

# Vote 10

## Public Enterprises

### Budget summary

R million	2010/11					2011/12	2012/13
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Payments for financial assets	Total	Total
<b>MTEF allocation</b>							
Administration	101.3	100.0	0.7	0.6	–	107.7	111.8
Energy and Broadband Enterprises	150.4	11.8	–	–	138.6	14.5	14.9
Legal, Governance and Transactions	54.4	18.4	36.0	–	–	19.6	20.4
Manufacturing Enterprises	16.2	16.2	–	–	–	15.6	16.7
Transport Enterprises	18.5	18.5	–	–	–	20.6	23.4
Joint Project Facility	9.8	9.8	–	–	–	8.8	9.1
<b>Total expenditure estimates</b>	<b>350.6</b>	<b>174.7</b>	<b>36.7</b>	<b>0.6</b>	<b>138.6</b>	<b>186.8</b>	<b>196.2</b>
Executive authority	Minister of Public Enterprises						
Accounting officer	Director-General of Public Enterprises						
Website address	www.dpe.gov.za						

The Estimates of National Expenditure booklets for individual votes are available on [www.treasury.gov.za](http://www.treasury.gov.za). They provide more comprehensive coverage of vote specific information, particularly about goods and services, transfers, public entities and lower level institutional information.

### 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 by providing management, supporting functions and processes.

#### Programme 2: Energy and Broadband Enterprises

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

#### Programme 3: Legal, Governance and Transactions

**Purpose:** Systems that align state owned enterprises with best practice and with government's strategic intent.

#### Programme 4: Manufacturing Enterprises

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

## **Programme 5: Transport Enterprises**

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

## **Programme 6: Joint Project Facility**

**Purpose:** Coordinate and develop cross-cutting projects that leverage the assets, and capabilities of the state owned enterprises to the benefit of the economy.

## **Strategic overview: 2006/07 – 2012/13**

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

### **Revised mission statement and strategic plan for 2009 to 2012**

The department's key role is to create an environment in which its portfolio of enterprises contributes optimally to economic growth. The department's revised mission statement and strategic plan for 2009 to 2012 has thus been organised around the need to actively engage with stakeholders, within and outside government, so that the role of each state owned enterprise is aligned with broad economic policies and strategies, and to ensure that sectoral policies and regulations support this alignment.

The department's immediate focus is to align state owned enterprises' planning and performance with the outcomes defined by the national medium term strategic framework. This will ensure that their investments and activities are aligned with national priorities. A further key focus will be to gain greater recognition for state owned enterprises as strategic instruments of industrial policy. This will make them a priority for government funding and broader policy support. The buy-in of key industrial policy and economic stakeholders into the strategic mandate of the enterprises will be required.

### **Implementation of the government shareholder management model**

Over the medium term, the department will also focus on getting government's acceptance of the shareholder management model and driving its implementation at all the state owned enterprises reporting to the department. The shareholder management model aims to achieve consistency in compliance in corporate governance practices as well as the synchronisation of outcomes based planning and performance reporting. The guiding principle of the model is to protect the integrity of the state owned enterprise as a commercial enterprise, while integrating government's strategic intent into its planning and implementation processes. In particular, it is vital that the process of appointing or terminating the services of the chair of the board and the chief executive conform to the governance process defined in the shareholder management model. The sustainability of the enterprise can be impacted negatively or brought into question if good corporate governance processes are not properly followed.

To date, progress on the model includes: clarifying the strategic intent of each state owned enterprise and performance focused shareholder compacts; the development of a logical planning and monitoring and evaluation framework; the development of guidelines on board remuneration and founding documents, and shareholder agreements; tracking trends in financial and operational performance through the department's performance measuring dashboard (Izibuko); and draft legislative provisions on government shareholder management. The department will assess how well broader developments in 2009 in the domain of corporate governance align with the government shareholder management model, in particular, the enactment of the new Companies Act (2008) and the publication of the King III report on corporate governance.

### **Consistency in quarterly financial performance reporting**

The department has achieved consistency in quarterly financial performance reporting and evaluation across all enterprises in its portfolio, tracking key financial ratios. The department has reached agreement with the enterprises on key, industry specific, operational productivity performance indicators.

### Addressing operational inefficiencies in state owned enterprises

A number of state owned enterprises are suffering from significant operational inefficiencies, which are having a negative impact on the economy. A key challenge for the department is to play a catalytic role in improving efficiencies without overly interfering in the management of the enterprises. This will require a much higher level of analysis, benchmarking, target setting and intervention design than in previous years. The department will also continue to monitor progress on the expansion of the capacity of state owned enterprises, in particular the sizeable build programmes in Eskom (R385 billion) and Transnet (R80 billion), as well as monitor the funding and risk aspects of these projects.

### Refining the policy and regulatory environment

The quality of the current policy and regulatory environment has been identified as a key threat to the viability of the state owned enterprises and their ability to play a developmental role in the economy. This environment impacts on, among others: the electricity tariff, the national energy resource plan (in particular the expansion of nuclear energy and the introduction of renewable energy), the structure of the energy industry, the speed of finalising environmental impact assessments, nuclear safety regulation, and the structure and tariffs of the port and rail industry. The department's teams for the state owned enterprises will continue to put considerable effort into working with policy departments to create a more enabling environment for the enterprises without undermining the interests of consumers or other national policy objectives.

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

A final area of strategic focus for the short to medium term is the systematic integration of key programmes in state owned enterprises into the broader industrial policy and economic cluster programme. These programmes include the role of Denel in catalysing the development of an advanced manufacturing cluster, the role of the South African Forestry Company in developing emerging forestry enterprises, and the competitive supplier development programmes of Eskom and Transnet.

Priority activities for the department to support the implementation of these focal areas include: continuously improving the Izibuko dashboard, which provides regular and electronically enabled updates of the performance of an enterprises against key strategic areas; developing a comprehensive benchmarking framework for all enterprises to enable the systematic comparison of their performance with their peers' and identify shortcomings; developing a framework that enables the integration of capital structure analysis with the analysis of a state owned enterprise's corporate and investment strategies, related target setting and performance; building a Department of Public Enterprises brand and reputation that creates leverage and goodwill for all the department's activities; continuously developing the department's intellectual property around the shareholder management model; and building an environment to attract highly qualified people with relevant shareholder management skills.

## Savings and cost effective service delivery

Through a reprioritisation exercise, the department was able to identify savings on its budget. The department redirected these towards additional expenses without receiving any additional allocation to the baseline. Such expenses include the appointment of the new deputy minister and related office establishment costs from 2009/10. Any further efficiency savings have been absorbed by the inflation related adjustments.

