for privatisation. It will be used to define key performance indicators and the shareholder compact for the company. Approximately 60 per cent of the land on which Komatiland Forests operates is subject to land claims. The Department of Public Enterprises, the Department of Land Affairs and the Department of Water Affairs and Forestry formed an interdepartmental task team to finalise the land claims settlement process.

Expenditure estimates

Table 30.13 Manufacturing Enterprises

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Management	2 426	2 435	1 519	1 343	1 492	1 582	1 667
Forestry Sector	2 788	6 684	865	1 546	1 883	2 077	2 190
Defence Sector	2 002 698	568 337	1 157 560	266 546	5 092	5 425	5 750
Total	**2 007 912**	**577 456**	**1 159 944**	**269 435**	**8 467**	**9 084**	**9 607**
Change to 2008 Budget estimate				257 794	(3 386)	(3 520)	(500)
Economic classification							
Current payments	**7 861**	**10 452**	**5 959**	**9 919**	**8 467**	**9 084**	**9 607**
Compensation of employees	5 800	3 691	3 939	5 139	6 463	6 955	7 321
Goods and services	2 061	6 761	2 020	4 780	2 004	2 129	2 286
of which:							
Administrative fees	*32*	*113*	*128*	–	–	–	–
Advertising	–	*73*	–	–	–	–	–
Assets less than R5 000	–	*22*	–	–	–	–	–
Bursaries: Employees	*6*	*15*	*16*	–	–	–	–
Catering: Departmental activities	*23*	*18*	*17*	*29*	*15*	*16*	*17*
Communication	*291*	*380*	*62*	*49*	*120*	*126*	*133*
Computer services	*90*	*114*	–	–	–	–	–
Consultants and professional services: Business and advisory services	*406*	*3 547*	*659*	*3 479*	*1 500*	*1 600*	*1 726*
Contractors	*1*	*3*	–	–	–	–	–
Agency and support / outsourced services	*49*	*75*	*388*	*776*	–	–	–
Entertainment	*1*	*14*	*4*	*7*	*11*	*11*	*12*
Inventory: Stationery and printing	*36*	*23*	*4*	*1*	–	–	–
Lease payments	*19*	*222*	*42*	–	–	–	–
Travel and subsistence	*770*	*2 410*	*625*	*249*	*338*	*355*	*376*
Training and development	*101*	*(426)*	*12*	*65*	–	–	–
Operating expenditure	*189*	*96*	*58*	*25*	–	–	–
Venues and facilities	*47*	*62*	*5*	*100*	*20*	*21*	*22*
Transfers and subsidies	**2 000 026**	**567 004**	**1 153 969**	**259 516**	**–**	**–**	**–**
Provinces and municipalities	26	4	–	–	–	–	–
Public corporations and private enterprises	2 000 000	567 000	1 153 969	259 516	–	–	–
Payments for capital assets	**25**	**–**	**16**	**–**	**–**	**–**	**–**
Machinery and equipment	25	–	16	–	–	–	–
Total	**2 007 912**	**577 456**	**1 159 944**	**269 435**	**8 467**	**9 084**	**9 607**
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	**26**	**4**	**–**	**–**	**–**	**–**	**–**
Regional Services Council levies	26	4	–	–	–	–	–
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**–**	**–**	**220 969**	**259 516**	**–**	**–**	**–**
Denel	–	–	220 969	259 516	–	–	–
Capital	**2 000 000**	**567 000**	**933 000**	**–**	**–**	**–**	**–**
Denel	2 000 000	567 000	933 000	–	–	–	–

Expenditure trends

Expenditure decreased substantially from R2 billion in 2005/06 to R269.4 million in 2008/09 at an average annual rate of 48.8 per cent. This was primarily due to the decrease in transfer payments to Denel. Denel received R2 billion for capitalisation in 2005/06 and R567 million in 2006/07 to further support the entity's turnaround strategy. It received an additional R1.2 billion in 2007/08, comprising R221 million for the payment of a claim for an indemnity granted to Denel/Saab Aerostructures and R933 million as a final capital investment. R259.5 million was allocated to Denel in 2008/09 in respect of a further Denel/Saab Aerostructures indemnity payment.

Programme expenditure is expected to decrease from R269.4 million in 2008/09 to R8.5 million in 2009/10, as no further transfers are provided for, and then stabilise over the two outer years of the MTEF period to reach R9.6 million in 2011/12.

Public entities

Denel

Strategic overview: 2005/06 – 2011/12

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 latter were integrated into Denel.

Denel's mandate is to supply South Africa's armed forces with strategic and sovereign defence capabilities. In addition, Denel and the local defence industry play a major role in contributing towards advanced manufacturing. Denel's turnaround strategy was initiated in 2005, providing for a shift from major systems development towards the manufacture of subsystems and components for local and global markets. An end state process has been initiated to ensure that Denel becomes a commercially viable manufacturer of subsystems and components. The process involves collaboration between the Department of Public Enterprises, the Department of Defence, the Armaments Corporation of South Africa and Denel.

The formation of partnerships with global defence companies will remain a key part of Denel's strategy to enter export markets. In the aerostructures business, Denel finalised an equity partnership with the Swedish company, Saab, in 2006. Carl Zeiss, a German company, acquired 70 per cent of Denel Optronics in 2007, and Rheinmetall, also a German company, acquired 51 per cent of Denel Munitions in 2008.

