

# Vote 8

## Public Enterprises

To be appropriated by Vote	R129 622 000
Statutory appropriations	-
Responsible Minister	Minister of Public Enterprises
Administering Department	Department of Public Enterprises
Accounting Officer	Director-General of Public Enterprises

### Aim

*The aim of the Department of Public Enterprises is to direct and manage the accelerated restructuring of state-owned enterprises to maximise shareholder value.*

### Key objectives and programmes

Government is committed to the accelerated restructuring of state-owned enterprises, to maximise their contribution to development in South Africa and on the continent. State-owned enterprises play an important developmental role in terms of providing infrastructure and services. Government aims to benefit all South Africans through extending infrastructure services that are competitively priced and accessible, and that provide an opportunity for economic participation. Private capital and expertise, within an appropriate competitive or regulatory framework, will expand the potential for providing such services beyond that which Government alone can deliver. The objectives of the Department of Public Enterprises are:

- Developing and directing a coherent approach to the restructuring and transformation of state-owned enterprises to ensure improved economic and social impact
- Creating and implementing restructuring frameworks for state-owned enterprises
- Developing a systematic method for monitoring the performance of state-owned enterprises and ensuring the alignment of their activities with Government policy
- Developing a comprehensive approach to advocating alternative service delivery options as a means of restructuring and transforming state-owned enterprises

In line with these objectives, the activities of the Department of Public Enterprises are organised into four programmes:

- *Administration* is responsible for the overall management of the Department and the Ministry.
- *Restructuring of state-owned enterprises* implements Government's restructuring programme. It is responsible for the day-to-day management of the restructuring process, as well as for interfacing with public enterprises and various governmental and non-governmental stakeholders. Currently, this programme also includes the Initial Public Offering Office, which is responsible for managing all such offerings.
- The *Performance monitoring and strategic analysis programme* has two main divisions. One is responsible for monitoring the financial performance, corporate governance and socio-economic indicators of state-owned enterprises. The other is responsible for developing sector strategies, conducting strategic analysis of restructuring, and developing high-level restructuring plans for state-owned enterprises
- *Alternative service delivery* is responsible for the development and promotion of best practice guidelines for alternative service delivery strategies.

## **Strategic overview and key policy developments: 1997/98 – 2003/04**

Government confirmed its strategic vision for the restructuring of state-owned enterprises in November 1999, taking into account the development needs of the country and recent international experience with restructuring. Several policy interventions since 1994, notably the Reconstruction and Development Programme and the Growth, Employment and Redistribution strategy, had facilitated policy discussion about state asset restructuring and confirmed the ongoing role of Government in addressing the developmental inequalities inherited from the apartheid system. International experience clearly demonstrated the potential efficiency, infrastructure expansion and economic growth possibilities of the restructuring of state-owned enterprises, but also stressed that Governments should retain a role, whether through direct ownership or regulation, when access to services is inequitable.

The vision also took into account the benefit of Government's experience with restructuring over the past five years. Progress with the restructuring of some major state-owned enterprises had been considerable, but negative experiences with some smaller state-owned enterprises indicated that Government's approach to restructuring needed to be refined. This was particularly relevant given the increasing orientation of the economy towards regional and international markets, and the significant contribution that the major public corporations (Eskom, Transnet, Telkom and Denel) can make towards this end.

Government's strategic vision aims at maximising the developmental impact of state-owned enterprise restructuring by focusing on the four major sectors, namely energy, telecommunications, transport and defence-related industries. The Office of Public Enterprises was upgraded to a Department and a new departmental structure developed. The Department's staffing complement was increased from 41 to 113, with the aim of building internal capacity to guide the restructuring process.

The Policy Framework on restructuring – *“An accelerated agenda towards the restructuring of state-owned enterprises”* – was released in August 2000. It sets out objectives and guiding principles for the restructuring programme, as well as details on specific restructuring plans for the major state-owned enterprises. The objectives for restructuring can be broadly categorised into those internal to the firm, industry or sector; broader economic objectives; and social objectives:

- At the enterprise and sector level, restructuring involves improving the efficiency and effectiveness of the entity, accessing globally competitive technologies where appropriate, mobilising private sector capital and expertise, and assisting in the creation of effective market structures in sectors currently dominated by state-owned enterprises.
- At the macroeconomic level, the initiatives aim to attract foreign direct investment, to contribute to the reduction in the public borrowing requirement, and to promote industrial competitiveness and growth.
- Social imperatives include the need to ensure growth in employment, particularly in new areas of endeavour, and develop new skills within the labour force and to deploy these throughout the economy. The restructuring framework also aims to ensure wider ownership and participation in the economy. In case of unavoidable job losses, the restructuring strategy aims to implement appropriate social plans to limit the impact of these job losses. Lastly, the framework aims to provide services to a broader section of society through transparent subsidies and an appropriate regulatory framework.

Key guiding principles include promoting appropriate regulatory and competitive frameworks, facilitating empowerment, improving corporate governance of state-owned enterprises, improving ethics and probity, and streamlining the restructuring process. The Policy Framework will assist in ensuring that the restructuring of state-owned enterprises takes place within an approved and consistent framework. Specific high-level restructuring plans for the major state-owned enterprises, as outlined in the Policy Framework, include:

- Corporatisation and concessioning of various Spoornet rail entities, with a subsequent public share offering or strategic equity partner for the general freight business
- Separation of Portnet into a ports authority and private ports operations
- A public share offering for South African Airways
- A public share offering for Telkom in the second half of 2001
- A policy framework for the liberalisation of the telecommunications market, including guidelines for the licensing of additional telecommunication operators
- Corporatisation of separate electricity generation, transmission and distribution entities, and the introduction of competition into the generation market
- Corporatisation of Denel and the introduction of strategic equity partners for several of its business units

It is expected that most restructuring activities will be completed by 2004. Progress during 2000/01 included:

- Progress on the restructuring of Transnet's debt burden
- Evaluation of restructuring plans for Spoornet
- Evaluation of restructuring plans for Portnet
- Preparations for the Telkom Initial Public Offering
- Evaluation and public consultation on a framework for telecommunications liberalisation
- Preparations for Eskom's incorporation, and the evaluation of models for the restructuring of the electricity generation sector
- Preparations for the incorporation of Denel, Cabinet approval for preferred strategic equity partners for the Denel Aerospace Group and Airmotive business unit, and consolidation of Denel's Ordnance Group

