

# Vote 30

## Minerals and Energy

R thousand	2006/07 To be appropriated	2007/08	2008/09
<b>MTEF allocations</b>	<b>2 548 272</b>	<b>2 716 913</b>	<b>2 954 312</b>
<i>of which:</i>			
Current payments	534 923	569 327	607 254
Transfers and subsidies	2 008 633	2 142 634	2 341 859
Payments for capital assets	4 716	4 952	5 199
<b>Statutory amounts</b>	<b>-</b>	<b>-</b>	<b>-</b>
Executive authority	Minister of Minerals and Energy		
Accounting officer	Director-General of Minerals and Energy		

### Aim

*The aim of the Department of Minerals and Energy is to formulate and implement an overall minerals and energy policy to ensure the optimum use of minerals and energy resources.*

### Programme purposes

#### Programme 1: Administration

Provide comprehensive administrative support to the ministry and department.

#### Programme 2: Promotion of Mine Safety and Health

Execute the department's statutory mandate to protect the health and safety of mine employees and people affected by mining activities.

#### Programme 3: Mineral Regulation

Regulate the minerals and mining sector to achieve transformation.

#### Programme 4: Mineral Policy and Promotion

Develop mineral-related policies. Promote South Africa's mining and minerals industry to make it attractive to investors.

#### Programme 5: Hydrocarbons and Energy Planning

Promote the sustainable use of energy resources through integrated energy planning and appropriate promotion, including through developing policy and regulations for petroleum products, coal, gas, renewable energy and energy efficiency.

#### Programme 6: Electricity and Nuclear

Ensure that development in the electricity and nuclear sectors is monitored, and that policies governing the sectors are improved and implemented. Support the achievement of universal access to electricity, including overseeing the relevant state-controlled entities.

## **Programme 7: Associated Services**

Provide related services in support of the department's mandate through funded and non-funded statutory bodies and organisations.

### **Strategic overview and key policy developments: 2002/03 – 2007/08**

Over the past 10 years, the Department of Minerals and Energy has focused on introducing policy and new legislation to promote government's transformation agenda. The major challenge now is efficient and effective implementation. Over the medium term, the department will focus on key industries that support economic growth such as mining and metals. In addition, it will help to reduce the cost of doing business in South Africa by addressing critical infrastructure needs especially in the energy sector. In light of the historically high oil prices, securing the country's energy needs becomes a major priority for government. Securing an affordable supply of oil and universal access to electricity is an important medium-term goal, as is finding ways of diversifying energy sources.

#### *The mining sector*

The demographics of ownership and the contribution of the mining and minerals sector to growing the economy remain challenges for the department. However, the sector is undergoing radical changes in the way it conducts its prospecting and mining operations and in its demographic representation. The changes were brought about by the Mineral and Petroleum Resources Development Act (2002). The act discourages the hoarding of mineral resources, leading to greater competition, and directs all mining companies to give effect to government's broad transformation agenda. In view of the act's equitable access principles and its requirement that companies must continuously and actively conduct prospecting or mining operations, a number of new prospecting and mining operations are likely to begin. This will lead to new jobs, improved skills levels, increased revenue to government, and better living conditions for communities affected by mining. The promulgation of the Mineral and Petroleum Resources Development Act (2002) necessitated a review of the department's mining strategy. This review resulted in the minerals development branch splitting into two branches: mineral regulation, and mineral policy and promotion. This was to better streamline functions and facilitate the more effective use of resources, resulting in sound regulation and promotion of the industry.

In addition to the focus on growth and development of the mining sector, the department is engaged in designing interventions to reduce fatalities and the prevalence of HIV and Aids, and ensure compliance with the law by, among others, small-scale miners. This requires re-engineering the inspectorate to rebuild skills lost over time and to enable it to cope with the anticipated growth of the mining industry.

The department's focus on implementation creates opportunities to promote efficient and effective broad-based black economic empowerment (BEE) in the mining industry. Although the broad-based socioeconomic charter for the industry has produced a growing number of BEE deals and joint ventures, the quality of deals and how broad-based they are has raised concern. It is still too early to assess the impact of the act on achieving representative management in the sector. Although over 70 per cent of the mining industry's labour force is black, less than 5 per cent of managerial positions are held by blacks. The effectiveness of the regulatory measures will be assessed by 2009, when all mining companies are expected to have 40 per cent of managerial positions held by historically disadvantaged South Africans.