Selected performance and operations indicators

Table 30.14 Denel

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	20011/12
Gross profit margin	-5.9%	-4.7%	15.9%				
Operating cost as percentage of revenue	41.1%	38%	29.5%				
Acid ratio	0.9	0.5	0.8				
Net loss margin	-50.4%	-16.6%	-8.8%				
Current ratio	1.4	0.9	1.2				

Service delivery and spending focus

In 2008/09, Denel quantified the minimum local Department of Defence orders needed to ensure the viability of its various business units. Work groups comprising representatives from the Department of Defence, Denel and the Armaments Corporation of South Africa are working together to reduce the gap between Department of Defence confirmed orders and the required minimum orders from Denel.

Significant progress has been made in identifying the defence capabilities that must be retained within South Africa.

Moreover, joint task teams comprising representatives from the Department of Public Enterprises, the Department of Defence, Denel, and the Armaments Corporation of South Africa have been established to ensure alignment among key stakeholders.

Expenditure estimates

Table 30.15 Denel: Activity information

	Audited outcome			Revised estimate	Medium-term estimate		
R thousand	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Mechem	139 000	147 000	158 000				
Denel Land System	311 000	320 000	379 000				
Denel Dynamics	595 000	907 000	645 000				
Denel Aviation	748 000	787 000	701 000				
Munitions	1 039 000	1 079 000	1 361 000				
Other activities	1 492 000	709 000	1 224 000				
Total expense	**4 324 000**	**3 949 000**	**4 468 000**				

Table 30.16 Denel: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Revenue							
Non-tax revenue	**2 961 000**	**3 400 000**	**4 121 000**				
Sale of goods and services other than capital assets *of which:*	2 774 000	3 269 000	3 818 000				
Sales by market establishments	*2 774 000*	*3 269 000*	*3 818 000*				
Other non-tax revenue	*187 000*	*131 000*	*303 000*				
Total revenue	**2 961 000**	**3 400 000**	**4 121 000**				
Expenses							
Current expense	**4 305 000**	**3 901 000**	**4 437 000**				
Compensation of employees	2 047 000	1 889 000	2 021 000				
Goods and services	1 910 000	1 692 000	2 167 000				
Depreciation	160 000	138 000	112 000				
Interest, dividends and rent on land	188 000	182 000	137 000				
Total expenses	**4 324 000**	**3 949 000**	**4 468 000**				
Surplus / (Deficit)	**(1 363 000)**	**(549 000)**	**(347 000)**				
Statement of financial position							
Carrying value of assets	1 361 000	949 000	1 116 000				
of which: Acquisition of assets	*123 000*	*115 000*	*270 000*				
Investments	239 000	399 000	360 000				
Inventory	984 000	1 067 000	1 072 000				
Receivables and prepayments	1 363 000	1 751 000	1 629 000				
Cash and cash equivalents	730 000	338 000	964 000				
Total assets	**4 677 000**	**4 504 000**	**5 141 000**				
Accumulated surplus / deficit	615 000	633 000	1 328 000				
Borrowings	846 000	834 000	235 000				
Trade and other payables	1 213 000	1 235 000	1 655 000				
Provisions	1 625 000	1 350 000	1 474 000				
Managed funds	378 000	452 000	449 000				
Total equity and liabilities	**4 677 000**	**4 504 000**	**5 141 000**				

Expenditure trends

Denel’s losses decreased from R1.4 billion in 2005/06 to R729 million in 2008/09, at an average annual rate of 18.8 per cent. Revenue increased from R3 billion in 2005/06 to R3.7 billion in 2008/09 at an average annual rate of 7.2 per cent and is expected to increase to R4.5 billion in 2011/12.

Denel only supplied detailed expenditure information based on audited outcomes.

The South African Forestry Company

Strategic overview: 2005/06 – 2011/12

The South African Forestry Company manages and develops state commercial forests. The company's activities include forestry management and timber harvesting and processing, both domestically and in neighbouring countries. The company's main subsidiary is Komatiland Forests, operating in Mpumalanga, Limpopo and KwaZulu-Natal. 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, Ifloma, while the remaining 20 per cent is held by the Mozambican government.

Cabinet's decision on the role of the South African Forestry Company and the privatisation of Komatiland Forests was finalised in March 2007. Transaction guidelines were prepared to assist the board with the decision on winding down the activities of Komatiland Forests by March 2009. The decision was revisited after the department realised that approximately 60 per cent of the land on which Komatiland Forests operates is subject to land claims, and that the land claims settlement process will have a bearing on the disposal of the asset by the target date of March 2009.

Due to the land claim status, the Minister of Public Enterprises extended the disposal of the South African Forestry Company by five years to 2011/12, to allow for the resolution of the land claims. The company was subsequently mandated to develop a five-year business and corporate plan in order to maintain, and where possible, enhance the value of the business. The remaining shares held by the South African Forestry Company in other companies, such as Singisi, Siyaqhubeka, Amathole and MTO, are also under review. A process has been initiated with the Department of Land Affairs and the Department of Water Affairs and Forestry to resolve the land claims.