## Expenditure estimates

Table 8.1: Public Enterprises

Programme	Expenditure outcome					Medium-term expenditure estimate		
	Audited 1997/98	Audited 1998/99	Preliminary outcome 1999/00	Adjusted appropriation 2000/01	Revised estimate	2001/02	2002/03	2003/04
R thousand								
Administration	25 737	6 786	11 338	25 093	25 093	25 919	26 429	27 956
Restructuring of state owned enterprises	18 127	19 844	24 418	10 592	6 332	90 446	14 808	16 099
Performance monitoring and strategic analysis	-	-	-	9 281	3 956	10 720	11 407	11 790
Alternative service delivery	-	-	-	2 113	1 751	2 537	2 376	2 441
<b>Total</b>	<b>43 864</b>	<b>26 630</b>	<b>35 756</b>	<b>47 079</b>	<b>37 132</b>	<b>129 622</b>	<b>55 020</b>	<b>58 286</b>
Change to 2000 Budget Estimate				2 057	(7 890)	79 576	7 937	
<b>Economic classification</b>								
<b>Current</b>	<b>43 862</b>	<b>26 624</b>	<b>35 748</b>	<b>44 032</b>	<b>34 392</b>	<b>127 541</b>	<b>53 946</b>	<b>57 546</b>
Personnel	4 661	4 646	4 537	17 489	13 134	23 644	27 233	29 273
Transfer payments	-	-	-	100	100	100	100	100
Other current	39 201	21 978	31 211	26 443	21 158	103 797	26 613	28 173
<b>Capital</b>	<b>2</b>	<b>6</b>	<b>8</b>	<b>3 047</b>	<b>2 740</b>	<b>2 081</b>	<b>1 074</b>	<b>740</b>
Transfer payments	-	-	-	-	-	-	-	-
Acquisition of capital assets	2	6	8	3 047	2 740	2 081	1 074	740
<b>Total</b>	<b>43 864</b>	<b>26 630</b>	<b>35 756</b>	<b>47 079</b>	<b>37 132</b>	<b>129 622</b>	<b>55 020</b>	<b>58 286</b>

Standard items of expenditure								
Personnel	4 661	4 646	4 537	17 489	13 134	23 644	27 233	29 273
Administrative	2 889	1 982	3 530	7 684	11 091	10 920	11 167	12 029
Inventories	86	309	488	1 016	1 255	2 258	2 563	2 839
Equipment	54	541	446	2 547	2 426	2 407	1 432	1 147
Land and buildings	-	-	-	500	314	-	-	-
Professional and special services	36 114	19 099	26 676	17 489	7 171	89 758	12 003	12 172
Transfer payments	-	-	-	100	100	100	100	100
Miscellaneous	60	53	79	254	1 641	535	522	726
<b>Total</b>	<b>43 864</b>	<b>26 630</b>	<b>35 756</b>	<b>47 079</b>	<b>37 132</b>	<b>129 622</b>	<b>55 020</b>	<b>58 286</b>

### Departmental receipts

The Department received donor funding of approximately R7,5 million in 2000/01, while an estimated R4 million has been committed for 2001/02. These funds are mainly in the form of payment for the services of external consultants advising on restructuring strategies.

### Expenditure trends

The Office of Public Enterprises was upgraded to a Schedule 1 Department in August 1999. Although some progress had been made on the restructuring of state-owned enterprises between 1994 and 1999, a review indicated that the Office had been severely underresourced and heavily dependent on outside advisers. This had made it difficult to develop an integrated and coherent approach to restructuring. In 1999, Government committed itself to accelerating the restructuring programme over the next five years. This required a review of its capability to direct the restructuring process effectively.

Following the review and the upgrading of the Office to a Department, the departmental structure was revised. The Department's staffing complement was increased from 41 to 113, with a number of posts requiring skilled professionals. Of these 113 posts, 78 were filled as of January 2001. The Department is filling the rest of the posts and anticipates this process to be completed by the end of 2000/01. Special advisers will continue to be contracted, but only for specific restructuring transactions. The main impact of the departmental restructuring on expenditure trends has been a rise in personnel and administrative expenditure, and a concomitant decline in spending on external consulting services.

In the revised programme structure, all of the former Office of Public Enterprises' functions are performed under the *Administration and Restructuring of state-owned enterprises* programmes. Two new programmes, *Performance monitoring and strategic analysis* and *Alternative service delivery*, were created. In 2000/01, the Department split the *Performance monitoring of state-owned enterprises* programme into two subprogrammes, one dealing with performance monitoring and benchmarking, and the other with strategic analysis and policy development. This reflects the decision to build internal capacity to direct a comprehensive approach to restructuring. The objective of the *Alternative service delivery* programme is to develop guidelines for the promotion of alternative service delivery mechanisms within state-owned enterprises, and reflects Government's emphasis on economic empowerment.

A dedicated facility was necessary to coordinate the various tasks involved in an initial public offering, in order to ensure a successful launch of the accelerated restructuring process. A new subprogramme under the *Restructuring of state-owned enterprises* programme – the Initial Public Offering Office – will be in place from 2001/02. The Office will be responsible for all initial public offerings of state-owned enterprises.

For 2000/01, there is expected to be some underspending on the budget estimates. This has a number of causes:

- The Department has achieved some of its outputs with a reduction in expected input costs, especially by undertaking some activities in-house rather than appointing consultants.
- Difficulties have been experienced in recruiting appropriately skilled personnel. While most personnel have now been recruited, many of them have not worked for a full year. Consequently, personnel (and administrative) expenditure will be significantly lower than budgeted.
- The Department has made significant use of donor resources. In many cases where consultants were budgeted for, donor grants were used to access skills. In some cases, the donor resources were used because of their flexibility and their ability to recruit appropriate skills at short notice. The accessing of international experts is also much simpler utilising donor networks and resources.

The 2001 Budget supports an increase of R79,6 million in 2001/02 and R7,9 million in 2002/03 over the baseline medium-term estimates to enable:

- The establishment of the Initial Public Offering Office: R76,9 million was allocated specifically in 2001/02 to cover the costs of equipment and information systems, as well as the transaction and marketing costs involved in the Telkom Initial Public Offering
- Expanded project management capabilities, especially project management systems, to facilitate the effective day-to-day management of the restructuring programme
- Expanded communication capabilities in order to ensure effective consultation with stakeholders and timely updates on progress with restructuring

## Programme 1: Administration

The aim of the programme is to provide leadership to staff and to create an enabling internal and external environment for the accelerated restructuring of state-owned enterprises. The programme comprises the Ministry, the Office of the Director-General, the Communications Unit, the Finance Directorate, the Internal Audit Unit and the Corporate Services Directorate. Functions include:

- Policy formulation by the Minister, Director-General and other members of the Department's management
- Organising the Department; rendering centralised administration, legal and office support services; managing departmental personnel and financial administration; determining working methods and procedures; and exercising control.

## Expenditure estimates

Table 8.2: Administration

Subprogramme	Expenditure outcome			Adjusted appropriation 2000/01	Medium-term expenditure estimate		
	Audited 1997/98	Audited 1998/99	Preliminary outcome 1999/00		2001/02	2002/03	2003/04
R thousand							
Minister <sup>1</sup>	424	475	498	518	634	669	702
Management	25 313	6 311	3 793	5 401	4 892	5 521	4 682
Corporate services	-	-	7 047	8 754	8 786	8 521	9 414
Ministerial support staff	-	-	-	3 668	4 609	4 107	4 245
Communication	-	-	-	3 732	4 035	4 565	5 719
Financial management	-	-	-	2 323	2 463	2 500	2 621
Internal audit	-	-	-	697	500	546	573
<b>Total</b>	<b>25 737</b>	<b>6 786</b>	<b>11 338</b>	<b>25 093</b>	<b>25 919</b>	<b>26 429</b>	<b>27 956</b>
Change to 2000 Budget Estimate				1 858	90	2 129	

<sup>1</sup> Payable as from 1 April 2000: salary: R478 530, car allowance: R119 632