### *Electricity*

Electricity, as a key strategic economic sector, underpins government's growth and development objectives. The department has several policies in place to ensure both an adequate supply of electricity generation capacity and that the distribution infrastructure is maintained.

Initial estimations indicate that new peaking generation capacity will be required by 2007, because of the anticipated increase in demand, driven by growth in the industrial, mining, commercial and domestic sectors. A co-ordinated effort between Eskom and the Department of Minerals and Energy is needed to introduce new generation capacity to maintain the security of electricity supply. The department will invite private sector involvement through independent power producers. This is in line with Cabinet's decision to give independent power producers the opportunity to build 30 per cent of the required generation capacity in future. Government also plans to diversify primary energy sources, thus reducing the dependence on coal for electricity generation. A plan for procuring future capacity (after 2007) has been finalised and approved by Cabinet.

The restructuring of the electricity distribution industry is under way, and will result in a number of regional electricity distributors (REDs) being formed. REDs will optimise service delivery through economies of scale, improved efficiency and the lower cost of capital. The first RED has already been established in Cape Town.

The integrated electricity programme provides a socioeconomic support net that ensures that previously unconnected households have access to electricity. The programme creates new infrastructure at the same time as ensuring that existing infrastructure is rehabilitated and maintained. In rolling out the programme, the department's policy is to ensure that communities become not only the recipients of government basic services but also participants in the economy through the BEE framework.

### *Nuclear energy*

The department recognises the role that nuclear energy can play in the security and diversity of energy supply. A major focus will be on improving skills in the nuclear sector to keep up with expanding programmes, such as the pebble bed modular reactor programme. Investment in the research and development capabilities of the nuclear sector public entities will increase to support current and future programmes. Following Cabinet approval of the radioactive waste management policy, setting up structures to support the implementation of the policy will be prioritised.

### *Regulation of the energy sector*

The department has developed and passed several key pieces of legislation to ensure the safe provision of power across several energy supply sources including petroleum, electricity, gas, and coal. This legislation allows the department to monitor the sector and ensure that safety and quality standards are being adhered to according to international best practice.

The Petroleum Products Amendment Act (2005) and the Petroleum Pipelines Act (2003) facilitate the regulation and development of the liquid fuels sector. They aim to promote competition in and transformation of the liquid fuels industry by inhibiting the abuse of pipelines and storage facilities and through equitable licensing. The National Energy Regulator Act (2004) amalgamates the regulation of electricity, gas and petroleum pipelines. More recently, the National Energy Regulator was established in October 2005.

Although the coal sector has been deregulated, the Department of Minerals and Energy is addressing clean coal technologies and re-examining the sector (in compliance with conditions set during deregulation) to ensure that it is sustainable and environmentally acceptable.

## Expenditure estimates

**Table 30.1 Minerals and Energy**

Programme	Audited outcome			Adjusted	Revised	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	appropriation	estimate	2006/07	2007/08	2008/09
R thousand				2005/06				
1. Administration	85 273	117 862	112 437	130 673	130 673	151 106	161 776	170 568
2. Promotion of Mine Safety and Health	81 255	87 244	87 566	111 640	111 640	117 210	124 786	132 626
3. Mineral Regulation	69 411	85 872	126 131	141 489	141 489	160 044	169 924	180 610
4. Mineral Policy and Promotion	20 170	31 342	31 344	43 617	43 617	51 359	54 511	57 142
5. Hydrocarbons and Energy Planning	14 209	16 291	17 355	34 340	34 340	37 475	39 333	46 362
6. Electricity and Nuclear	28 485	40 595	45 582	81 784	81 784	55 090	57 824	60 716
7. Associated Services	1 568 213	1 433 247	1 456 013	1 728 037	1 728 037	1 975 988	2 108 759	2 306 288
<b>Total</b>	<b>1 867 016</b>	<b>1 812 453</b>	<b>1 876 428</b>	<b>2 271 580</b>	<b>2 271 580</b>	<b>2 548 272</b>	<b>2 716 913</b>	<b>2 954 312</b>
Change to 2005 Budget estimate				153 995	153 995	1 483 073	1 597 232	1 778 647