Selected performance and operations indicators

Table 30.17 The South African Forestry Company

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	20011/12
Plantation area managed (hectares)	154 228	141 178	141 047				
Net profit /(loss) margin %	66.9	161.1	210.0				
Return on equity (ROE) %	19.3	53.9	17.0				
Logs sold ('000 m³)	1 135	1 615	1 648				
Current ratio (times)	2.6	4.2	4.0				

Service delivery and spending focus

The transformation committee was established in 2007/08, and was tasked with tracking the alignment of the South African Forestry Company's policies and procedures with government's objectives for social and economic transformation. The committee will drive the company's transformation agenda, maximise community participation and ensure greater empowerment in the forestry sector. One of the milestones reached was the signing of a memorandum of understanding with the Development Bank of Southern Africa to jointly promote the development of sustainable forest communities and industries. A memorandum of understanding was also signed with Agri SA to develop a honey industry in one of Komatiland Forests' plantations.

A structure within the operations of the South African Forestry Company is being considered and will be adapted to the requirements of the transformation agenda, as driven by the board. The finance and investment committee and the remuneration committee have also made major strides in aligning the company with the overall objectives of change. Signalling a new ethos in the group, the South African Forestry Company aims to reposition itself as a public entity that will endeavour to contribute to job creation in rural communities adjacent to its plantations, employment equity in the workplace and expanding its procurement spend to black business, among others.

Expenditure estimates

Table 30.18 The South African Forestry Company: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Revenue							
Non-tax revenue	**580 531**	**1 643 058**	**1 451 873**				
Sale of goods and services other than capital assets *of which:*	359 926	685 083	845 017				
Sales by market establishments	*359 926*	*685 083*	*845 017*				
Other non-tax revenue	*220 605*	*957 975*	*606 856*				
Total revenue	**580 531**	**1 643 058**	**1 451 873**				
Expenses							
Current expense	**339 696**	**539 187**	**583 119**				
Compensation of employees	109 772	160 397	137 038				
Goods and services	209 783	352 096	413 050				
Depreciation	17 752	24 653	30 598				
Interest, dividends and rent on land	2 389	2 041	2 433				
Total expenses	**411 788**	**842 471**	**813 341**				
Surplus / (Deficit)	**168 743**	**800 587**	**638 532**				
Statement of financial position							
Carrying value of assets	1 224 634	2 093 059	2 671 163				
of which: Acquisition of assets	*11 294*	*44 498*	*78 101*				
Investments	170 271	182 343	183 361				
Inventory	16 826	24 477	126 605				
Loans	–	–	11 943				
Receivables and prepayments	85 922	131 436	151 248				
Cash and cash equivalents	175 136	333 613	432 979				
Assets not classified elsewhere	2 471	4 495	1 787				
Total assets	**1 675 260**	**2 769 423**	**3 579 086**				
Accumulated surplus / deficit	1 249 633	2 047 372	2 694 987				
Borrowings	11 653	25 835	17 067				
Trade and other payables	53 115	89 286	158 772				
Provisions	53 791	31 854	19 046				
Liabilities not classified elsewhere	307 068	575 076	689 214				
Total equity and liabilities	**1 675 260**	**2 769 423**	**3 579 086**				

Expenditure trends

The South African Forestry Company posted a net profit of R638.5 million during 2007/08, a decline from the 2006/07 net profit of R800.6 million. This was due to the lower plantation valuation adjustment as a result of the fires during that year. The company's profitability is largely due to plantation valuation adjustment done annually. The South African Forestry Company has a strong solvency position and is highly liquid, with capital and reserves of R2.7 billion and a cash balance of R433 million in 2007/08.

The South African Forestry Company only supplied detailed expenditure information based on audited outcomes.

Medium term forecasts are to be adjusted, as they do not take into account the September 2008 or capital expenditure and developmental projects. These still need to be assessed by the department.

Programme 5: Transport Enterprises

- *Management.*
- *Transport Sector* oversees Transnet.
- *Aviation Sector* oversees South African Airways and South African Express Airways.

Funding in these subprogrammes is disbursed on the basis of annual business plans and service level agreements between the department and the state owned enterprises.

Objectives and measures

- Ensure that the corporate strategies of the state owned enterprises are aligned with government's strategic intent by reviewing these strategies when necessary, and evaluating business plans annually.
- Ensure that corporate strategies and shareholder compacts are implemented as intended by benchmarking and monitoring the financial, operational and infrastructure trends and targets at least quarterly, and by assessing shareholder and enterprise risks.
- Strengthen private sector participation in ports and rail over the medium term through:
  - introducing a private operator for the Ngqura container terminal
  - ensuring access to rail branch lines by private operators.
- Develop a long term strategy for improving the efficiency and performance of investments by state owned enterprises in the transport enterprises by:
  - monitoring progress of the South African Airways restructuring and turnaround strategy by assessing profit margins against targets
  - applying the national corridor performance measurement tools and indicators.

Service delivery and spending focus

The Department of Public Enterprises oversees Transnet's capital expansion programme and its transformation into a focused freight transport company and the effective operation of its business units: Freight Rail, Rail Engineering, Pipelines, Port Terminals and the National Ports Authority. In 2008/09, the department approved Transnet's branch line strategy, which includes establishing an entity that will own and manage branch lines. There is agreement on the process for private sector participation in the secondary network and the operating framework for the branch line entity.

Transnet's capital expenditure programme is monitored through the new dashboard for the expansion of capacity and monitoring of operational efficiencies. The national corridor performance measurement requires that an IT system, agreed indicators, and population and monitoring of system data and business intelligence outputs are in place to monitor the performance of national freight corridors.