## Selected performance indicators

**Table 10.1 Public Enterprises**

Indicator	Programme	Past			Current	Projections		
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Number of new shareholder compacts signed	Energy and Broadband Enterprises; Legal, Governance and Transactions; Manufacturing Enterprises; Transport Enterprises	4	5	3	9	9	9	9
Number of new corporate plans reviewed	Energy and Broadband Enterprises; Legal, Governance and Transactions; Manufacturing Enterprises; Transport Enterprises	7	8	5	9	9	9	9
Number of quarterly financial reviews per year	Energy and Broadband Enterprises; Legal, Governance and Transactions; Manufacturing Enterprises; Transport Enterprises	28	32	15	36	36	36	36
Number of projects per year*	Joint Project Facility	7	13	11	8	4	4	2*

\*The projections for the outer years decrease with the completion of the project phase of current initiatives.

## Expenditure estimates

**Table 10.2 Public Enterprises**

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
R million								
1. Administration	52.2	68.4	80.4	92.0	92.0	101.3	107.7	111.8
2. Energy and Broadband Enterprises	1 841.4	2 514.3	2 136.8	1 959.2	1 959.2	150.4	14.5	14.9
3. Legal, Governance and Transactions	103.9	93.7	145.4	145.9	145.9	54.4	19.6	20.4
4. Manufacturing Enterprises	577.5	1 159.9	267.0	199.3	199.3	16.2	15.6	16.7
5. Transport Enterprises	3.5	752.1	604.9	1 568.7	1 568.7	18.5	20.6	23.4
6. Joint Project Facility	11.4	15.5	30.6	26.0	26.0	9.8	8.8	9.1
<b>Total</b>	<b>2 589.8</b>	<b>4 604.0</b>	<b>3 265.1</b>	<b>3 991.2</b>	<b>3 991.2</b>	<b>350.6</b>	<b>186.8</b>	<b>196.2</b>
Change to 2009 Budget estimate				193.8	193.8	38.7	3.2	3.5

**Economic classification**

<b>Current payments</b>	<b>100.3</b>	<b>126.5</b>	<b>163.7</b>	<b>172.9</b>	<b>172.9</b>	<b>174.7</b>	<b>185.4</b>	<b>194.8</b>
Compensation of employees	47.2	56.0	70.4	81.4	81.4	88.0	93.5	98.3
Goods and services	53.0	70.5	93.2	91.5	91.5	86.7	91.9	96.5
<i>of which:</i>								
Consultants and professional services:	19.7	27.2	48.2	39.9	39.9	28.8	30.1	34.4
Business and advisory services								
Consultants and professional services:	3.1	4.7	2.7	6.0	6.0	7.3	7.8	8.0
Legal costs								
Property payments	3.7	5.2	5.8	4.9	4.9	5.4	5.8	6.0
Travel and subsistence	9.3	10.4	11.3	12.4	12.4	16.4	17.5	17.8
<b>Transfers and subsidies</b>	<b>1 292.7</b>	<b>3 540.9</b>	<b>2 278.3</b>	<b>2 059.4</b>	<b>2 059.4</b>	<b>36.7</b>	<b>0.8</b>	<b>0.8</b>
Departmental agencies and accounts	3.6	–	–	–	–	–	–	–
Public corporations and private enterprises	1 288.5	3 540.3	2 277.6	2 058.7	2 058.7	36.0	–	–
<b>Payments for capital assets</b>	<b>2.7</b>	<b>3.5</b>	<b>0.9</b>	<b>1.3</b>	<b>1.3</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>
Machinery and equipment	2.5	2.4	0.8	1.3	1.3	0.6	0.6	0.6
Software and other intangible assets	0.2	1.1	0.0	–	–	–	–	–
<b>Payments for financial assets</b>	<b>1 194.1</b>	<b>933.0</b>	<b>822.3</b>	<b>1 757.6</b>	<b>1 757.6</b>	<b>138.6</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>2 589.8</b>	<b>4 604.0</b>	<b>3 265.1</b>	<b>3 991.2</b>	<b>3 991.2</b>	<b>350.6</b>	<b>186.8</b>	<b>196.2</b>

## Expenditure trends

Expenditure increased from R2.6 billion in 2006/07 to R4 billion in 2009/10 at an average annual rate of 15.5 per cent, due to transfer payments to state owned enterprises. These were for both capital and current expenditure.

Contributions to state owned enterprises of R13.9 billion were made from 2006/07 to 2009/10 as follows:

- R2.2 billion to Denel for capitalisation, support for the turnaround strategy and claims under the indemnity agreement, which were approved through the Special Appropriation Act (2007), the Adjustments Appropriation Act (2008) and the Adjustments Appropriation Act (2009)
- R413.9 million to Alexkor for the implementation of the Richtersveld settlement, exploration, operating costs, restructuring costs and value added tax on previous government transfers
- R7.2 billion (including value added tax) to the Pebble Bed Modular Reactor for the development of the demonstration and fuel plants, and for operations
- R2.293 billion to South African Airways for the restructuring and turnaround strategies, and for improving the debt-equity ratio of the company
- R1.212 billion to Broadband Infraco for establishment and operational costs
- R140 million to Transnet for the purchase and transfer to government of South African Express Airways
- R445 million to South African Express Airways for recapitalisation, of which R40 million was for working capital and R405 million for the purchase of aircraft.

Over the same period, current payments increased at an average annual rate of 19.9 per cent. In 2009/10 and over the medium term, expenditure is expected to decrease at an average annual rate of 63.4 per cent from R4 billion in 2009/10 to R196.2 million in 2012/13, as a result of a reduction in transfer payments to state owned enterprises.

Transfers to state owned enterprises in 2009/10 and 2010/11 amount to R4 billion, allocated as follows:

- R1.738 billion to the Pebble Bed Modular Reactor in 2009/10
- R1.549 billion to South African Airways in 2009/10
- R347.1 million to Broadband Infraco in 2009/10 and 2010/11
- R165.1 million to Alexkor in 2009/10 and 2010/11
- R191.9 million to Denel in 2009/10.

Transfer payments to state owned enterprises end in 2010/11 with the exception of payments of R138.6 million and R36 million to Broadband Infraco and Alexkor.

Over the MTEF period, current payments increase at an average annual rate of 4.1 per cent, mainly due to increases in compensation of employees spending.

Spending over the MTEF period focuses on cross-cutting measures to strengthen shareholder management through the development of a logical planning and monitoring and evaluation framework. Such a framework will enhance the alignment between the medium term strategic framework and state owned enterprises' service delivery.

## Departmental receipts

Revenue is mainly generated from commissions on insurance premiums and parking revenue. In 2008/09, R435.5 million was received from the Diabo Share Trust, made up of funds that had not yet been disbursed to potential beneficiaries.