**Economic classification**

<b>Current payments</b>	<b>276 345</b>	<b>321 123</b>	<b>343 587</b>	<b>500 283</b>	<b>500 283</b>	<b>534 923</b>	<b>569 327</b>	<b>607 254</b>
Compensation of employees	139 495	176 742	190 783	241 131	241 131	290 389	311 797	336 243
Goods and services	136 358	144 007	152 600	259 152	259 152	244 534	257 530	271 011
<i>of which:</i>								
<i>Communication</i>	6 637	8 145	8 395	10 938	10 938	11 359	12 039	12 642
<i>Computer Services</i>	4 547	1 933	7 018	5 730	5 730	6 045	6 408	6 728
<i>Consultants, contractors and special services</i>	54 978	54 886	58 484	135 267	135 267	114 518	120 389	126 409
<i>Inventory</i>	4 647	5 300	3 691	4 296	4 296	4 515	4 786	5 025
<i>Maintenance repair and running cost</i>	41	49	717	699	699	734	778	817
<i>Operating leases</i>	12 443	14 582	16 645	18 178	18 178	19 396	20 986	22 600
<i>Travel and subsistence</i>	25 983	30 833	33 444	47 653	47 653	49 969	52 967	55 616
<i>Training &amp; Staff Development</i>	2 710	4 124	2 896	4 662	4 662	4 918	5 214	5 474
<i>Municipal services</i>	1 996	2 105	2 210	2 385	2 385	2 794	3 033	3 224
Financial transactions in assets and liabilities	492	374	204	–	–	–	–	–
<b>Transfers and subsidies</b>	<b>1 582 707</b>	<b>1 469 512</b>	<b>1 527 718</b>	<b>1 764 314</b>	<b>1 764 314</b>	<b>2 008 633</b>	<b>2 142 634</b>	<b>2 341 859</b>
Provinces and municipalities	225 186	245 704	196 671	313 768	313 768	391 524	406 627	457 637
Departmental agencies and accounts	105 980	132 867	174 743	180 499	180 499	196 887	209 281	221 197
Universities and technikons	–	–	–	100	100	–	–	–
Public corporations and private enterprises	1 251 014	1 090 073	1 155 503	1 268 800	1 268 800	1 419 122	1 525 561	1 661 802
Non-profit institutions	11	22	20	–	–	–	–	–
Households	516	846	781	1 147	1 147	1 100	1 165	1 223
<b>Payments for capital assets</b>	<b>7 964</b>	<b>21 818</b>	<b>5 123</b>	<b>6 983</b>	<b>6 983</b>	<b>4 716</b>	<b>4 952</b>	<b>5 199</b>
Machinery and equipment	7 964	21 818	4 333	6 983	6 983	4 716	4 952	5 199
Software and other intangible assets	–	–	790	–	–	–	–	–
<b>Total</b>	<b>1 867 016</b>	<b>1 812 453</b>	<b>1 876 428</b>	<b>2 271 580</b>	<b>2 271 580</b>	<b>2 548 272</b>	<b>2 716 913</b>	<b>2 954 312</b>

## Expenditure trends

Departmental expenditure increased strongly, at an average annual rate of 6,8 per cent, from R1,9 billion in 2002/03 to R2,3 billion in 2005/06, and is expected to rise further at an average annual rate of 9,2 per cent over the 2006 MTEF, reaching R3 billion in 2008/09. Although the 2005 Budget showed a significant decrease in allocations from 2006/07 onwards, the decision to transfer national electrification funding to the Department of Provincial and Local Government was reversed until regional electricity distributors have been established. This explains the revised upward trend over the 2006 MTEF. The restructuring of the department and its subsequent expansion to align its resources with its strategic objectives contributed to a significant increase in expenditure on compensation of employees from 2005/06 and over the subsequent years, reaching R336,2 million by 2008/09, an average annual increase of 11,7 per cent. Additional allocations were also received for mine environmental and rehabilitation projects and the restructuring of the South African Nuclear Energy Corporation. Transfers and subsidies constitute on average 80,3 per cent of total expenditure on the programme.

## Departmental receipts

The main sources of receipts are royalties and prospecting fees from mining companies. In 2005/06, royalties, surface rental and prospecting fees represent approximately 96 per cent of total departmental revenue. Projected revenue over the 2006 MTEF is expected to increase from R115 million to R133 million. However, the collection of royalties is expected to move to the South African Revenue Service by 2009, which will reduce future departmental receipts. The implementation of the Petroleum Products Amendment Act (2005) will result in the collection of licence fees from approximately 10 000 licensees in 2006.