The department is also monitoring the transformation of South African Airways into a commercially successful national carrier that will contribute to the development of trade and tourism domestically and in the rest of Africa. As part of the process, the department is overseeing the commercialisation of identified business units in South African Airways in preparation of their disposal, or the introduction of equity partners. Monthly monitoring meetings are held between South African Airways, the Department of Public Enterprises and National Treasury on the restructuring and turnaround strategy to compare achievements against planned targets.

It further oversees the establishment of South African Express Airways as a regional carrier with a focus on the African market.

The department drafted and formulated the African aviation strategy to define the role of South African Airways and South African Express Airways in the domestic and regional markets.

Expenditure estimates

Table 30.19 Transport Enterprises

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Management	–	–	761	1 093	1 666	1 765	1 862
Transport Sector	1 315	2 299	4 486	11 391	11 079	10 187	8 342
Aviation Sector	–	1 201	746 881	591 876	1 553 259	4 283	4 529
Total	**1 315**	**3 500**	**752 128**	**604 360**	**1 566 004**	**16 235**	**14 733**
Change to 2008 Budget estimate				(1 309)	1 546 797	(3 805)	(1 000)

Table 30.19 Transport Enterprises (continued)

R thousand	Audited outcome 2005/06	2006/07	2007/08	Adjusted appropriation 2008/09	Medium-term expenditure estimate 2009/10	2010/11	2011/12
Economic classification							
Current payments	**1 315**	**3 498**	**7 712**	**19 360**	**16 924**	**16 235**	**14 733**
Compensation of employees	742	2 162	3 087	5 193	7 672	8 052	8 488
Goods and services	573	1 336	4 625	14 167	9 252	8 183	6 245
of which:							
Administrative fees	–	*69*	*4*	*4*	–	–	–
Advertising	–	*5*	–	–	–	–	–
Assets less than R5 000	*8*	–	–	–	–	–	–
Bursaries: Employees	*4*	*8*	*4*	–	–	–	–
Catering: Departmental activities	*40*	–	*120*	*48*	*25*	*27*	*28*
Communication	*14*	*108*	*32*	*91*	*99*	*104*	*110*
Computer services	–	*37*	–	–	–	–	–
Consultants and professional services: Business and advisory services	–	*801*	*3 627*	*13 201*	*7 435*	*6 275*	*4 223*
Contractors	–	*1*	–	–	–	–	–
Agency and support / outsourced services	*245*	*49*	*29*	–	–	–	–
Entertainment	*13*	*1*	*2*	*7*	*8*	*8*	*9*
Inventory: Stationery and printing	*39*	*4*	*6*	*27*	–	–	–
Lease payments	*15*	*3*	–	–	–	–	–
Travel and subsistence	*169*	*254*	*357*	*521*	*1 492*	*1 566*	*1 660*
Training and development	*5*	*(18)*	*21*	*90*	–	–	–
Operating expenditure	*6*	*14*	*50*	*30*	*31*	*33*	*35*
Venues and facilities	*15*	–	*373*	*148*	*162*	*170*	*180*
Transfers and subsidies	**–**	**2**	**744 400**	**585 000**	**1 549 080**	**–**	**–**
Provinces and municipalities	–	2	–	–	–	–	–
Public corporations and private enterprises	–	–	744 400	585 000	1 549 080	–	–
Payments for capital assets	**–**	**–**	**16**	**–**	**–**	**–**	**–**
Machinery and equipment	–	–	16	–	–	–	–
Total	**1 315**	**3 500**	**752 128**	**604 360**	**1 566 004**	**16 235**	**14 733**
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	**–**	**2**	**–**	**–**	**–**	**–**	**–**
Regional Services Council levies	–	2	–	–	–	–	–
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**–**	**–**	**744 400**	**140 000**	**1 549 080**	**–**	**–**
South African Airways	–	–	744 400	–	1 549 080	–	–
South African Express	–	–	–	140 000	–	–	–
Capital	**–**	**–**	**–**	**445 000**	**–**	**–**	**–**
South African Express	–	–	–	445 000	–	–	–

Expenditure trends

Expenditure in this programme increased substantially in 2007/08, as R744.4 million was allocated to South African Airways for its restructuring and turnaround programme. The budget decreases in 2008/09, but remains fairly high at R604.4 million mainly due to the transfer payments of R140 million to Transnet to purchase South African Express Airways, and R445 million to South African Express Airways as a recapitalisation allocation.

In 2009/10 expenditure increases significantly due the allocation of R1.5 billion for the conversion of a guaranteed loan into equity to reduce South African Airways' debt. Thereafter, expenditure decreases to

R14.7 million in 2011/12 at an average annual rate of 90.3 per cent, as a result of no further transfers being made to entities.

Public entities

South African Airways

Strategic overview: 2005/06 - 2011/12

South African Airways is government's full service network airline, operating international, regional and domestic scheduled services from the OR Tambo International Airport. Its main business units include passenger and mail air services, cargo, maintenance, Voyager, Air Chefs and Galileo.

In 2007, an independent review established that, due to sustained losses over a number of years, South African Airways would need to achieve approximately R2.7 billion in annual, recurring improvements to its operating performance to achieve a profit margin of at least 7.5 per cent, comparable with its global peers. In May 2007, South African Airways began a restructuring exercise to counter its deteriorating financial position. It was envisaged that the restructuring exercise would be completed within 18 months. The turnaround plan has been successful in reducing costs, and at the end of 2007/08 operational performance improvements resulted in a profit of R123 million before restructuring costs. By mid-2008/09, the target had been exceeded by 36 per cent. However, South African Airways did not achieve its profit margin target due to the world wide economic downturn in the first quarter of 2008, which affected traffic volumes, fuel pricing and hedging, and exchange rates.