Table 10.3 Departmental receipts

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2006/07	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
<b>Departmental receipts</b>	<b>109</b>	<b>69</b>	<b>818</b>	<b>70</b>	<b>70</b>	<b>74</b>	<b>78</b>	<b>82</b>
Sales of goods and services produced by department	33	34	37	30	30	32	34	36
Sales of scrap, waste, arms and other used current goods	–	–	1	2	2	2	2	2
Interest, dividends and rent on land	19	4	595	15	15	16	17	18
Sales of capital assets	18	–	–	–	–	–	–	–
Transactions in financial assets and liabilities	39	31	185	23	23	24	25	26
<b>Extraordinary receipts</b>	<b>–</b>	<b>–</b>	<b>435 462</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Diabo Share Trust	–	–	435 462	–	–	–	–	–
<b>Total</b>	<b>109</b>	<b>69</b>	<b>436 280</b>	<b>70</b>	<b>70</b>	<b>74</b>	<b>78</b>	<b>82</b>

## Programme 1: Administration

### Expenditure estimates

Table 10.4 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Minister <sup>1</sup>	0.9	1.0	1.8	1.7	1.8	1.9	2.0
Deputy Minister <sup>1</sup>	–	–	–	1.4	1.5	1.6	1.7
Management	12.9	14.6	22.5	29.5	36.3	39.2	40.9
Corporate Services	34.8	48.5	50.6	54.4	56.2	59.2	61.2
Office Accommodation	3.7	4.4	5.5	4.9	5.4	5.8	6.0
<b>Total</b>	<b>52.2</b>	<b>68.4</b>	<b>80.4</b>	<b>92.0</b>	<b>101.3</b>	<b>107.7</b>	<b>111.8</b>
Change to 2009 Budget estimate				13.2	2.7	3.2	3.5

<sup>1</sup> 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

<b>Current payments</b>	<b>49.0</b>	<b>64.4</b>	<b>78.9</b>	<b>90.1</b>	<b>100.0</b>	<b>106.4</b>	<b>110.4</b>
Compensation of employees	24.4	28.8	36.5	45.8	50.0	53.0	56.9
Goods and services	24.7	35.6	42.4	44.3	50.0	53.3	53.5
<i>of which:</i>							
Consultants and professional services:	3.9	8.3	7.3	4.9	6.6	7.0	7.2
Business and advisory services	3.7	5.2	5.8	4.9	5.4	5.8	6.0
Property payments	4.8	5.2	6.8	7.4	10.9	11.6	11.9
Travel and subsistence							
<b>Transfers and subsidies</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>
Households	0.6	0.6	0.7	0.7	0.7	0.8	0.8
<b>Payments for capital assets</b>	<b>2.5</b>	<b>3.4</b>	<b>0.9</b>	<b>1.3</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>
Machinery and equipment	2.3	2.3	0.8	1.3	0.6	0.6	0.6
Software and other intangible assets	0.2	1.1	0.0	–	–	–	–
<b>Payments for financial assets</b>	<b>0.1</b>	<b>0.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>52.2</b>	<b>68.4</b>	<b>80.4</b>	<b>92.0</b>	<b>101.3</b>	<b>107.7</b>	<b>111.8</b>

### Expenditure trends

Expenditure increased from R52.2 million in 2006/07 to R92 million in 2009/10 at an average annual rate of 20.8 per cent. The growth 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 the deputy minister's office in 2009/10 as well as the shifting

of the risk component in the *Legal, Governance and Transactions* programme to the chief investment portfolio manager's office in this programme also contributed to the increase in expenditure.

Compensation of employees spending increased at an average annual rate of 23.4 per cent, from R24.4 million in 2006/07 to R45.8 million in 2009/10. Goods and services spending increased at an average annual rate of 21.5 per cent, from R24.7 million in 2006/07 to R44.3 million in 2009/10.

Expenditure is expected to grow moderately over the MTEF period at an average annual rate of 6.7 per cent, from R92 million in 2009/10 to R111.8 million in 2012/13. This is generally in line with inflation, but also reflects savings resulting from the centralisation of services.

## Programme 2: Energy and Broadband Enterprises

- *Management.*
- *ICT Broadband Sector* provides shareholder oversight of Broadband Infraco. This includes: overseeing agreements between parties, assessing the business plan, monitoring commissions of the full service network, and providing overarching shareholder management. Funding in this subprogramme is mainly used for the capitalisation of Broadband Infraco.
- *Energy Sector* provides shareholder oversight of Eskom. This includes the generation, transmission and distribution of electricity, with a particular emphasis on security of supply and optimising current operations. Funding in this subprogramme is mainly used for personnel and related costs.
- *Nuclear Sector* provides shareholder oversight of the Pebble Bed Modular Reactor. This includes monitoring the progress of research into an alternative nuclear electricity generation technology as well as establishing a demonstration power plant and pilot fuel plant. Funding in this subprogramme is mainly for personnel and related costs to oversee the Pebble Bed Modular Reactor and its future direction.
- *Initial Public Offering* included transfers to the Diabo Share Trust and the Khulisa Trust (where Telkom shares were housed). Funding was disbursed on the basis of annual business plans and service level agreements between the department and these entities. This subprogramme remains in the *Energy and Broadband Enterprises* programme for historical reporting purposes. The function of winding up Diabo Share Trust has been transferred to the *Legal, Governance and Transactions* programme.

### Objectives and measures

- Continuously ensure the alignment of shareholder strategic intent in relation to state owned enterprises' role in achieving sector and government objectives by reviewing the enterprises' strategies and mandate with changes in sectoral policy and by evaluating business plans annually.
- Promote the alignment of state owned enterprises' corporate strategies with government's strategic intent by evaluating corporate plans annually and advising boards about material deviations.
- Monitor and benchmark the implementation of corporate plans and shareholder compacts with reference to financial and operational trends and targets by assessing shareholder and enterprise risks at least quarterly and advising boards on areas of concern.
- Monitor Eskom's generation adequacy by annually examining its maintenance and operational practices, distribution efficiency and the reserve margin.
- Ensure the delivery of new energy generation capacity by monitoring Eskom's capacity expansion programme through regular updates and interaction with Eskom and by engaging with stakeholders in the energy sector.
- Promote long term environmentally sustainable electricity supply through nuclear power generation by overseeing the progress made by the Pebble Bed Modular Reactor and providing direction as part of an interdepartmental team on the future strategic direction of the company.
- Create an enabling policy and regulatory environment for the state owned enterprises by engaging with the Department of Energy and the National Electricity Regulator of South Africa in relation to new policies and regulations affecting Eskom.

- Monitor the implementation of the competitive supplier development programme to leverage off Eskom's capital expenditure in the development of local supplier industries by evaluating reports received from Eskom quarterly.
- Ensure that the west coast submarine cable system is ready for service in 2011 by monitoring the expansion of South Africa's ICT infrastructure and Broadband Infraco's participation in the west coast submarine cable system consortium.
- Contribute towards the reduction of broadband prices by:
  - monitoring Broadband Infraco's price reports annually
  - interacting with the industry and monitoring Broadband Infraco's corporate plans.