**Table 30.2 Departmental receipts**

R thousand	Audited outcome			Adjusted appropriation	Medium-term receipts estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Departmental receipts</b>	<b>406 898</b>	<b>297 452</b>	<b>113 773</b>	<b>115 085</b>	<b>120 832</b>	<b>126 873</b>	<b>133 217</b>
Sales of goods and services produced by department	2 386	3 656	8 823	2 157	2 265	2 378	2 497
Sales of scrap, waste and other used current goods	2	4	–	–	–	–	–
Fines, penalties and forfeits	62	1 832	229	58	58	61	64
Interest, dividends and rent on land	403 991	290 438	102 262	112 711	118 347	124 264	130 477
Financial transactions in assets and liabilities	457	1 522	2 459	159	162	170	179
<b>Total</b>	<b>406 898</b>	<b>297 452</b>	<b>113 773</b>	<b>115 085</b>	<b>120 832</b>	<b>126 873</b>	<b>133 217</b>

## Programme 1: Administration

The *Administration* programme conducts the overall management of the department and provides centralised support services.

## Expenditure estimates

Table 30.3 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Minister 1	763	826	755	798	847	892	936
Deputy Minister 2	653	709	616	649	688	725	761
Management	5 922	6 697	7 757	10 249	12 643	13 275	13 939
Corporate Services	64 127	94 070	85 549	99 768	116 150	124 362	130 680
Property Management	13 808	15 560	17 760	19 209	20 778	22 522	24 252
<b>Total</b>	<b>85 273</b>	<b>117 862</b>	<b>112 437</b>	<b>130 673</b>	<b>151 106</b>	<b>161 776</b>	<b>170 568</b>
Change to 2005 Budget estimate				19 309	31 464	35 420	37 894

1 Payable as from 1 April 2005. Salary: R 639 036. Car allowance: R 159 759.

2 Payable as from 1 April 2005. Salary: R 519 399. Car allowance: R 129 849.

## Economic classification

<b>Current payments</b>	<b>78 883</b>	<b>96 690</b>	<b>107 580</b>	<b>122 649</b>	<b>145 561</b>	<b>156 073</b>	<b>164 580</b>
Compensation of employees	27 087	36 038	39 841	53 416	64 131	69 897	73 491
Goods and services	51 721	60 278	67 535	69 233	81 430	86 176	91 089
<i>of which:</i>							
Communication	3 940	5 073	5 665	5 129	5 412	5 736	6 023
Computer Services	4 547	1 923	6 640	5 700	6 014	6 374	6 693
Consultants, contractors and special services	9 593	8 434	6 669	6 811	7 186	7 617	7 998
Inventory	3 668	4 183	2 795	2 655	2 801	2 969	3 118
Operating leases	12 305	14 418	16 508	17 702	18 910	20 471	22 059
Travel and subsistence	11 414	13 620	15 194	16 108	16 994	18 014	18 914
Training & Staff Development	1 323	3 724	2 695	3 869	4 082	4 327	4 543
Municipal services	1 996	2 105	2 210	2 385	2 794	3 033	3 224
Financial transactions in assets and liabilities	75	374	204	–	–	–	–
<b>Transfers and subsidies</b>	<b>572</b>	<b>1 052</b>	<b>924</b>	<b>1 453</b>	<b>1 223</b>	<b>1 165</b>	<b>1 223</b>
Provinces and municipalities	83	108	120	176	123	–	–
Public corporations and private enterprises	–	90	115	130	–	–	–
Non-profit institutions	11	22	20	–	–	–	–
Households	478	832	669	1 147	1 100	1 165	1 223
<b>Payments for capital assets</b>	<b>5 818</b>	<b>20 120</b>	<b>3 933</b>	<b>6 571</b>	<b>4 322</b>	<b>4 538</b>	<b>4 765</b>
Machinery and equipment	5 818	20 120	3 382	6 571	4 322	4 538	4 765
Software and other intangible assets	–	–	551	–	–	–	–
<b>Total</b>	<b>85 273</b>	<b>117 862</b>	<b>112 437</b>	<b>130 673</b>	<b>151 106</b>	<b>161 776</b>	<b>170 568</b>