In 2008/09, a guarantee was issued for South African Airways to raise subordinated loans amounting to R1.5 billion. This guarantee was provided to fund the costs of B747-800 aircraft groundings, but proved insufficient to resolve the financial implications of the airbus contract and the increased liabilities relating to the international financial reporting interpretation committee's 13 customer loyalty programmes. South African Airways' financial position was thus not sufficiently strengthened to be in line with industry norms.

Over the MTEF period, South African Airways will continue its restructuring initiatives to ensure sustainable cost reductions and operational performance improvements. It also aims to complete the process of commercialising certain business units, disposing of non-core businesses, and introducing equity partners in divisions that require capital injections.

Selected performance and operations indicators

Table 30.20 South African Airways

Indicator	Past			Current	Projections[1]		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Earnings before interest and tax margin	18%	(3.1%)	(4.3%)				
Net profit margin	0.7%	(4.3%	(4.8%)				
Return on equity	5.5%	56.2%	(43.5%)				
Daily bock hours per aircraft	–	–	10.6				
Passenger load factor	69.5%	75.4%	75.3%				
Cargo revenue to passenger revenue on international routes	16.3%	15.8%	14.0%				
Average passenger fare	R1 746	R1 859	R2 062				

1. Projected forecasts under review

Service delivery and spending focus

South African Airways has met cost reduction targets and made operational improvements. It also identified initiatives that were not outlined in the initial restructuring plan, resulting in a 36 per cent above target performance by the middle of 2008/09. The recent reduction in fuel prices is beneficial to South African Airways, but the global economic slowdown and increase in foreign exchange rates will have a negative impact going forward. The lower and more sustainable cost level will, however, enable South African Airways to take advantage of improvements in the economy when these arise. The profit target is being reviewed in relation to other network airlines in the industry, and will be included in the February 2009 corporate plan.

In September 2008, South African Airways completed the valuation of South African Airways Technical and will proceed with the process of conducting a due diligence exercise before an equity partner is identified. The sale of Air Chefs is about to be concluded. Different scenarios are being considered for disposing of the cargo unit and the process of commercialising Voyager has started. All these interventions are linked to the restructuring process.

Expenditure trends

South African Airways' restructuring plan has proved to be successful and resulted in exceeding the profit target by 36 per cent by the middle of 2008/09. However, high fuel prices during the first part of 2008/09, the recent global economic slowdown and foreign currency exchange fluctuations indicate that the overall profit target will not be achieved. As a result of the volatile economic situation experienced during 2008/09, the budgeted figures reflected in the corporate plans are no longer relevant. The forecasts for the coming period are under review.

South African Express Airways

Strategic overview: 2005/06 - 2011/12

Established in 1994, South African Express Airways is a domestic and regional airline operating primarily from OR Tambo International Airport in Johannesburg. The airline offers key air links on secondary routes in South Africa and the African region. The Airlines African operation includes services to Botswana, Namibia, the Democratic Republic of Congo and Mozambique. South African Express Airways 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 government in March 2009. R585 million was allocated for purchase and recapitalisation.

Selected performance and operations indicators

Table 30.21 South African Express Airways

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Earnings before interest and tax margin	23.3%	20%	26.3%				
Net profit margin	18.6%	8%	15.1%				
Return on equity	(64.7%)	(58.9%)	773.0%				
Passenger load factor	67%	67%	67%				
Cargo revenue to passenger revenue on international routes	1%	1.1%	1.2%				
Average passenger fare	R870	R870	R876				

Service delivery and spending focus

Over the past few years, the airline has consistently generated profits with improvements in equity.

Expenditure estimates

Table 30.22 South African Express: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Revenue							
Non-tax revenue	**977 972**	**1 315 247**	**1 527 259**				
Sale of goods and services other than capital assets	968 455	1 312 902	1 527 259				
of which:							
Sales by market establishments	*968 455*	*1 312 902*	*1 527 259*				
Other non-tax revenue	*9 517*	*2 345*	*–*				
Total revenue	**977 972**	**1 315 247**	**1 527 259**				

Table 30.22 South African Express Airways: Financial information (continued)

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Expenses							
Current expense	**847 345**	**1 147 734**	**1 261 010**				
Compensation of employees	143 064	178 219	236 156				
Goods and services	569 068	822 335	879 274				
Depreciation	33 727	59 176	61 105				
Interest, dividends and rent on land	101 486	88 004	84 475				
Total expenses	**800 251**	**1 194 107**	**1 326 205**				
Surplus / (Deficit)	**177 721**	**121 140**	**201 054**				
Statement of financial position							
Carrying value of assets	595 218	606 160	776 982				
of which: Acquisition of assets	*40 663*	*83 407*	*231 927*				
Investments	1 369	1 467	–				
Inventory	29 288	39 459	43 856				
Loans	80 833	36 956	–				
Receivables and prepayments	282 969	248 358	279 685				
Cash and cash equivalents	6 135	7 847	8 477				
Assets not classified elsewhere	–	418	–				
Total assets	**995 812**	**940 665**	**1 109 000**				
Accumulated surplus / deficit	(331 477)	(228 242)	(27 187)				
Capital and reserves	56 838	376 329	560 765				
Borrowings	940 726	412 568	174 667				
Trade and other payables	244 383	378 390	397 767				
Provisions	85 342	1 620	2 988				
Total equity and liabilities	**995 812**	**940 665**	**1 109 000**				

Expenditure trends

South African Express Airways' revenue comes from air fares.