### **Service delivery focus**

In addition to satisfying all statutory shareholder functions, including evaluating the Eskom corporate plan, developing a shareholder compact, quarterly and annual reporting, and approving significant and material transactions, the Department of Public Enterprises contributed to providing an enabling environment for enhancing state owned enterprise performance as follows:

In October 2009, government approved guarantees of R176 billion over 5 years for Eskom's capital expansion programme in addition to the approved R60 billion subordinated loan over the medium term. Further, in November 2009 the African Development Bank announced its approval of a €1.86 billion (approximately R20.7 billion) 20-year loan for Eskom's capital expansion programme. The loan is provided by the African Development Bank's public sector window and is to be guaranteed by government. The Department of Public Enterprises, National Treasury and Eskom are currently engaged in negotiations with the World Bank to secure further loan funding for Eskom's capital expansion programme. The department has developed key performance indicators on the Izibuko dashboard that monitors Eskom's capital expansion programme quarterly. These indicators include time, quality, cost and safety.

In 2008/09, the department participated in developing the renewable energy feed-in tariff that was approved by the National Energy Regulator of South Africa. The interdepartmental task team for electricity distribution industry restructuring facilitated the formation of 6 wall-to-wall regional electricity distributors.

The department's report on government's role in developing a nuclear power sector resulted in the establishment of a nuclear task team. The department has continued to monitor the process of attaining licence approvals from the National Nuclear Regulator as well as progress on the new business plan of the Pebble Bed Modular Reactor.

The department facilitated the granting of an electronic communications network services licence to Broadband Infraco October 2009 by the Independent Communications Authority of South Africa. The licence allows Broadband Infraco to build, operate and maintain its long distance fibre network and transmit data between points of presence. From 2006/07 to 2010/11, funds were also transferred to Broadband Infraco for the expansion of the national long distance network and participation in the west coast submarine cable system project.

Given the critical nature of roads in Mpumalanga, a committee was formed in 2009 to evaluate and respond to problems with the coal haulage network in Mpumalanga. This committee includes the Department of Public Enterprises, Eskom, the Department of Transport, National Treasury, the South African National Roads Agency and the Mpumalanga department of roads and transport. The aim of the committee is to ensure the delivery of coal to Eskom power plants and thereby to contribute to energy security for the country as a whole. To achieve this goal, the committee monitors the reconstruction of the coal haulage road network and is evaluating alternative options such as rail transportation, which will ease the burden on the road network and reduce costs to the fiscus in the long term.



## Expenditure estimates

**Table 10.5 Energy and Broadband Enterprises**

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Management	3.6	2.1	1.5	2.3	2.2	2.4	2.5
Information Communication Technology Sector Broadband	627.0	1.4	378.5	211.8	142.3	4.0	4.2
Energy Sector	2.1	7.8	6.5	3.8	2.2	4.4	4.2
Nuclear Sector	1 205.0	2 503.1	1 750.3	1 741.2	3.6	3.8	4.0
Initial Public Offering	3.6	–	–	–	–	–	–
<b>Total</b>	<b>1 841.4</b>	<b>2 514.3</b>	<b>2 136.8</b>	<b>1 959.2</b>	<b>150.4</b>	<b>14.5</b>	<b>14.9</b>
Change to 2009 Budget estimate				1.5	–	–	–

### Economic classification

<b>Current payments</b>	<b>6.3</b>	<b>12.1</b>	<b>9.8</b>	<b>12.9</b>	<b>11.8</b>	<b>14.5</b>	<b>14.9</b>
Compensation of employees	3.5	5.9	5.8	7.9	8.7	9.2	9.0
Goods and services	2.8	6.2	4.1	5.0	3.1	5.3	5.8
<i>of which:</i>							
<i>Consultants and professional services:</i>	<i>0.7</i>	<i>4.6</i>	<i>3.1</i>	<i>3.9</i>	<i>2.0</i>	<i>4.2</i>	<i>4.7</i>
<i>Business and advisory services</i>							
<i>Travel and subsistence</i>	<i>0.9</i>	<i>0.9</i>	<i>0.4</i>	<i>0.8</i>	<i>0.7</i>	<i>0.8</i>	<i>0.8</i>
<b>Transfers and subsidies</b>	<b>1 208.0</b>	<b>2 502.3</b>	<b>1 750.0</b>	<b>1 737.8</b>	<b>–</b>	<b>–</b>	<b>–</b>
Departmental agencies and accounts	3.6	–	–	–	–	–	–
Public corporations and private enterprises	1 204.4	2 502.3	1 750.0	1 737.8	–	–	–
<b>Payments for capital assets</b>	<b>0.1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Machinery and equipment	0.1	–	–	–	–	–	–
<b>Payments for financial assets</b>	<b>627.0</b>	<b>–</b>	<b>377.0</b>	<b>208.5</b>	<b>138.6</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>1 841.4</b>	<b>2 514.3</b>	<b>2 136.8</b>	<b>1 959.2</b>	<b>150.4</b>	<b>14.5</b>	<b>14.9</b>

### Details of selected transfers and subsidies

<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
<b>Current</b>	<b>3.6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Diabo Share Trust	3.6	–	–	–	–	–	–
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Other transfers</b>							
<b>Current</b>	<b>1 204.4</b>	<b>2 502.3</b>	<b>1 750.0</b>	<b>1 737.8</b>	<b>–</b>	<b>–</b>	<b>–</b>
Pebble Bed Modular Reactor	1 204.4	2 502.3	1 750.0	1 737.8	–	–	–

## Expenditure trends

Spending in this programme is mainly on transfer payments to the Pebble Bed Modular Reactor and Broadband Infraco. Expenditure increased from R1.84 billion in 2006/07 to R1.96 billion in 2009/10, at an average annual rate of 2.1 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 further transfers of R585.5 million in 2008/09 and 2009/10 for the expansion of the national long distance fibre optic network. In addition, the Pebble Bed Modular Reactor received R7.2 billion from 2006/07 to 2009/10 to fund essential contracts for the demonstration and pilot fuel plants.

Expenditure is expected to decrease from R1.96 billion in 2009/10 to R14.9 million in 2012/13 at an average annual rate of 80.3 per cent, when government's contribution to the Pebble Bed Modular Reactor ends.

## Programme 3: Legal, Governance and Transactions

- *Management*.
- *Legal and Litigation Services* provides legal services for all commercial transactions involving the department, including but not limited to unbundling, shareholder support and the establishment of state owned enterprises.
- *Governance* develops corporate governance and shareholder management frameworks to improve adherence to good governance principles in all state owned enterprises.
- *Transactions* deals with significant and material transactions relating to state owned enterprises through a multidisciplinary team drawn from legal, governance, and relevant sector programmes.

Funding in these subprogrammes will mainly be used for expenses related to support functions such as remuneration and goods and services.

### Objectives and measures

- Ensure effective shareholder oversight of the state owned enterprises by:
  - providing assistance on the development and negotiation of shareholder compacts, significance and materiality frameworks, and borrowing power delegations
  - assisting in the assessment of applications for the approval of significant and material transactions
  - assisting in board appointments and shareholder preparations for annual general meetings.
- Support state owned enterprises by developing and continuously updating a database on board appointments and governance guidelines, indicators in areas such as board remuneration, and evaluation.
- Ensure that state owned enterprises comply with legal requirements by:
  - monitoring state owned enterprises' corporate governance indicators annually
  - monitoring and assessing legislative impact on state owned enterprises and alerting them to changes and possible risks.