Economic classification							
<b>Current</b>	<b>25 737</b>	<b>6 786</b>	<b>11 338</b>	<b>22 511</b>	<b>24 230</b>	<b>25 719</b>	<b>27 458</b>
Personnel	4 661	3 045	2 424	8 737	10 870	12 800	14 143
Transfer payments	-	-	-	100	100	100	100
Other current	21 076	3 741	8 914	13 674	13 260	12 819	13 215
<b>Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 582</b>	<b>1 689</b>	<b>710</b>	<b>498</b>
Transfer payments	-	-	-	-	-	-	-
Acquisition of capital assets	-	-	-	2 582	1 689	710	498
<b>Total</b>	<b>25 737</b>	<b>6 786</b>	<b>11 338</b>	<b>25 093</b>	<b>25 919</b>	<b>26 429</b>	<b>27 956</b>

Standard items of expenditure							
Personnel	4 661	3 045	2 424	8 737	10 870	12 800	14 143
Administrative	2 853	1 510	2 950	4 776	7 217	6 661	7 493
Inventories	85	291	299	414	1 483	1 605	1 783
Equipment	51	535	429	2 082	1 993	1 064	902
Land and buildings	-	-	-	500	-	-	-
Professional and special services	18 027	1 360	5 191	8 332	3 907	3 870	3 015
Transfer payments	-	-	-	100	100	100	100
Miscellaneous							
Civil Pensions Stabilisation Fund	60	45	45	76	-	-	-
Exchange Rate Losses	-	-	-	8	101	94	99
Value added tax	-	-	-	-	29	31	39
Charges: Purchase of foreign exchange	-	-	-	40	64	54	54
Bank charges	-	-	-	-	51	48	229
Ex gratia payments	-	-	-	18	84	82	80
Depreciation on computer equipment	-	-	-	10	20	20	20
<b>Total</b>	<b>25 737</b>	<b>6 786</b>	<b>11 338</b>	<b>25 093</b>	<b>25 919</b>	<b>26 429</b>	<b>27 956</b>

## Policy developments

The political management of the restructuring programme has been significantly enhanced through a variety of measures put in place by the Ministry. The coordination of the restructuring process within Government has been streamlined through a new two-stream process whereby day-to-day decisions are processed through an interdepartmental Oversight Committee. A Ministerial Subcommittee on Restructuring has been established to enhance the decision-making process.

The Department has developed a proactive communication strategy to ensure that organised labour, the management of state-owned enterprise potential investors and the media are fully consulted and informed about the restructuring process.

It has also introduced enhanced financial management systems that have already resulted in a more favourable audit report. The Department of Public Enterprises received negative reports from the Auditor-General for the financial years up to 1998/99. A concerted effort was made in 2000 to put financial and provisioning systems in place and to ensure that the Department complies with all Treasury and other government prescripts in its administrative and financial transactions.

## Expenditure trends

Expenditure on *Administration* rose significantly in 2000/01 owing to the increased responsibilities of the Department. Declining expenditure on the *Administration* function in the former Office of Public Enterprises had led to capacity constraints. The decision to create internal capacity to manage a comprehensive strategy of restructuring has necessitated a sharp rise in expenditure on the programme in order to establish the new Department and to cater for additional personnel, particularly for financial management and communication services. From 2001/02 onwards,

however, growth in spending is expected to stabilise at an annual average rate of 4 per cent, to accommodate the expected gradual expansion in the number of posts.

The increase in spending on professional and special services in 2000/01 reflects departmental start-up costs as outside experts were brought in to advise on new management, financial and information systems. This item of expenditure is estimated to fall below 1999/00 levels in the coming years owing to the establishment of internal capacity.

The 2001 Budget incorporates additional funds for an increased communication capacity. This will facilitate effective consultation with all stakeholders and timely updates on restructuring progress.

## Programme 2: Restructuring of state-owned enterprises

The aim of this programme is to develop and implement the accelerated restructuring programme to meet Government's economic and social objectives. Functions include:

- Management: Formulation of policy, coordination and overall management of restructuring and transformation of state-owned enterprises
- Restructuring: Rendering an auxiliary service to Government in respect of management, commercialisation, restructuring and the transformation of services and functions of state-owned enterprises
- Specialist services: Rendering specialist services in respect of economic analysis, transaction marketing, legal services, financial modelling and risk analysis
- Initial Public Offering Office: Management of the initial public offerings of state-owned enterprises that are to be listed of the Johannesburg Stock Exchange Securities Exchange and other listing jurisdictions as appropriate

### Expenditure estimates

Table 8.3: Restructuring of state-owned enterprises

Subprogramme	Expenditure outcome			Adjusted appropriation 2000/01	Medium-term expenditure estimate		
	Audited 1997/98	Audited 1998/99	Preliminary outcome 1999/00		2001/02	2002/03	2003/04
R thousand							
Management	–	–	–	6 853	5 267	5 172	6 173
Restructuring	18 127	19 844	24 418	1 829	4 454	4 585	4 814
Specialist services	–	–	–	1 910	2 177	2 662	2 787
Initial Public Offering Office	–	–	–	–	78 548	2 389	2 325
<b>Total</b>	<b>18 127</b>	<b>19 844</b>	<b>24 418</b>	<b>10 592</b>	<b>90 446</b>	<b>14 808</b>	<b>16 099</b>
Change to 2000 Budget Estimate				99	78 780	3 833	

*1 Authorised losses of R3 424 000 in 1999/00 included*

Economic classification							
<b>Current</b>	<b>18 125</b>	<b>19 838</b>	<b>24 410</b>	<b>10 392</b>	<b>90 226</b>	<b>14 759</b>	<b>16 047</b>
Personnel	–	1 601	2 113	4 112	7 611	8 769	9 193
Transfer payments	–	–	–	–	–	–	–
Other current	18 125	18 237	22 297	6 280	82 615	5 990	6 854
<b>Capital</b>	<b>2</b>	<b>6</b>	<b>8</b>	<b>200</b>	<b>220</b>	<b>49</b>	<b>52</b>
Transfer payments	–	–	–	–	–	–	–
Acquisition of capital assets	2	6	8	200	220	49	52
<b>Total</b>	<b>18 127</b>	<b>19 844</b>	<b>24 418</b>	<b>10 592</b>	<b>90 446</b>	<b>14 808</b>	<b>16 099</b>

Standard items of expenditure							
Personnel	-	1 601	2 113	4 112	7 611	8 769	9 193
Administrative	36	472	580	1 348	1 595	1 943	1 843
Inventories	1	18	189	297	357	398	414
Equipment	3	6	17	200	222	53	55
Land and buildings	-	-	-	-	-	-	-
Professional and special services	18 087	17 739	21 485	4 588	80 494	3 471	4 407
Transfer payments	-	-	-	-	-	-	-
Miscellaneous							
Civil Pensions Stabilisation Fund	-	8	34	36			
Exchange rate losses	-	-	-	7	10	13	13
Charges: Purchase of foreign	-	-	-	-	29	32	33
Exchange							
Bank charges	-	-	-	4	18	19	20
Depreciation on equipment	-	-	-	-	110	110	121
<b>Total</b>	<b>18 127</b>	<b>19 844</b>	<b>24 418</b>	<b>10 592</b>	<b>90 446</b>	<b>14 808</b>	<b>16 099</b>

### Policy developments

The restructuring strategy is aimed at maximising the contribution that state assets can make to development. Hence, the goal of restructuring is to integrate public, private and social capital and expertise, to ensure that developmental objectives are achieved. The restructuring mandate focuses on the four main state-owned enterprise sectors, namely energy, transport, telecommunications and the defence-related sectors.