Between 2005/06 and 2008/09, revenue increased at an average annual rate of 21 per cent, while expenditure increased at an average annual rate of 18 per cent mainly due to escalating fuel costs. Revenue is expected to increase at an average annual rate of 13 per cent from 2008/09 over the MTEF period, while expenditure is expected to increase by 13 per cent. Profitability is expected to increase marginally.

Transnet

Strategic overview: 2005/06 - 2011/12

Transnet has exited the aviation sector and transformed into a focused freight transport company with the aim of delivering integrated and cost effective port, rail and pipeline services. Transnet's key role is to assist in lowering the cost of doing business in South Africa and to enable economic growth. Transnet has five operating divisions: Transnet Freight Rail, Transnet Rail Engineering, Transnet National Ports Authority, Transnet Port Terminals and Transnet Pipelines.

Since 2003, Transnet has been implementing a four point turnaround strategy, which entails:

- strategic balance sheet management (including the disposal of non-core assets)
- improved corporate governance and risk management
- business re-engineering
- human capital development.

While the financial turnaround has been effective, the operational turnaround has proved to be challenging. The business re-engineering programme has yielded some positive results. Together with the capital investment programme, operational improvement is essential to build competitiveness and carry the required volumes.

Transnet's structural transformation was concluded in 2007. The main aim was to achieve a coherent set of business units and operations that could function together effectively. A new branding system was put in place.

Over the MTEF period, Transnet will focus on:
- effective service delivery at the ports, on rail and pipelines
- the separation of infrastructure from operations on both ports and rail
- the disposal of non-core assets out of the group
- a commitment to promote private sector participation in partnership and, in certain areas, in competition with the core operational business
- inter-modal coordination to ensure seamless integration between ports and rail.

Transnet operates as a commercial entity and currently receives no direct allocation from government.

Selected performance and operations indicators

Table 30.23 Transnet

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Earnings before interest, taxes, depreciation and amortisation margin	40%	41%	44%				
Gearing ratio	46%	39%	29%				
Cash interest cover (times)	4.5	5.5	7.0				
Cash flow return of investment	5.8%	6.8%	7.4%				
Actual capital expenditure compared to budget	100.7%	99%	93%				
Total maintenance spend compared to budget	*	125%	126%				

** This indicator was not a shareholder compact indicator in 2005/06.*

Service delivery and spending focus

The focus for 2009/10 is on: obtaining approval for Transnet's branch line strategy and resolving the branch line operational, institutional and funding arrangements; approving the financing of Transnet's capital plan; finalising the corporatisation and unbundling arrangements of the Transnet National Ports Authority; resolving the corporatisation of the remaining four operating divisions; setting up the rail economic regulator; and addressing any legislative matters.

Expenditure trends

For the six months ending 30 September 2008, revenue increased by 12.9 per cent to R16.8 billion, from R14.9 billion in 2007/08. All operating divisions showed revenue growth. Due to the significant increase in depreciation, net profit decreased by 16 per cent to R2.1 billion, from R2.5 billion in 2007/08. Capital expenditure was R8.3 billion, compared to R6.8 billion in 2007/08. R12.6 billion is planned for the next six months, a 32 per cent increase over the previous period.

2007/08 showed good financial performance, significant progress in the disposal of non-core businesses and investments, and a stronger balance sheet. Disposal of non-core assets yielded proceeds of R10 billion. Gearing improved from 46 per cent to 29 per cent. Net debt increased by 12.9 per cent to R40.6 million. The corporation's credit rating has also improved, enabling Transnet to access the debt capital market in 2007/08 without a government guarantee.

Transnet invested R15.8 billion in 2007/08, a 35 per cent increase in capital investment. R9.3 billion was for freight rail. Major projects for freight rail include upgrading and acquiring locomotives, expanding the coal and iron ore lines, constructing the Port of Ngqura, widening the Durban harbour entrance, and expanding the Cape Town container terminal and the national multi-product pipeline.

Capital expenditure increased by 35.2 per cent to R15.8 million in 2007/08. Transnet's five-year capital expenditure is projected at R80.3 billion: R40.3 billion for rail, R26 billion for ports, R11.9 billion for pipelines, and R2.1 billion for specialist units.

Operating expenditure increased by 7.5 per cent in 2007/08 to R16.9 million. The major components were energy (R3.1 billion) and personnel (R8.5 billion). Depreciation increased by 73 from R2.2 billion in 2005/06 to R3.8 billion in 2007/08, in line with the significant capital expenditure programme.

Programme 6: Joint Project Facility

- *Management*.
- *Joint Project Facility* provides project management support for a number of projects that aim to identify and unlock synergies among the state owned enterprises, and coordinates cross-cutting projects that leverage the assets, activities and capabilities of state owned enterprises to the benefit of the enterprise and the economy as a whole. Funding is largely used for compensation of employees, and related expenditure in goods and services.