### Service delivery focus

Key litigation matters involving the department include: the formation of a settlement implementation committee in 2008/09 for the court order in favour of the Richtersveld community; a private claim instituted in the equality court against Transnet's second defined pension fund, which was dismissed with costs in November 2009; and litigation instituted by Umthunzi Consortium against government, which was withdrawn in September 2009.

A steering committee was established in 2008 comprised of the Department of Public Enterprises, National Treasury and the Department of Communications to oversee the winding down of the Diabo Share Trust and the transfer of benefits to beneficiaries. The process is progressing satisfactorily and the bulk of trust assets have been transferred back to government to pay out the beneficiaries. It is anticipated that this will be finalised by the end of 2010/11.

The framework agreement and guarantee agreement in support of Eskom's capital expansion programme were prepared in November 2009 in collaboration with Eskom and National Treasury. Support will continue for executing individual guarantee agreements.

In 2008/09, a due diligence of all properties registered to Aventura was finalised, Tshipise Resort was transferred to Forever Resorts, while matters delaying the transfer of the Blydepoort and Swadini resorts, to land claims beneficiaries have been resolved. The transfer of these two resorts will be undertaken in collaboration with the Department of Rural Development and Land Reform while preparations for the winding up of Aventura are under way.

Public hearings were held on the licensing of Broadband Infraco and an electronic communications network services licence was granted in November 2009. Monitoring of Broadband Infraco's licensing requirements will continue. The board remuneration guidelines have been reviewed and an update is in progress.

## Expenditure estimates

**Table 10.6 Legal, Governance and Transactions**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Management	2.1	2.2	2.1	2.2	3.0	3.2	3.4
Legal and Litigation Services	7.7	9.2	9.5	11.7	9.5	10.1	10.5
Governance	5.1	7.5	2.5	1.7	1.9	2.0	2.1
Transactions	89.0	74.7	131.3	130.2	40.1	4.3	4.4
<b>Total</b>	<b>103.9</b>	<b>93.7</b>	<b>145.4</b>	<b>145.9</b>	<b>54.4</b>	<b>19.6</b>	<b>20.4</b>
Change to 2009 Budget estimate				(6.9)	36.0	-	-

### Economic classification

<b>Current payments</b>	<b>19.6</b>	<b>20.9</b>	<b>15.1</b>	<b>16.8</b>	<b>18.4</b>	<b>19.6</b>	<b>20.4</b>
Compensation of employees	11.1	10.9	7.8	8.6	9.4	9.9	10.5
Goods and services	8.4	10.0	7.3	8.1	9.0	9.7	9.8
<i>of which:</i>							
Consultants and professional services:							
Business and advisory services	1.8	1.1	3.1	0.8	0.0	0.0	0.0
Consultants and professional services:							
Legal costs	3.1	4.7	2.7	6.0	7.3	7.8	8.0
Travel and subsistence	0.9	0.9	1.0	1.0	1.3	1.4	1.5
<b>Transfers and subsidies</b>	<b>84.1</b>	<b>72.7</b>	<b>130.0</b>	<b>129.1</b>	<b>36.0</b>	<b>-</b>	<b>-</b>
Public corporations and private enterprises	84.1	72.7	130.0	129.1	36.0	-	-
<b>Payments for capital assets</b>	<b>0.2</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Machinery and equipment	0.2	0.0	-	-	-	-	-
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>0.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>103.9</b>	<b>93.7</b>	<b>145.4</b>	<b>145.9</b>	<b>54.4</b>	<b>19.6</b>	<b>20.4</b>

### Details of selected transfers and subsidies

<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Other transfers</b>							
<b>Current</b>	<b>82.1</b>	<b>72.7</b>	<b>130.0</b>	<b>129.1</b>	<b>36.0</b>	<b>-</b>	<b>-</b>
Alexkor	82.1	72.7	130.0	129.1	36.0	-	-

## Expenditure trends

Expenditure increased from R103.9 million in 2006/07 to R145.9 million in 2009/10, at an average annual rate of 12 per cent. The increase was dominated by transfers 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 settlement of the Richtersveld community's land claim agreement.

Expenditure is expected to decrease over the MTEF period from R145.9 million to R20.4 million at an average annual rate of 48.1 per cent, due to the finalisation of the Richtersveld community's land claim.

## Programme 4: Manufacturing Enterprises

- *Management.*
- *Forestry Sector* monitors the activities of the South African Forestry Company, including forestry management, timber harvesting and timber processing, domestically and internationally. Funding in this subprogramme will mainly be used to fund personnel involved in the oversight function and related costs.
- *Defence Sector* oversees Denel's financial and strategy implementation. Funding in this subprogramme will mainly be used for the recapitalisation of Denel.

## Objectives and measures

- Ensure alignment in shareholder strategic intent in relation to state owned enterprises' role in achieving sector objectives by reviewing enterprise strategies and mandates in the context of changes in sectoral policy and by evaluating business plans annually.
- Ensure that the corporate strategies and plans of state owned enterprises are aligned with government's strategic intent by reviewing and evaluating these strategies and plans annually, and alerting the boards to material deviations.
- Monitor Denel's turnaround by 2012/13 by:
  - measuring ongoing performance against the turnaround plan
  - setting working capital management targets and conducting monthly performance reviews
  - supporting the restructuring of Denel Saab Aerostructures and Denel Dynamics.
- Facilitate the process of Denel's future role in the economy by regular interaction and discussions with the Department of Defence and Military Veterans with a particular emphasis on strengthening advanced manufacturing technologies.
- Ensure that the mandate of South African Forestry Company is aligned with government's strategic objectives.

## Service delivery focus

In addition to satisfying all statutory shareholder functions, including evaluating the Denel corporate plan, developing a shareholder compact (including a shareholder strategic intent statement), quarterly and annual reporting, and approving significant and material transactions, the following support was provided to enhance state owned enterprise performance:

The main focus since 2008/09 has been engaging with Denel and National Treasury on the effective implementation of Denel's turnaround strategy, with a particular focus on cost cutting and revenue growth as well as the enterprise's interim financial sustainability. A rollover of a R1.3 billion guarantee and a further R550 million guarantee has been secured in 2009/10. Engagements with the Department of Defence and Military Veterans to improve alignment in Denel's service delivery focus and multi-year orders will continue over the MTEF period. In 2009, the Department of Defence and Military Veterans made progress in identifying capabilities that are either strategic or sovereign to that department and ensuring their financial sustainability. A work group was established in 2009 to facilitate the operational merger of the South African Air Force's maintenance, repair and overhaul capability with that of Denel Aviation. A strategic due diligence was undertaken in 2009 on a potential equity partner to verify its suitability to partner with one of Denel's subsidiaries.