Between 1997/98 and 1999/00, various state-owned enterprises were restructured, although the Office of Public Enterprises did not necessarily play the lead role as the shareholder departments often led the transactions. These transactions included the sale of strategic stakes in Telkom, the Airports Company and South African Airways. SunAir was also sold, although the business later failed. The special risk insurance agency, Sasria, was also restructured.

Some of the proceeds from restructuring were used to recapitalise state-owned enterprises, while in other cases there was a repayment of debt. The following table illustrates the total proceeds from restructuring between 1997/98 and 1999/00, as well as the amounts paid to the exchequer:

**Table 8.4: Summary of proceeds from restructuring, 1997/98 to 1999/00**

Enterprise	Date	Stake sold (%)	Total proceeds (R million)	Paid to the exchequer (R million)
SABC stations	March 1997	100	510	510
Telkom	May 1997	30	5 631	1 165
SunAir	November 1997	100	42	21
Airports Company of South Africa	June 1998	25	1 035	1 035
South African Airways	July 1999	20	1 400	611
Connex	August 1999	100	15	-
Sasria	February 2000	Special dividend	6 171	6 171
<b>Total</b>			<b>14 804</b>	<b>9 513</b>

Progress since the launch of the accelerated restructuring strategy includes:

- *Energy:* A draft Bill seeking to change Eskom's status from a Commission to a company has been published in the Government Gazette for comments. The Bill will be tabled in Parliament during the first session in 2001 if there are no objections to its enactment. Various models for restructuring the energy supply industry are currently being investigated. Work in progress favours a competitive generating model with Eskom retaining a dominant domestic generating capacity after the restructuring. South Africa will require additional generating capacity in approximately 2007, necessitating a decision on suppliers by 2003. This will be an ideal



opportunity to introduce independent producers into the market and to promote domestic ownership, particularly by black-owned companies. Various models for transmission are being investigated and, in particular, the question whether to separate transmission from Eskom. The Department of Minerals and Energy is coordinating the restructuring of the industry.

- *Transport:* The restructuring of Transnet has been hampered by its significant pension fund debt burden. Over the past nine months, the National Treasury, the Department of Public Enterprises and Transnet have developed an innovative strategy to deal with Transnet's pension fund and other debt. This strategy culminated in the Transnet Pension Fund Amendment Bill. A revised actuary evaluation of the pension fund and an equity bond swap with the Public Investment Commissioners have enabled Transnet to retire a sizeable portion of bonds.

A twin-pronged strategy has been adopted for the restructuring of Spoornet. A team of rail specialists were brought in to assist the new management team in identifying the most efficient mode of internal operations. Government's adviser on rail restructuring has been evaluating restructuring models for Spoornet. An interdepartmental team comprising the Departments of Trade and Industry, Transport, and Public Enterprises are currently assessing these models. New management and internal restructuring have resulted in a strong increase in Spoornet's profitability in the last six months.

Portnet will be divided into a ports authority/developer and a port operations component. The Department of Transport is currently finalising the ports policy. It is anticipated that the various ports operations activities will be offered to the private sector. A new tariff regime will also be put in place.

The SAirGroup, which currently owns 20 per cent of South African Airways, has an option to exercise a call option on a further 10 per cent shareholding (extended to 19 February 2001). A possible listing of a portion of Transnet's shareholding in South African Airways on the Johannesburg Stock Exchange is an option.

Aeroporti di Roma is the strategic equity partner in the Airports Company of South Africa. Government is preparing implement the shareholders agreement and other ancillary agreements on the Airports Company.

- *Telecommunications and information technology industry:* The Telkom Initial Public Offering process is on track, if not ahead of schedule. The Initial Public Offering is a landmark equity transaction in the restructuring of state-owned enterprises. The Initial Public Offering Office, which uses seconded staff from various policy departments, will oversee all initial public offerings, and will act as an interface between Government and the various stakeholders. International consultants have also been appointed to advise Government – Global Coordinators, JP Morgan and Deutsche Bank will execute the transaction jointly. Global Coordinators will be responsible for all the preliminary planning and preparatory work for the listing. The timing of the listing will be influenced by market conditions.

A policy adviser on telecommunications, appointed by the Department of Communications, will play an essential role in developing telecommunications policy options and licensing methods. A robust and stable policy and regulatory framework must be in place to ensure the success of the initial public offering. This appointment will also help inform Government's decision on whether to proceed with the consolidation of the state's telecommunication capacity in Eskom, Transtel and Sentech. This merged entity could possibly form the infrastructure basis for the Additional Network Operator.

Government has combined the information technology division of Eskom, Datavia in Transnet and Ariel Technologies in Denel into arivia.com, which started operations in January 2001. It is envisaged that arivia.com will be formally launched by the end of March 2001, with a value of approximately R1 billion.

- *Defence-related industries:* Denel is currently being incorporated. In October 2000, Cabinet approved British Aerospace as the preferred strategic equity partner for the Denel Aerospace Group, and Snecma/Turbomeca as the strategic equity partner for the business unit Airmotive. Consolidation of Denel's Ordnance Group is currently under way, with this component also being offered to British Aerospace as a consolidated offering. The synergy with British Aerospace will provide a much-needed capital injection into the various Denel business units and increase access to technology and markets. It is anticipated that these relationships will significantly increase Denel's revenue. The defence procurement packages are also likely to contribute to an increased revenue stream for Denel.
- *Other restructuring initiatives:* In terms of the Safcol restructuring, the Eastern Cape North package will be sold to the Singisi Consortium. Rural communities will benefit through downstream investment in the area. The KwaZulu-Natal package will be sold to the Siyaqhibeka Consortium, minus 12 000 hectares that will be transferred to the Greater St. Lucia Wetland Park. Noting the unacceptable offers that were received during the initial sale process, the remaining packages are being consolidated and will be re-offered. This revised plan has already attracted widespread international interest.

A proposal is being tabled in Cabinet for the partial sale of Alexkor to black economic empowerment groups via a competitive bidding process to raise funds for further exploration. Government has appointed a management contractor to turn Alexkor around. Turnaround strategies are also being implemented for the Post Office and Aventura. Both initiatives are yielding positive results and various models of private sector participation are currently being considered. The property portfolios of Denel, Eskom and Propnet are being assessed with a view to consolidation.

### **Expenditure trends**

There has been a marked decline in spending on the *Restructuring of state-owned enterprises* programme between 1999/00 and 2000/01. This is due to the shift from using external advisers to using internal capacity, and reflects the fact that many specialist adviser services have been donor funded.

Spending on professional and special services in the programme dropped from R21,5 million in 1999/00 to R4,6 million in 2000/01. The trend of lower expenditure on such services is interrupted in 2001/02 with a large additional allocation of R76,9 million to set up the Initial Public Offering Office. These funds are mainly for specialist adviser services and marketing costs related to the Telkom Initial Public Offering.

The shift to in-house management of the restructuring process is also reflected in higher personnel expenditure. Personnel spending in the programme is estimated to grow by an annual average of 31 per cent over the next three years. This incorporates additional expenditure for departmental heads within the Initial Public Offering Office.