Current joint project facility projects include:

The **competitive supplier development programme** leverages the state owned enterprises' build programmes to attract local manufacturing and supplier industries to support state owned enterprises' infrastructure build and maintenance plans, aimed at increasing localisation, investment, job creation and export competitiveness. Transnet and Eskom's supplier development plans have been approved. An independent service provider has been contracted to do supplier benchmarking, and training of state owned enterprises procurement officers is taking place**.**

- The **human resources and capacity building programme** focuses on ensuring that there are sufficient skills in South Africa to meet the requirements of the state owned enterprises' infrastructure build programmes by identifying long term skills requirements and exploring ways to maximise training infrastructure within state owned enterprises to develop the necessary skilled artisans and technicians. The department has established the Employment Skills Development Agency which will be responsible for coordinating state owned enterprises' artisan placements.
- The **advanced learning programme** focuses on developing a learning modular for state owned enterprises and the public sector. A higher learning institution has been identified to take responsibility for this programme. The modules and copyright agreement will be finalised in 2009.
- The **solar water heater skills development** project will develop electrician and plumber skills in support of solar water heater maintenance and installation to offset the need for coal fired power station construction.
- The **Africa project** has two components. The first aims to contribute to the development of key economic infrastructure (electricity and rail) projects across Africa, especially in SADC. The second focuses on joint supplier development initiatives in targeted African countries to facilitate participation in state owned enterprises' build and maintenance programmes and leverage access to the global value chains of multinational original equipment manufacturers.
- The **SA power project** aims to leverage Eskom's build programme to enhance South Africa's manufacturing, technology and skills base by developing a detailed industrial strategy. The strategy and implementation plan was submitted to Cabinet for approval.
- The **aerostructures project** explores options to develop an aerospace industry to grow South Africa's technological and skills base in this sector.
- The **property project** focuses on optimising property asset value for state owned enterprises and enhancing the developmental impacts of non-core properties. The project updated a property disposal policy framework and a set of BEE guidelines to inform the disposals. Key transactions in support of housing, education and other public services have been concluded. Certain property holdings earmarked for development have been confirmed with state owned enterprises and discussions with cities and key stakeholders are ongoing.
- The **environmental issues project** develops proposals to ensure that government policy balances environmental conservation requirements with the need to build infrastructure to grow the economy and become globally competitive. The project has entrenched strategically important developments into the environmental impact assessment process, with a view to streamline processes. The department is developing a policy position paper on climate change in consultation with state owned enterprises to inform the conference on climate change to be hosted by the Department of Environmental Affairs and Tourism in 2008/09.
- The **ICT project** initiated the establishment of Broadband Infraco and has provided strategic support to negotiations on the marine cable. The Department of Public Enterprises' call centre project has been ceased in favour of a single call centre development strategy being pursued by the Department of Trade and Industry.
- **Technology and innovation in state owned enterprises** aims to provide a framework for technology management in state owned enterprises. To this end, a pilot study in the aerostructure industry has been initiated.
- The **nuclear communication strategy** is a new project aimed at developing a nuclear communication strategy. A draft communication strategy has been prepared for discussion with key stakeholders.
- The **autumn school** is an annual event to provide the parliamentary portfolio committee on public enterprises with an opportunity to enter into dialogue with the department and industry experts around key issues facing government and state owned enterprises. A successful autumn school was held in May 2008. An integrated curriculum was presented, comprising modules that reflect the strategic priorities identified by both the department and the portfolio committee.

Expenditure estimates

Table 30.24 Joint Project Facility

Subprogramme		Audited outcome		Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Management	–	–	2 503	672	853	907	955
Joint Project Facility	–	11 409	13 013	31 435	32 825	30 408	32 015
Total	**–**	**11 409**	**15 516**	**32 107**	**33 678**	**31 315**	**32 970**
Change to 2008 Budget estimate				3 284	(773)	4 257	(836)
Economic classification							
Current payments	**–**	**11 408**	**15 516**	**32 107**	**33 678**	**31 315**	**32 970**
Compensation of employees	–	2 381	3 462	6 427	8 947	9 575	10 167
Goods and services	–	9 027	12 054	25 680	24 731	21 740	22 803
of which:							
Administrative fees	–	–	*56*	*25*	–	–	–
Advertising	–	–	*148*	–	–	–	–
Assets less than R5 000	–	–	*1*	–	–	–	–
Bursaries: Employees	–	–	*4*	–	–	–	–
Catering: Departmental activities	–	–	*16*	*33*	*24*	*25*	*27*
Communication	–	–	*78*	*148*	*160*	*168*	*178*
Consultants and professional services: Business and advisory services	–	*9 027*	*8 899*	*22 919*	*22 012*	*18 885*	*19 777*
Entertainment	–	–	–	*7*	*3*	*3*	*3*
Inventory: Other consumables	–	–	–	*1*	–	–	–
Inventory: Stationery and printing	–	–	*59*	*10*	–	–	–
Lease payments	–	–	*49*	–	–	–	–
Travel and subsistence	–	–	*2 510*	*2 002*	*2 440*	*2 562*	*2 716*
Operating expenditure	–	–	*87*	*10*	*20*	*22*	*23*
Venues and facilities	–	–	*147*	*525*	*72*	*75*	*79*
Transfers and subsidies	**–**	**1**	**–**	**–**	**–**	**–**	**–**
Provinces and municipalities	–	1	–	–	–	–	–
Total	**–**	**11 409**	**15 516**	**32 107**	**33 678**	**31 315**	**32 970**

Details of transfers and subsidies

Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	**–**	**1**	**–**	**–**	**–**	**–**	**–**
Regional Services Council levies	–	1	–	–	–	–	–

Expenditure trends

Expenditure reflects contributions for projects managed by the joint project facility, which was established in 2005/06 and funded by the state owned enterprises in that year (not included in expenditure table). In 2006/07, the unit was included as a subprogramme under the *Manufacturing Enterprises* programme, but through the realignment of the functions within the department, a new programme was created in 2007/08 and historical expenditure was adjusted accordingly.