In facilitating the resolution of land claims that affect the South African Forestry Company, the Department of Public Enterprises continues to assess the company's financial performance, specifically the impact of the recession on the company's revenue.

## Expenditure estimates

**Table 10.7 Manufacturing Enterprises**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Management	2.4	1.5	1.3	1.8	8.8	7.7	9.2
Forestry Sector	6.7	0.9	1.4	1.4	2.4	2.6	2.0
Defence Sector	568.3	1 157.6	264.3	196.1	4.9	5.3	5.5
<b>Total</b>	<b>577.5</b>	<b>1 159.9</b>	<b>267.0</b>	<b>199.3</b>	<b>16.2</b>	<b>15.6</b>	<b>16.7</b>
Change to 2009 Budget estimate				190.9	-	-	-

### Economic classification

<b>Current payments</b>	<b>10.5</b>	<b>6.0</b>	<b>9.4</b>	<b>7.5</b>	<b>16.2</b>	<b>15.6</b>	<b>16.7</b>
Compensation of employees	3.7	3.9	4.7	5.5	6.4	6.8	6.4
Goods and services	6.8	2.0	4.7	2.0	9.8	8.8	10.2
<i>of which:</i>							
<i>Consultants and professional services:</i>	3.5	0.7	3.7	1.5	8.9	7.8	9.2
<i>Business and advisory services</i>							
<i>Travel and subsistence</i>	2.4	0.6	0.3	0.3	0.8	0.8	0.8
<b>Transfers and subsidies</b>	<b>0.0</b>	<b>221.0</b>	<b>257.6</b>	<b>191.9</b>	<b>-</b>	<b>-</b>	<b>-</b>
Public corporations and private enterprises	-	221.0	257.6	191.9	-	-	-
<b>Payments for financial assets</b>	<b>567.0</b>	<b>933.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>577.5</b>	<b>1 159.9</b>	<b>267.0</b>	<b>199.3</b>	<b>16.2</b>	<b>15.6</b>	<b>16.7</b>

### Details of selected transfers and subsidies

<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Other transfers</b>							
<b>Current</b>	<b>-</b>	<b>221.0</b>	<b>257.6</b>	<b>191.9</b>	<b>-</b>	<b>-</b>	<b>-</b>
Denel	-	221.0	257.6	191.9	-	-	-

## Expenditure trends

Expenditure decreased substantially from R577.5 million in 2006/07 to R199.3 million in 2009/10, at an average annual rate of 29.9 per cent. This is primarily due to the decrease in transfers to Denel. Denel received R567 million in 2006/07 to support its turnaround strategy. It received an additional R1.16 billion in 2007/08, comprising R221 million for the payment of a claim for an indemnity granted to Denel and R933 million as a final capital investment. R257.6 million was transferred to Denel in 2008/09 and a further R191.8 million has been allocated in 2009/10 for further payments for the indemnity.

Expenditure is expected to decrease from R199.3 million in 2009/10 to R16.7 million in 2012/13, at an average annual rate of 56.3 per cent.

## Programme 5: Transport Enterprises

- *Management.*
- *Transport Sector* oversees Transnet. Funding in this subprogramme will mainly be used for funding the personnel involved in overseeing the sector.
- *Aviation Sector* oversees South African Airways and South African Express Airways. Funding in this subprogramme will mainly be used for personnel and related costs.

## Objectives and measures

- Strengthen state owned enterprises' role in achieving sector objectives by reviewing the enterprises' strategies, mandates and business plans annually.

- Promote alignment of corporate strategies of state owned enterprises with government's strategic intent by evaluating corporate plans annually and advising the Boards of material deviations.
- Create an enabling environment for state owned enterprises and ensure an appropriate balance between the long term enterprise interest and the short term consumer interest by engaging with the Department of Transport and relevant regulators (and regulatory processes), especially with the introduction of new policies and regulations affecting Transnet.
- Ensure the global competitiveness of the freight logistics industry by developing national corridor performance measurement (NCPM) tools and indicators over the MTEF period to quantify the operational efficiency of freight corridors.
- Develop a long term strategy for improving the efficiency and performance of investments by state owned enterprises in transport enterprises by annually monitoring the key performance indicators of Transnet, South African Airways and South African Express Airways.
- Analyse and assess Transnet's role and influence in the economy by employing economy wide models to measure the impact of Transnet's restructuring and its significant investment programme.
- Strengthen private sector participation in ports and rail over the medium term by:
  - reviewing, in terms of the National Ports Act (2005), the process for involving private sector terminal operators
  - overseeing the implementation of the Transnet branch line strategy, which will be completed over the MTEF period with the purpose of introducing private operators on the branch line network.
- Monitor the rollout of Transnet's capital expenditure programme by annually assessing its impact for any significant deviations from corporate plans in order to report to the department on Transnet's performance.
- Monitor the implementation of the competitive supplier development programme to leverage Transnet's capital expenditure for the development of local supplier industries by evaluating the reports received from Transnet on a quarterly basis.
- Monitor the alignment, strategy and mandate of South African Airways and South African Express Airways with the African aviation strategy by evaluating corporate plans on quarterly basis.

### **Service delivery focus**

In addition to satisfying all statutory shareholder functions including evaluating the Transnet corporate plan, developing a shareholder compact (including a shareholder strategic intent statement), quarterly and annual reporting, and approving significant and material transactions, the following support was provided to enhance state owned enterprise performance:

Major achievements in the rail and port sector in 2009/10 included ministerial approval of the branch line strategy, completing a study on customer experiences in the freight logistic sector focused on Transnet's key customers, and developing a macroeconomic model to assess Transnet's impact on the economy. A project charter detailing the outputs of the national corridor performance management system was finalised. Major achievements in the aviation sector on 2009/10 included transferring South African Express Airways from Transnet to the department, reviewing the financial sustainability and mitigation of plans for South African Airways, and reviewing South African Airways' restructuring programme.

## Expenditure estimates

**Table 10.8 Transport Enterprises**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Management	–	0.8	6.4	2.5	2.5	2.7	2.8
Transport Sector	2.3	4.5	9.8	11.2	9.7	10.7	15.2
Aviation Sector	1.2	746.9	588.8	1 555.0	6.3	7.1	5.4
<b>Total</b>	<b>3.5</b>	<b>752.1</b>	<b>604.9</b>	<b>1 568.7</b>	<b>18.5</b>	<b>20.6</b>	<b>23.4</b>
Change to 2009 Budget estimate				2.7	–	–	–