## Outputs and service delivery trends

**Table 8.5: Restructuring of state-owned enterprises: Key outputs and indicators**

Subprogramme	Outputs	Service delivery indicators
Restructuring	Integrated programme for restructuring state-owned enterprises, including priorities, timetables and implementation steps	Quality and timeliness of plan Regularity with which plan updated to reflect changed circumstances
	Effective day-to-day management of restructuring process	Number of restructurings completed on time
	Clear procedures and policy guidelines on appropriate consultation with stakeholders	Quality and timeliness of guidelines and procedures
	Effective process management in terms of consultation and coordination with stakeholders	Number of restructurings completed without major stakeholder dispute
	Effective marketing of business opportunities to investors, both locally and internationally, in terms of restructuring initiatives	Number of tender bids received Breadth of the range of business entities submitting tenders
	Specialist services	Collation and processing of research on particular transactions
Initial Public Offering Office	Effective day-to-day management of initial public offering process	Number of initial public offerings completed according to schedule
	Effective process management in terms of consultation and coordination with stakeholders	Number of initial public offerings completed without major stakeholder dispute
	Effective marketing of initial public offerings, both locally and internationally	Factor by which initial share offering is oversubscribed

The Department's restructuring plans for the various restructuring initiatives contain priorities, timetables and detailed implementation steps. All the issues to be addressed are listed, together with various options, recommendations and indications of which party must undertake what action by when. Restructuring plans are updated every two weeks to ensure that they remain current.

The restructuring of the various state-owned enterprises is on track to meet the broad timetable. In some cases, minor elements of the implementation have been slightly delayed, but this is not expected to affect the overall implementation schedule.

Clear policies and procedures for consultation with labour are spelt out in the social framework plan, the National Framework Agreement and the Labour Relations Act. There is an ongoing commitment to consultation with all stakeholders, and such procedures are detailed in each of the restructuring implementation plans.

A major challenge of the restructuring programme is the availability of relevant specialist advice to meet the demanding restructuring schedule. Every transaction requires advice on legal, financial, regulatory, sectoral and other issues. In many cases, the restructuring programme involves activities that have not previously been undertaken in South Africa. International experience is not always appropriate and new solutions have to be sought. Consequently, there is a steep learning curve to the specialist services being provided. This has, in some instances, affected the timeliness and quality of the advice, although performance has generally been good.

### Programme 3: Performance monitoring and strategic analysis

The aim of this programme is two-fold. The first is to monitor and evaluate the financial, socio-economic and non-financial performance of state-owned enterprises, as well as to promote best performance management practice, which enhances shareholder value. The second is to develop strategic policy frameworks and analyse sectoral and economic issues to enable the accelerated restructuring of state-owned enterprises. Functions include:

- Management (3a): Formulation of policy, coordination and overall management of the systematic method of monitoring performance of state-owned enterprises.

- Performance monitoring and benchmarking: Monitoring, benchmarking and evaluation of financial performance, corporate governance, socio-economic performance, social responsibility and empowerment in order to ensure maximum shareholder value, entrench a culture of performance and reduce state liabilities.
- Management (3b): Formulation of policy, coordination and overall management of strategic analysis for the restructuring of state-owned enterprises.
- Strategic analysis: Provide strategic policy frameworks, sectoral and economic overviews and research for the restructuring of state-owned enterprises.

## Expenditure estimates

Table 8.6: Performance monitoring and strategic analysis

Subprogramme	Expenditure outcome			Adjusted appropriation 2000/01	Medium-term expenditure estimate		
	Audited 1997/98	Audited 1998/99	Preliminary outcome 1999/00		2001/02	2002/03	2003/04
R thousand							
Management (3a)	-	-	-	1 452	1 799	1 481	1 609
Performance monitoring and benchmarking	-	-	-	3 921	4 331	5 206	5 356
Management (3b)	-	-	-	570	3 359	3 386	3 454
Strategic analysis	-	-	-	3 338	1 231	1 334	1 371
<b>Total</b>	-	-	-	<b>9 281</b>	<b>10 720</b>	<b>11 407</b>	<b>11 790</b>
Change to 2000 Budget Estimate				60	471	1 765	

### Economic classification

<b>Current</b>	-	-	-	<b>9 081</b>	<b>10 620</b>	<b>11 132</b>	<b>11 638</b>
Personnel	-	-	-	3 771	3 722	4 136	4 337
Transfer payments	-	-	-	-	-	-	-
Other current	-	-	-	5 310	6 898	6 996	7 301
<b>Capital</b>	-	-	-	<b>200</b>	<b>100</b>	<b>275</b>	<b>152</b>
Transfer payments	-	-	-	-	-	-	-
Acquisition of capital assets	-	-	-	200	100	275	152
<b>Total</b>	-	-	-	<b>9 281</b>	<b>10 720</b>	<b>11 407</b>	<b>11 790</b>

### Standard items of expenditure

Personnel	-	-	-	3 771	3 722	4 136	4 337
Administrative	-	-	-	1 160	1 484	2 089	2 236
Inventories	-	-	-	255	320	478	558
Equipment	-	-	-	200	120	275	152
Land and buildings	-	-	-	-	-	-	-
Professional and special services	-	-	-	3 855	5 067	4 422	4 500
Transfer payments	-	-	-	-	-	-	-
Miscellaneous							
Civil Pensions Stabilisation Fund	-	-	-	40	-	-	-
Value added tax	-	-	-	-	4	4	4
Charges: Purchase of foreign	-	-	-	-	3	3	3
Exchange	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	<b>9 281</b>	<b>10 720</b>	<b>11 407</b>	<b>11 790</b>

## Policy developments

Programme 3 was divided into two main subprogrammes at the beginning of 2000/01, one dealing with performance monitoring, and the other with strategic analysis and policy development. Both subprogrammes relate to new responsibilities resulting from Government's decision to develop in-house capability to manage the restructuring process.

Government has a significant investment in state-owned enterprises. Like any investor, it wishes to ensure that its investments are performing well and it has an obligation to manage these investment in the best interests of all South Africans. To achieve this objective, Government needs robust and rigorous performance monitoring and evaluation of these enterprises, involving their capacity for sustainable service delivery, their long-term organisational health, financial performance and compliance with good corporate governance practice.

The Performance monitoring and benchmarking subprogramme's core objective is to advise Government on these matters for it to hold state-owned enterprise boards accountable for their performance in maintaining and enhancing shareholder value. The subprogramme will adopt a monitoring approach that develops meaningful objectives and measures around the financial and non-financial indicators in each company's corporate plans, through robust processes of performance monitoring, evaluation, reporting and accountability. These processes will take into account the provisions of the Public Finance Management Act.

In line with current developments in corporate governance, the Protocol on Corporate Governance for Public Entities will be reviewed and refined. The Protocol in its current form has been adopted by the major state-owned enterprises, subject to review in the next financial year. It will serve as the basis for an appropriate framework for the governance of state-owned enterprises. The subprogramme has developed guidelines on managing the relationship between state-owned enterprises and the shareholder. These include, among others, guidelines for shareholder compacts and the appointment and induction of Boards. Shareholder compacts are agreements between Government and the enterprise regarding performance expectations and parameters. The compacts describe the relationship between the signatories and identify the roles of the parties in supporting effective management and performance. Draft shareholder compacts have been approved by the Boards of the respective entities, and will be piloted during 2001/02.