## Details of major transfers and subsidies:

<b>Public corporations and private enterprises</b>							
<b>Private enterprises</b>							
<b>Other transfers</b>							
<b>Current</b>	<b>–</b>	<b>90</b>	<b>115</b>	<b>130</b>	<b>–</b>	<b>–</b>	<b>–</b>
Lathi-Tha Investment Holdings	–	10	–	–	–	–	–
African Solar Technology	–	40	–	–	–	–	–
Facets of Africa	–	40	–	–	–	–	–
WOESA	–	–	100	100	–	–	–
NESTAR Landelani Nala	–	–	5	30	–	–	–
Sacred Hearts School	–	–	10	–	–	–	–
<b>Non-profit institutions</b>							
<b>Current</b>	<b>11</b>	<b>22</b>	<b>20</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
DME Soccer and Netball Club	11	20	20	–	–	–	–
DME Choir	–	2	–	–	–	–	–

## Expenditure trends

Expenditure increased rapidly from R85,3 million in 2002/03 to R130,7 million in 2005/06, an average annual increase of 15,3 per cent. The increase is mainly attributable to the usual increases in personnel and related expenditure and an investment in new computer and related equipment for a new IT system.

Over the 2006 MTEF, expenditure is expected to increase at a slower average annual rate of 9,3 per cent, reaching R170,6 million in 2008/09. This is due to the expansion of support services and related resources, such as additional personnel.

From 1 April 2006, costs for leases and accommodation charges will be devolved from the Department of Public Works to individual departments. The Department of Minerals and Energy received the following amounts: R20,8 million in 2006/07, R22,5 million in 2007/08 and R24,3 million in 2008/09. Expenditure has been adjusted for 2002/03 to 2005/06.

## Programme 2: Promotion of Mine Safety and Health

The *Promotion of Mine Safety and Health* programme protects the health and safety of mine employees and people affected by the activities of mines. It develops policies to improve health and safety matters in the mining industry.

There are two subprogrammes:

- *Governance Policy and Oversight* develops policy and legislation.
- *Mine Health and Safety (Regions)* is responsible for mine surveying and providing legal engineering expertise and inspection services from the regional offices.

## Expenditure estimates

**Table 30.4 Promotion of Mine Safety and Health**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Governance Policy and Oversight	33 413	36 665	33 809	48 845	42 934	46 748	49 832
Mine Health and Safety (Regions)	47 842	50 579	53 757	62 795	74 276	78 038	82 794
<b>Total</b>	<b>81 255</b>	<b>87 244</b>	<b>87 566</b>	<b>111 640</b>	<b>117 210</b>	<b>124 786</b>	<b>132 626</b>
Change to 2005 Budget estimate				3 104	48	782	2 422

### Economic classification

	80 099	82 113	83 183	106 832	112 270	119 698	127 283
<b>Current payments</b>							
Compensation of employees	55 435	64 287	66 972	81 553	89 810	96 023	102 424
Goods and services	24 664	17 826	16 211	25 279	22 460	23 675	24 859
<i>of which:</i>							
Communication	1 041	1 026	1 204	1 064	1 123	1 190	1 249
Computer Services	–	10	–	10	11	11	12
Consultants, contractors and special services	9 449	6 743	3 235	7 259	4 331	4 591	4 820
Inventory	667	537	356	553	583	618	649
Maintenance repair and running cost	–	–	56	67	71	75	79
Operating leases	–	–	25	50	53	56	59
Travel and subsistence	7 913	8 252	9 707	11 867	12 615	13 372	14 040
Training & Staff Development	1 081	221	86	146	154	163	171

**Table 30.4 Promotion of Mine Safety and Health (continued)**

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Transfers and subsidies</b>	<b>183</b>	<b>4 419</b>	<b>4 047</b>	<b>4 396</b>	<b>4 546</b>	<b>4 674</b>	<b>4 909</b>
Provinces and municipalities	170	181	200	197	94	–	–
Departmental agencies and accounts	–	4 238	3 816	4 199	4 452	4 674	4 909
Households	13	–	31	–	–	–	–
<b>Payments for capital assets</b>	<b>973</b>	<b>712</b>	<b>336</b>	<b>412</b>	<b>394</b>	<b>414</b>	<b>434</b>
Machinery and equipment	973	712	293	412	394	414	434
Software and other intangible assets	–	–	43	–	–	–	–
<b>Total</b>	<b>81 255</b>	<b>87 244</b>	<b>87 566</b>	<b>111 640</b>	<b>117 210</b>	<b>124 786</b>	<b>132 626</b>

**Details of major transfers and subsidies:**

Departmental agencies and accounts							
Public entities							
Current							
Mine Health and Safety Council	–	4 238	3 816	4 199	4 452	4 674	4 909

**Expenditure trends**

Expenditure has risen steadily from R81,3 million in 2002/03 to R111,6 million in 2005/06 at an average annual rate of 11,2 per cent. It is expected to increase at a rate of 5,9 per cent over the 2006 MTEF, reaching R132,6 million in 2008/09. Expenditure is personnel driven, and on average 74,6 per cent of total expenditure comprises compensation of employees. Increases are attributable to the expansion of support services and related resources, such as additional personnel.