### Economic classification

<b>Current payments</b>	<b>3.5</b>	<b>7.7</b>	<b>19.9</b>	<b>19.7</b>	<b>18.5</b>	<b>20.6</b>	<b>23.4</b>
Compensation of employees	2.2	3.1	10.5	9.2	10.0	10.7	11.3
Goods and services	1.3	4.6	9.5	10.5	8.5	9.8	12.1
<i>of which:</i>							
<i>Consultants and professional services:</i>							
<i>Business and advisory services</i>	0.8	3.6	8.5	8.8	6.6	7.8	10.0
<i>Travel and subsistence</i>	0.3	0.4	0.5	1.4	1.5	1.6	1.6
<b>Transfers and subsidies</b>	<b>0.0</b>	<b>744.4</b>	<b>140.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Public corporations and private enterprises	–	744.4	140.0	–	–	–	–
<b>Payments for financial assets</b>	<b>–</b>	<b>–</b>	<b>445.0</b>	<b>1 549.1</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>3.5</b>	<b>752.1</b>	<b>604.9</b>	<b>1 568.7</b>	<b>18.5</b>	<b>20.6</b>	<b>23.4</b>

### Details of selected transfers and subsidies

<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Other transfers</b>							
<b>Current</b>	<b>–</b>	<b>744.4</b>	<b>140.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
South African Airways	–	744.4	–	–	–	–	–
South African Express	–	–	140.0	–	–	–	–

## Expenditure trends

Expenditure increased significantly from R3.5 million in 2006/07 to R1.57 billion in 2009/10, due to allocations of R140 million to Transnet for the purchase of South African Express Airways, R744.4 million to South African Airways for its restructuring and turnaround programme, and the conversion of a R1.57 billion guaranteed loan into capacity to reduce South African Airways' debt.

Expenditure is expected to decrease significantly to R23.4 million over the MTEF period, at an average annual rate of 75.4 per cent.

## 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 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 in this subprogramme will mainly be used for expenses related to support functions such as remuneration and goods and services.

### Achievements of Joint Project Facility projects

- The **competitive supplier development programme** leverages state owned enterprises' build programmes to attract local manufacturing and supplier industries to support state owned enterprises' infrastructure build and maintenance plans. This aims to increase localisation, investment, job creation and export competitiveness. A comprehensive position paper on the next generation competitive supplier development programme, which seeks to extend the programme to government procurement, has been developed and approved by the Minister of Public Enterprises and the Minister of Trade and Industry.
- The **human resources and capacity building programme**, through the department's Employment and Skills Development Agency, seeks to ensure a sufficient supply of priority scarce skills to support state owned enterprises' build programmes. A process that identified gaps in the electrical and welding qualifications has been completed with the technical skills business partnership and the Department of Higher Education and Training. Subprogrammes include:
  - The management learning programme, hosted by the University of Cape Town's Graduate School of Business, will assist in building leadership capacity in government and state owned enterprises. The programme will begin in April 2010.
  - The solar water heater programme will develop plumbing skills to support solar water heater maintenance and installation to reduce residential energy demand.
  - Autumn school is an annual event to provide the parliamentary portfolio committee on public enterprises and the National Council of Provinces with an opportunity to enter into dialogue with the department and industry experts around key issues.
- The **Africa project** has 2 components. The first aims to contribute to the development of key economic infrastructure (electricity and rail) projects across Africa, especially in the Southern African Development Community region. The second focuses on regional supplier development:
  - The regional electricity generation and rail corridor development project provides extensive engagements and negotiation in support of regional power projects.
  - The regional supplier development programme facilitates 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. A renewables project has been launched to scope the sector's potential, explore strategic bilateral relationships and develop an industrial policy position paper.
- 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 bulk state owned enterprise non-core property disposals. The majority of disposals have been from Transnet to the state for residential use.
- In the **environmental issues project**, a memorandum of understanding between the Department of Public Enterprises, the Department of Environmental Affairs and Eskom has been finalised to facilitate build programmes.
- In the **ICT project**, a West Africa marine cable contract is in force. The project is in the final stages of completion.
- The **technology management framework** aims to manage innovation and technology in state owned enterprises for commercialisation. A pilot project on titanium is under way.
- The **nuclear communication strategy** is complete. The strategy was shared with other government departments and the national energy response team. This project closed at the end of March 2009.



## Expenditure estimates

**Table 10.9 Joint Project Facility**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Management	–	2.5	0.3	0.9	1.1	1.1	1.2
Joint Project Facility	11.4	13.0	30.2	25.2	8.8	7.6	7.9
<b>Total</b>	<b>11.4</b>	<b>15.5</b>	<b>30.6</b>	<b>26.0</b>	<b>9.8</b>	<b>8.8</b>	<b>9.1</b>
Change to 2009 Budget estimate				(7.7)	–	–	–
<b>Economic classification</b>							
<b>Current payments</b>	<b>11.4</b>	<b>15.5</b>	<b>30.6</b>	<b>26.0</b>	<b>9.8</b>	<b>8.8</b>	<b>9.1</b>
Compensation of employees	2.4	3.5	5.3	4.4	3.6	3.8	4.0
Goods and services	9.0	12.1	25.3	21.6	6.3	4.9	5.0
<i>of which:</i>							
<i>Consultants and professional services:</i>	9.0	8.9	22.4	19.9	4.7	3.2	3.3
<i>Business and advisory services</i>							
<i>Travel and subsistence</i>	–	2.5	2.3	1.4	1.2	1.2	1.3
<b>Total</b>	<b>11.4</b>	<b>15.5</b>	<b>30.6</b>	<b>26.0</b>	<b>9.8</b>	<b>8.8</b>	<b>9.1</b>

## Expenditure trends

In 2006/07, the *Joint Project Facility* was included as a subprogramme in the *Manufacturing Enterprises* programme, but through the realignment of the department's functions a new programme was created in 2007/08 and historical expenditure was adjusted accordingly.

Expenditure increased from R11.4 million in 2006/07 to R26 million in 2009/10, at an average annual rate of 31.6 per cent.

Expenditure is expected to decrease from R26 million in 2009/10 to R9.1 million in 2012/13, at an average annual rate of 29.5 per cent. This is mainly due to the completion over the MTEF period of some of the projects and programmes and the shift of the oversight and implementation of these projects to the relevant state owned enterprise teams, other units in the department and other relevant departments.

## Additional tables

**Table 10.A Summary of expenditure trends and estimates per programme and economic classification**

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R million	2008/09		2008/09	2009/10			2009/10
1. Administration	66.0	73.1	80.1	83.2	8.8	92.0	92.0
2. Energy and Broadband Enterprises	2 137.6	2 138.0	2 136.8	1 957.6	1.5	1 959.2	1 959.2
3. Legal, Governance and Transactions	158.2	152.4	145.8	148.3	(2.5)	145.9	145.9
4. Manufacturing Enterprises	11.6	269.4	267.0	8.5	190.9	199.3	199.3
5. Transport Enterprises	605.7	604.4	604.9	1 566.0	2.7	1 568.7	1 568.7
6. Joint Project Facility	28.8	32.1	30.6	33.7	(7.7)	26.0	26.0
<b>Total</b>	<b>3 007.9</b>	<b>3 269.4</b>	<b>3 265.1</b>	<b>3 797.3</b>	<b>193.8</b>	<b>3 991.2</b>	<b>3 991.2</b>

  