The subprogramme's performance monitoring and benchmarking role requires it to develop and maintain a detailed knowledge of all the state-owned enterprises, including their operations and their markets. Significant areas of advice on strategic issues include Government's longer-term ownership intentions, most notably the advantages and disadvantages of continued ownership of particular companies. Based on this activity, the subprogramme aims to inform the shareholder whether:

- A Board's proposed performance targets are consistent with the relevant statutory requirements
- A Board's proposed plans and strategies for achieving its proposed targets are robust
- A Board's proposals on strategic issues, such as the nature and scope of business, balance sheet structure, dividend levels and related issues are consistent with shareholders' best interests
- A Board is successfully meeting its performance targets and, if not, the extent to which the shareholding ministers may or may not be required to take action to hold it accountable

The major achievement of the Strategic analysis subprogramme has been the publishing of the Policy Framework: *An accelerated agenda for the restructuring of state-owned enterprises*. The Policy Framework includes objectives and key guiding principles for the restructuring programme, as well as details on specific restructuring plans for the major state-owned enterprises. Key principles for restructuring include promoting competition and competitive markets; exploring options that ensure increased productivity, profitability, investment and innovation; clearly specifying Government's intentions to potential investors; optimising returns to the shareholder; and ensuring that restructuring proposals consider effectson social welfare.

The subprogramme interacts with a number of policy departments and takes part in policy processes that affect the restructuring of state-owned enterprises. It also interacts extensively with the other programmes within the Department and provides inputs on a variety of processes.

The subprogramme has produced industry analyses for the four big state enterprises. The industries and sectors will be analysed annually to keep track of changes and to enable the development of

high-level restructuring plans. Macroeconomic analysis of the impact of alternative restructuring models will also be undertaken.

### Expenditure trends

The *Performance management and strategic analysis* programme is a new area of responsibility. Spending on the Performance monitoring and benchmarking subprogramme is expected to grow steadily at an average annual rate of 9 per cent over the medium term. This reflects expected growth in the Department's capacity to monitor and evaluate the performance of state-owned enterprises. Expenditure on the Strategic analysis subprogramme is expected to increase by 17 per cent in 2001/02, as work on restructuring frameworks intensifies, and then remain relatively steady in real terms. Beyond 2003/04, spending should begin to decline, as most of the analysis on restructuring will have been completed.

### Outputs and service delivery trends

Table 8.7: Performance management and strategic analysis: Key outputs and indicators

Subprogramme	Outputs	Service delivery indicators
Performance monitoring and benchmarking	Performance management models and benchmarks	Quality and timeliness of model Quality and timeliness of benchmarks
	Effective monitoring and evaluation of financial performance of state-owned enterprises	Quality and timeliness of review of financial performance Financial performance relative to targets and benchmarks Level of actual and contingent public sector liabilities
	Effective monitoring and evaluation of the socio-economic performance of state-owned enterprises	Quality and timeliness of review of socio-economic performance Socio-economic performance relative to benchmarks and targets
	Effective monitoring and evaluation of the corporate governance performance of state-owned enterprises	Quality and timeliness of review of corporate governance performance Adherence to corporate governance protocol
	Advocacy of best performance management practice	Efficiency indicators relative to benchmark Transparency of lines of accountability
	Effective monitoring and evaluation of transformation	Quality and timeliness of state-owned enterprise reporting Quality and timeliness of review of transformation performance Progress in achieving empowerment targets
Strategic analysis	Overarching policy framework for restructuring State-owned enterprise restructuring frameworks	Quality, timeliness and usability of framework Quality and timeliness of sectoral strategies
	Effective macroeconomic and sectoral analysis	Quality and timeliness of analysis
	Effective consultation with other departments responsible for sectoral and economic policy	Consistency of restructuring frameworks with sectoral and macroeconomic objectives

The Performance monitoring and benchmarking subprogramme is currently building capacity. As such, acceptable levels of output have yet to be achieved in many of the areas listed above, but plans and processes are being put in place to enable the subprogramme to meet these objectives.

Various models of performance measurement and benchmarking have been considered. An initiative is under way to study the current measurement criteria and benchmarks. The Department will set standardised measurement criteria and benchmarks for future use.

The financial performance of all state-owned enterprises is being reviewed to assess status, as well as to benchmark these enterprises against both internal performance targets and the performance of other companies in their line of business. A model will be developed in terms of which financial monitoring and benchmarking will be measured.

Attention is being given to risk control policies, and the borrowing powers of these enterprises are being reviewed in line with the Public Finance Management Act. Entities are encouraged to

examine alternative methods of funding. Furthermore, the liability profile within state-owned enterprises will be reviewed, including potential measures to reduce such liabilities where appropriate.

Socio-economic benchmarks form an important element of the overall performance assessment of state-owned enterprises. Socio-economic monitoring and evaluation will be included in overall performance monitoring, pending the appointment of the relevant personnel.

Progress is being made on the development of shareholder compacts with state-owned enterprises. These will be an important instrument for measuring performance and compliance with good governance. Some of these shareholder compacts are at an advanced stage, awaiting ministerial approval.

A tender has been issued to perform an audit of compliance with good governance within those state-owned enterprises that fall under the jurisdiction of the Department of Public Enterprises. The Department should receive a report from the consultants by the end of March 2001. This will enable the subprogramme to monitor corporate governance and to develop appropriate policies and procedures, where necessary.

State-owned enterprises' performance with respect to transformation and empowerment is monitored closely, in line with legislation. This area forms part of the shareholder compacts. Currently these issues are being raised at various levels, including in the contracts of newly appointed Chief Executives, where it forms a core component of their key performance areas. A clearer indication of state-owned enterprise progress in this regard is expected to result from the corporate governance audit.

Lastly, some state-owned enterprises are experiencing difficulties with regular reporting. For proper monitoring of performance, regular reports have to be submitted, and an initiative is being introduced whereby state-owned enterprises will be expected to report on their performance at least every quarter.

The Strategic analysis subprogramme published *An accelerated agenda for the restructuring of state-owned enterprises* in August 2000, within a few months of the original target date. It was widely publicised and has generally been well accepted. Implementation of the framework is under way. High-level restructuring frameworks for all the enterprises were published as part of the Policy Framework. As more detailed work on restructuring is undertaken, the initial frameworks may be adjusted.

Initial sectoral analysis of the four main state-owned enterprise sectors has taken place. The sectors, the environment in which they operate, and international trends in these sectors have all been analysed. The analysis is updated twice a year. The possible macroeconomic impact of restructuring will be investigated based on information supplied by the National Treasury.

There is ongoing consultation with the Departments and Ministries of Transport, Minerals and Energy, Defence, and Communications on the four main sectors. In particular, the Department has been working closely with the Departments of Transport, and Minerals and Energy, on developing policies for ports, railways and the electricity supply industry. There has also been ongoing consultation with the National Treasury and Department of Trade and Industry.

#### **Programme 4: Alternative service delivery**

The aim of this programme is to direct and manage alternative service delivery strategies to optimise service delivery in the accelerated restructuring of state-owned enterprises. This includes developing alternative service delivery policy and institutional frameworks encouraging appropriate procurement and empowerment policies within state-owned enterprises, and ensuring

the integration and implementation of alternative service delivery strategies into the restructuring programme.