Expenditure increases from R32.1 million in 2008/09 and is projected to reach R33 million in 2011/12, at an average annual increase of 0.9 percent over the MTEF period. This is mainly due to capacity and outsourcing of technical and specialist expertise stabilising over the medium term.

Additional tables

Table 30.A Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation Main	Appropriation Adjusted	Audited outcome	Appropriation Main	Appropriation Additional	Appropriation Adjusted	Revised estimate
R thousand	2007/08		2007/08	2008/09			2008/09
1. Administration	59 260	62 695	66 281	65 986	7 095	73 081	73 081
2. Energy and Broadband Enterprises	11 744	82 836	2 514 327	2 137 580	399	2 137 979	2 137 979
3. Legal, Governance, Risk and Transactions	24 680	22 040	95 788	158 163	(5 747)	152 416	152 416
4. Manufacturing Enterprises	943 478	3 669 155	1 159 944	11 641	257 794	269 435	267 559
5. Transport Enterprises	10 126	753 995	752 128	605 669	(1 309)	604 360	604 360
6. Joint Project Facility	14 678	14 368	15 516	28 823	3 284	32 107	32 107
Total	**1 063 966**	**4 605 089**	**4 603 984**	**3 007 862**	**261 516**	**3 269 378**	**3 267 502**
Economic classification							
Current payments	**129 421**	**128 616**	**126 566**	**164 837**	**1 480**	**166 317**	**166 317**
Compensation of employees	62 010	61 709	55 998	71 492	(3 522)	67 970	67 970
Goods and services	67 411	66 907	70 541	93 345	5 002	98 347	98 347
Financial transactions in assets and liabilities	–	–	27	–	–	–	–
Transfers and subsidies	**933 620**	**4 474 993**	**4 473 912**	**2 842 650**	**259 516**	**3 102 166**	**3 100 290**
Public corporations and private enterprises	933 000	4 474 373	4 473 342	2 842 000	259 516	3 101 516	3 099 640
Households	620	620	570	650	–	650	650
Payments for capital assets	**925**	**1 480**	**3 506**	**375**	**520**	**895**	**895**
Machinery and equipment	925	1 480	2 377	375	520	895	895
Software and intangible assets	–	–	1 129	–	–	–	–
Total	**1 063 966**	**4 605 089**	**4 603 984**	**3 007 862**	**261 516**	**3 269 378**	**3 267 502**

Table 30.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Permanent and full time contract employees							
Compensation (R thousand)	42 122	46 614	55 278	67 046	78 420	85 288	90 356
Unit cost (R thousand)	275	290	343	409	478	520	551
Personnel numbers (head count)	153	161	161	164	164	164	164
Interns							
Compensation of interns (R thousand)	320	594	720	924	1 056	–	–
Unit cost (R thousand)	8	33	36	42	48	–	–
Number of interns	41	18	20	22	22	–	–
Total for department							
Compensation (R thousand)	42 442	47 208	55 998	67 970	79 476	85 288	90 356
Unit cost (R thousand)	219	264	309	365	427	520	551
Personnel numbers (head count)	194	179	181	186	186	164	164

Table 30.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Compensation of employees (R thousand)	42 442	47 208	55 998	67 970	79 476	85 288	90 356
Training expenditure (R thousand)	615	750	1 648	1 607	2 020	2 121	2 249
Training as percentage of compensation	1.4%	1.6%	2.9%	2.4%	2.5%	2.5%	2.5%
Total number trained in department (head count)	125	139	165	173			
of which:							
Employees receiving bursaries (head count)	*59*	*34*	*34*	*36*			
Internships trained (head count)	*41*	*18*	*20*	*22*			
Households receiving bursaries (head count)	–	–	–	4			

Table 30.D Summary of donor funding

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate	Medium-term expenditure estimate		
R thousand						2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Foreign In kind												
United Kingdom: Department for International Development	Support to Department of Public Enterprises, capacity building and technical skills transfer	Energy and broadband enterprises	–	Goods and services	Increased levels of technical skills and ability to perform oversight function	8 172	14 328	12 945	–	–	–	–
	Support on electricity, capacity building and technical skills transfer to energy sector	Energy and broadband enterprises	–	Goods and services	Increased levels of technical skills and ability to perform oversight function	–	–	1 775	–	–	–	–
	Support on non-core business (including forestry), capacity building and technical skills transfer to forestry sector	Manufacturing enterprises	–	Goods and services	Increased levels of technical skills and ability to perform oversight function	–	–	1 577	–	–	–	–
	Support on ports, capacity building and technical skills transfer to transport sector	Transport enterprises	–	Goods and services	Increased levels of technical skills and ability to perform oversight function	–	–	655	–	–	–	–
Total			**–**			**8 172**	**14 328**	**16 952**	**–**	**–**	**–**	**–**