Economic classification							
	164.8	166.3	163.7	171.0	1.9	172.9	172.9
<b>Current payments</b>							
Compensation of employees	71.5	68.0	70.4	79.5	1.9	81.4	81.4
Goods and services	93.3	98.3	93.2	91.5	–	91.5	91.5
<b>Transfers and subsidies</b>	<b>2 842.7</b>	<b>3 102.2</b>	<b>2 278.3</b>	<b>1 867.5</b>	<b>191.9</b>	<b>2 059.4</b>	<b>2 059.4</b>
Public corporations and private enterprises	2 842.0	3 101.5	2 277.6	1 866.8	191.9	2 058.7	2 058.7
Households	0.7	0.7	0.7	0.7	–	0.7	0.7
<b>Payments for capital assets</b>	<b>0.4</b>	<b>0.9</b>	<b>0.9</b>	<b>1.3</b>	<b>–</b>	<b>1.3</b>	<b>1.3</b>
Machinery and equipment	0.4	0.9	0.8	1.3	–	1.3	1.3
<b>Payments for financial assets</b>	<b>–</b>	<b>–</b>	<b>822.3</b>	<b>1 757.6</b>	<b>–</b>	<b>1 757.6</b>	<b>1 757.6</b>
<b>Total</b>	<b>3 007.9</b>	<b>3 269.4</b>	<b>3 265.1</b>	<b>3 797.3</b>	<b>193.8</b>	<b>3 991.2</b>	<b>3 991.2</b>

**Table 10.B Summary of personnel numbers and compensation of employees**

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
<b>Permanent and full time contract employees</b>							
Compensation (R million)	46.6	55.3	69.4	80.4	86.9	92.3	97.1
Unit cost (R million)	0.3	0.4	0.5	0.5	0.5	0.6	0.6
<i>Administration</i>	0.3	0.3	0.4	0.5	0.5	0.5	0.5
<i>Energy and Broadband Enterprises</i>	0.2	0.5	0.4	0.7	0.6	0.6	0.6
<i>Legal, Governance and Transactions</i>	0.5	0.6	0.7	0.8	0.7	0.7	0.8
<i>Manufacturing Enterprises</i>	0.5	0.6	0.8	0.9	0.6	0.7	0.6
<i>Transport Enterprises</i>	0.4	0.5	1.0	0.8	0.7	0.7	0.8
<i>Joint Project Facility</i>	0.8	0.6	0.9	0.9	0.6	0.6	0.7
Personnel numbers (head count)	138	138	136	161	167	167	167
<b>Total for department</b>							
<b>Compensation (R million)</b>	<b>47.2</b>	<b>56.0</b>	<b>70.4</b>	<b>81.4</b>	<b>88.0</b>	<b>93.5</b>	<b>98.3</b>
<b>Unit cost (R million)</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>
<b>Personnel numbers (head count)</b>	<b>156</b>	<b>158</b>	<b>158</b>	<b>183</b>	<b>189</b>	<b>189</b>	<b>189</b>

Table 10.C Detail of approved establishment and personnel numbers according to salary level

	Personnel post status as at 30 September 2009			Number of personnel posts filled / planned for on funded establishment						
	Number of posts on approved establishment	Number of funded posts	Number of posts additional to the establishment	Actual			Mid year <sup>2</sup>	Medium-term estimate		
				2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
<b>Department</b>	<b>161</b>	<b>161</b>	<b>-</b>	<b>138</b>	<b>138</b>	<b>136</b>	<b>130</b>	<b>167</b>	<b>167</b>	<b>167</b>
Salary level 1 – 6	11	11	-	9	11	11	11	14	14	14
Salary level 7 – 10	62	62	-	55	57	62	56	64	64	64
Salary level 11 – 12	28	28	-	26	25	23	25	28	28	28
Salary level 13 – 16	60	60	-	48	45	40	38	61	61	61
<b>Administration</b>	<b>101</b>	<b>101</b>	<b>-</b>	<b>86</b>	<b>87</b>	<b>88</b>	<b>85</b>	<b>107</b>	<b>107</b>	<b>107</b>
Salary level 1 – 6	11	11	-	9	11	11	11	14	14	14
Salary level 7 – 10	44	44	-	42	40	44	38	46	46	46
Salary level 11 – 12	20	20	-	18	17	17	19	20	20	20
Salary level 13 – 16	26	26	-	17	19	16	17	27	27	27
<b>Energy and Broadband Enterprises</b>	<b>15</b>	<b>15</b>	<b>-</b>	<b>15</b>	<b>13</b>	<b>15</b>	<b>11</b>	<b>15</b>	<b>15</b>	<b>15</b>
Salary level 7 – 10	6	6	-	5	5	6	6	6	6	6
Salary level 11 – 12	2	2	-	2	1	1	1	2	2	2
Salary level 13 – 16	7	7	-	8	7	8	4	7	7	7
<b>Legal, Governance and Transactions</b>	<b>14</b>	<b>14</b>	<b>-</b>	<b>22</b>	<b>19</b>	<b>11</b>	<b>11</b>	<b>14</b>	<b>14</b>	<b>14</b>
Salary level 7 – 10	3	3	-	5	5	3	3	3	3	3
Salary level 11 – 12	2	2	-	3	3	1	1	2	2	2
Salary level 13 – 16	9	9	-	14	11	7	7	9	9	9
<b>Manufacturing Enterprises</b>	<b>10</b>	<b>10</b>	<b>-</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>10</b>	<b>10</b>	<b>10</b>
Salary level 7 – 10	2	2	-	1	3	2	2	2	2	2
Salary level 11 – 12	2	2	-	1	1	2	2	2	2	2
Salary level 13 – 16	6	6	-	5	3	2	2	6	6	6
<b>Transport Enterprises</b>	<b>15</b>	<b>15</b>	<b>-</b>	<b>5</b>	<b>6</b>	<b>10</b>	<b>12</b>	<b>15</b>	<b>15</b>	<b>15</b>
Salary level 7 – 10	5	5	-	1	2	4	5	5	5	5
Salary level 11 – 12	1	1	-	-	1	1	1	1	1	1
Salary level 13 – 16	9	9	-	4	3	5	6	9	9	9
<b>Joint Project Facility</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>3</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>
Salary level 7 – 10	2	2	-	1	2	3	2	2	2	2
Salary level 11 – 12	1	1	-	2	2	1	1	1	1	1
Salary level 13 – 16	3	3	-	-	2	2	2	3	3	3

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.

2. As at 30 September 2009.

Table 10.D Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Compensation of employees (R million)	47.2	56.0	70.4	79.2	88.0	93.5	98.3
Training expenditure (R million)	0.8	1.6	1.7	2.2	1.9	2.0	2.0
Training as percentage of compensation	1.6%	2.9%	2.4%	2.8%	2.1%	2.1%	2.1%
Total number trained in department (head count)	139	165	173	252			
<i>of which:</i>							
Employees receiving bursaries (head count)	34	34	36	36			
Internships trained (head count)	18	20	22	22			
Households receiving bursaries (head count)	-	-	4	-			