## Expenditure estimates

**Table 8.8: Alternative service delivery**

Subprogramme	Expenditure outcome			Adjusted appropriation 2000/01	Medium-term expenditure estimate		
	Audited 1997/98	Audited 1998/99	Preliminary outcome 1999/00		2001/02	2002/03	2003/04
R thousand							
Management	-	-	-	998	1 240	1 184	1 224
Alternative service delivery	-	-	-	1 115	1 297	1 192	1 217
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 113</b>	<b>2 537</b>	<b>2 376</b>	<b>2 441</b>
Change to 2000 Budget Estimate				40	235	210	
<b>Economic classification</b>							
<b>Current</b>	-	-	-	<b>2 048</b>	<b>2 465</b>	<b>2 336</b>	<b>2 403</b>
Personnel	-	-	-	869	1 441	1 528	1 600
Transfer payments	-	-	-	-	-	-	-
Other current	-	-	-	1 179	1 024	808	803
<b>Capital</b>	-	-	-	<b>65</b>	<b>72</b>	<b>40</b>	<b>38</b>
Transfer payments	-	-	-	-	-	-	-
Acquisition of capital assets	-	-	-	65	72	40	38
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 113</b>	<b>2 537</b>	<b>2 376</b>	<b>2 441</b>
<b>Standard items of expenditure</b>							
Personnel	-	-	-	869	1 441	1 528	1 600
Administrative	-	-	-	400	624	474	457
Inventories	-	-	-	50	98	82	84
Equipment	-	-	-	65	72	40	38
Land and buildings	-	-	-	-	-	-	-
Professional and special services	-	-	-	714	290	240	250
Transfer payments	-	-	-	-	-	-	-
Miscellaneous							
Civil Pensions Stabilisation Fund	-	-	-	7	-	-	-
Bank charges	-	-	-	-	2	2	2
Depreciation on equipment	-	-	-	8	10	10	10
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 113</b>	<b>2 537</b>	<b>2 376</b>	<b>2 441</b>

## Policy developments

Staff for the *Alternative service delivery* programme has yet to be recruited, hence progress in this area has been slow. Procurement policy is being developed – a tender for operationalising procurement policies in state-owned enterprises has been issued. It is estimated that state-owned enterprises spend between R40 billion and R60 billion on procurement per year. If these procurement budgets are spent in line with Government's procurement policies, there will be significant progress towards of black economic empowerment and small business development.

## Expenditure trends

The *Alternative service delivery* programme is a new area of responsibility. Personnel posts in this programme remained vacant in 2000/01, and expenditure in the normal course of the programme's activities did not take place. During 2000/01, part of this underspending was used to meet legal claims against Eskom, in the form of ex gratia payments to claimants who were electrocuted by electricity unprofessionally supplied by the former Bophuthatswana government. When Eskom



resumed the supply of electricity to this area, it inherited the burden, which was passed on to Government as shareholder.

Expenditure on this programme should rise in 2001/02 with the establishment of capacity and then decline slightly following the establishment of an alternative service delivery framework.

## Outputs and service delivery trends

**Table 8.9: Alternative service delivery: Key outputs and indicators**

Subprogramme	Outputs	Service delivery indicators
Alternative service delivery	Policy framework for alternative service delivery strategies	Quality and timeliness of policy framework
	Best practice guidelines for alternative service delivery	Quality and timeliness of guidelines
	Effective promotion and advocacy of alternative service delivery mechanisms within state-owned enterprises	Number of state-owned enterprises implementing alternative service delivery strategies
	Technical advice to state-owned enterprises on alternative service delivery	Performance of state-owned enterprises in achieving empowerment targets via alternative service delivery strategies

A tender for operationalising government's procurement policies has been issued and is currently being adjudicated. Work on black economic empowerment served as an input to other processes, to help ensure that state-owned enterprises achieve empowerment targets. Progress has been less than expected, because of the difficulties in recruiting appropriately skilled staff.

## Public entities reporting to the Minister responsible for Public Enterprises

The Department has oversight over six public entities. These are Eskom, Transnet, Denel, Safcol, Aventura and Alexkor.

### Eskom

Eskom is the country's primary supplier of electricity, directly or indirectly supplying nearly 98 per cent of the electricity market. Eskom produced a turnover of R21 billion in 1998, with a net profit of R5,9 billion. Eskom's restructuring was initiated with the passing of the Eskom Amendment Act in 1998, which vested ownership in Government and removed the company's exemptions from taxes. Cabinet has approved the Eskom Conversion Bill, which will see Eskom being incorporated as a limited liability company. This will result in the separation of its distribution, transmission and generation businesses, and the establishment of Eskom Enterprises to house its unregulated business interests. Further restructuring plans will be announced in the next few months.

### Transnet Limited

Transnet comprises 13 companies involved in multi-modal transport and includes the railways, an airline, ports and a pipeline among its primary business activities. Its total assets were valued at R49,5 billion in 1999. As South Africa's largest transport operator, Transnet dominates the sector and contributes 3,2 per cent to gross domestic product. Government has restructured Transnet's debt burden of over R35 billion so as to allow flexibility in restructuring and to improve financial performance.

Transnet's financial results showed an upturn in 2000. Significant work has been undertaken on the restructuring of Spoornet, including the appointment of a team of specialised rail experts to assist the management team in identifying the most efficient mode for internal operations. Portnet has been divisionalised into a ports authority/developer and a ports operations component as a first step in its restructuring. Twenty per cent of South African Airways was sold to the SAirGroup.

### **Denel (Pty) Limited**

Denel's main business is military aerospace and ordnance, with a total asset base valued at R4,4 billion in 1999 and total debt of R1,9 billion. Denel is currently being incorporated and it will be restructured into a number of business entities, including an aerospace, ordnance and other non-core functions. Restructuring will see the introduction of strategic equity partners in several these business entities, which should provide access to new technologies and international markets. Cabinet has approved the choice of British Aerospace as the preferred strategic equity partner for the Denel Aerospace Group, and Snecma/Turbomeca as the strategic equity partner for the business unit, Airmotive.

### **South African Forestry Company Limited (Safcol)**

Safcol is a business focused on forestry, with total assets valued at R693 million and total debts of R268 million in 1998. It reported a turnover of R569 million in 1998 and a profit of R9 million. Safcol is currently undergoing a restructuring process that will see the sale of its forestry assets.

### **Aventura Limited**

Aventura is a leisure and tourism company operating holiday resorts. In 1998, its total assets were valued at R121 million and total debt at R43 million. Its 1998 turnover was R146 million, reflecting a loss of R8,5 million. It is currently under a two-year management contract before further restructuring.

### **Alexander Bay Development Bay Corporation Limited (Alexkor)**

Alexkor is a diamond prospecting and mining company with total assets valued at R200 million and total debt of R49 million in 1998. It had a turnover of R175 million in 1998 and generated a loss of R23 million. It is currently under a two-year management contract before further restructuring.

## **Annexure: Vote 8: Public Enterprises**

Table 8.10: Summary of expenditure trends and estimates per programme

Table 8.11: Summary of expenditure trends and estimates per economic classification

Table 8.12: Summary of expenditure trends and estimates per standard item

Table 8.13: Summary of transfers and subsidies per programme

Table 8.14: Summary of personnel numbers and costs

Table 8.15: Summary of expenditure on training

Table 8.10: Summary of expenditure trends and estimates per programme

	Expenditure outcome			Main appropriation	Adjustments appropriation			Revised estimate	Medium-term expenditure estimate				
	Audited	Audited	Preliminary outcome		Rollovers from 1999/00	Other adjustments 2000/01	Adjusted appropriation		Current	Capital	Total	2002/03	2003/04
	1997/98	1998/99	1999/00										
R thousand													
Administration	25 737	6 786	11 338	23 235	1 661	197	25 093	25 093	24 230	1 689	25 919	26 429	27 956
Restructuring of state-owned enterprises	18 127	19 844	24 418	10 493	-	99	10 592	6 332	90 226	220	90 446	14 808	16 099
Performance monitoring and strategic analysis	-	-	-	9 221	-	60	9 281	3 956	10 620	100	10 720	11 407	11 790
Alternative service delivery	-	-	-	2 073	-	40	2 113	1 751	2 465	72	2 537	2 376	2 441
<b>Total</b>	<b>43 864</b>	<b>26 630</b>	<b>35 756</b>	<b>45 022</b>	<b>1 661</b>	<b>396</b>	<b>47 079</b>	<b>37 132</b>	<b>127 541</b>	<b>2 081</b>	<b>129 622</b>	<b>55 020</b>	<b>58 286</b>
Change to 2000 Budget Estimate							2 057	(7 890)			79 576	7 937	

**Table 8.11: Summary of expenditure trends and estimates per economic classification**

	Expenditure outcome			Main appropriation	Adjustments appropriation			Revised estimate	Medium-term expenditure estimate				
	Audited	Audited	Preliminary		Rollovers from 1999/00	Other adjustments 2000/01	Adjusted appropriation		Current	Capital	Total	2002/03	2003/04
	1997/98	1998/99	1999/00										
R thousand													
<b>Current</b>	<b>43 862</b>	<b>26 624</b>	<b>35 748</b>	<b>42 811</b>	<b>825</b>	<b>396</b>	<b>44 032</b>	<b>34 392</b>	127 541	-	<b>127 541</b>	<b>53 946</b>	<b>57 546</b>
Personnel	4 661	4 646	4 537	17 093	-	396	17 489	13 134	23 644	-	23 644	27 233	29 273
Salaries and wages	4 661	4 646	4 537	17 093	-	396	17 489	13 134	23 644	-	23 644	27 233	29 273
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer payments	-	-	-	100	-	-	100	100	100	-	100	100	100
Other levels of Government	-	-	-	-	-	-	-	-	-	-	-	-	-
Households and non-profit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign countries and international credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current expenditure	39 201	21 978	31 211	25 618	825	-	26 443	21 158	103 797	-	103 797	26 613	28 173
<b>Capital</b>	<b>2</b>	<b>6</b>	<b>8</b>	<b>2 211</b>	<b>836</b>	<b>-</b>	<b>3 047</b>	<b>2 740</b>	-	<b>2 081</b>	<b>2 081</b>	<b>1 074</b>	<b>740</b>
Capital transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Other levels of Government	-	-	-	-	-	-	-	-	-	-	-	-	-
Other capital transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Movable capital	2	6	8	1 711	836	-	2 547	2 426	-	2 081	2 081	1 074	740
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	1 511	836	-	2 347	2 226	-	1 761	1 761	341	169
Computers	2	6	8	200	-	-	200	200	-	320	320	574	502
Other office equipment	-	-	-	-	-	-	-	-	-	-	-	159	69
Fixed capital	-	-	-	500	-	-	500	314	-	-	-	-	-
Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	500	-	-	500	314	-	-	-	-	-
<b>Total</b>	<b>43 864</b>	<b>26 630</b>	<b>35 756</b>	<b>45 022</b>	<b>1 661</b>	<b>396</b>	<b>47 079</b>	<b>37 132</b>	<b>127 541</b>	<b>2 081</b>	<b>129 622</b>	<b>55 020</b>	<b>58 286</b>

Table 8.12: Summary of expenditure trends and estimates per standard item

R thousand	Expenditure outcome			Main appropriation	Adjustments appropriation			Revised estimate	Medium-term expenditure estimate				
	Audited	Audited	Preliminary outcome		Rollovers from 1999/00	Other adjustments 2000/01	Adjusted appropriation		Current	Capital	Total	2002/03	2003/04
	1997/98	1998/99	1999/00										
Personnel	4 661	4 646	4 537	17 093	-	396	17 489	13 134	23 644	-	23 644	27 233	29 273
Administrative expenditure	2 889	1 982	3 530	7 684	-	-	7 684	11 091	10 920	-	10 920	11 167	12 029
Inventories	86	309	488	1 016	-	-	1 016	1 255	2 258	-	2 258	2 563	2 839
Equipment	54	541	446	1 711	836	-	2 547	2 426	326	2 081	2 407	1 432	1 147
Land and buildings	-	-	-	500	-	-	500	314	-	-	-	-	-
Professional and special services	36 114	19 099	26 676	16 664	825	-	17 489	7 171	89 758	-	89 758	12 003	12 172
Transfer payments	-	-	-	100	-	-	100	100	100	-	100	100	100
Miscellaneous	60	53	79	254	-	-	254	1 641	535	-	535	522	726
<b>Total</b>	<b>43 864</b>	<b>26 630</b>	<b>35 756</b>	<b>45 022</b>	<b>1 661</b>	<b>396</b>	<b>47 079</b>	<b>37 132</b>	<b>127 541</b>	<b>2 081</b>	<b>129 622</b>	<b>55 020</b>	<b>58 286</b>

Table 8.13: Summary of transfers and subsidies per programme

R thousand	Expenditure outcome			Main appropriation	Adjustments appropriation			Revised estimate	Medium-term expenditure estimate				
	Audited	Audited	Preliminary outcome		Rollovers from 1999/00	Other adjustments 2000/01	Adjusted appropriation		Current	Capital	Total	2002/03	2003/04
	1997/98	1998/99	1999/00										
Administration: PSETA	-	-	-	100	-	-	100	100	100	-	100	100	100
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Table 8.14: Summary of personnel numbers and costs<sup>1</sup>**

Personnel numbers	1997/98	1998/99	1999/00	2000/01	2001/02
Administration	36	42	40	59	66
Restructuring of state-owned enterprises	-	-	-	24	31
Performance monitoring and strategic analysis	-	-	-	13	14
Alternative service delivery	-	-	-	5	5
<b>Total</b>	<b>36</b>	<b>42</b>	<b>40</b>	<b>101</b>	<b>116</b>
Total personnel cost (R thousand)	4 661	4 646	4 537	17 489	23 644
Unit cost (R thousand)	129,5	110,6	113,4	173,2	203,8

<sup>1</sup> Full-time equivalent

**Table 8.15: Summary of expenditure on training**

R thousand	Preliminary outcome	Revised estimate	Medium-term expenditure estimate		
	1999/00	2000/01	2001/02	2002/03	2003/04
Administration	20	1 150	1 597	1 683	2 154
Restructuring of state-owned enterprises	66	-	118	115	92
Performance monitoring and strategic analysis	266	-	370	350	360
Alternative service delivery	29	-	35	25	24
<b>Total</b>	<b>381</b>	<b>1 150</b>	<b>2 120</b>	<b>2 173</b>	<b>2 630</b>