**Service delivery objectives and indicators****Recent outputs**

Implementing the recommendations from the review of the Mine Health and Safety Inspectorate is on course and expected to be completed in October 2006. Task teams have been established to address the inspectorate's organisational structure and recruitment, retention and work practices.

The industry met its safety performance targets for 2004. There was an overall decrease of 14 per cent for fatalities and 7 per cent for disabling injuries.

3 311 safety and health management system audits were conducted, reflecting 79 per cent of planned audits. 11 380 inspections were conducted, compared to the 12 940 planned (80 per cent achievement against the 88 per cent target set). The major problem the audits and inspections identified is poor or lack of implementation of health and safety measures, poor discipline, and a poor safety and health culture.

78 per cent of investigation reports and 83 per cent of inquiry reports were completed on time.

The safety in mining research advisory committee began a technical transfer process by conducting workshops on finalised projects. The research programme includes projects on legislation review, incentive schemes and cultural change.



## Selected medium-term output targets

### Promotion of Mine Safety and Health

**Measurable objective:** Reduce mining-related deaths, injuries and ill health, through formulating national policy and legislation, and providing advice and systems to monitor and audit compliance with safety and health standards for the mining sector.

Subprogramme	Output	Measure/Indicator	Target
Governance Policy and Oversight	Mine Health and Safety Act (1996)	National framework to support the Mine Health and Safety Act (1996)	March 2007
	Safety promotion	Frequency of newsletters and safety awards	Monthly newsletters and safety awards
Mine Health and Safety (Regions)	Cleaner, healthier and safer mines	Percentage decrease in occupational health and safety casualty rates	Gold mines: 5 % decrease Other mines: 2% decrease
		Percentage of mines with active occupational health risk management plans	50% of mines

## Programme 3: Mineral Regulation

This is a new programme that resulted from the split of the previous *Mineral Development* programme into two programmes: *Mineral Regulation* and *Mineral Development*. A review of the department's strategy was done with a view to effectively implement the Minerals and Petroleum Resources Development Act (2002). The *Mineral Regulation* programme regulates the minerals and mining sector in the regions under its jurisdiction, and ensures that regional offices are effectively and efficiently administered.

### Expenditure estimates

Table 30.5 Mineral Regulation

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Management	2 242	2 774	4 069	4 570	5 175	5 426	5 698
Mineral Regulation and Administration	67 169	83 098	122 062	136 919	154 869	164 498	174 912
<b>Total</b>	<b>69 411</b>	<b>85 872</b>	<b>126 131</b>	<b>141 489</b>	<b>160 044</b>	<b>169 924</b>	<b>180 610</b>
Change to 2005 Budget estimate				(43 667)	(46 071)	(47 087)	(47 252)
<b>Economic classification</b>							
<b>Current payments</b>	<b>67 503</b>	<b>84 312</b>	<b>74 058</b>	<b>141 370</b>	<b>159 951</b>	<b>169 924</b>	<b>180 610</b>
Compensation of employees	34 616	45 173	48 852	56 385	74 486	80 183	86 287
Goods and services	32 887	39 139	25 206	84 985	85 465	89 741	94 323
<i>of which:</i>							
Communication	1 421	1 691	1 089	3 671	3 691	3 912	4 108
Consultants, contractors and special services	27 401	32 611	21 002	70 760	71 207	74 479	78 203
Inventory	151	180	116	391	395	419	440
Maintenance repair and running cost	39	47	30	102	104	110	116
Operating leases	125	149	96	323	325	345	362
Travel and subsistence	3 151	3 750	2 415	8 142	8 190	8 681	9 115
<b>Transfers and subsidies</b>	<b>1 088</b>	<b>1 126</b>	<b>51 456</b>	<b>119</b>	<b>93</b>	<b>-</b>	<b>-</b>
Provinces and municipalities	88	112	123	119	93	-	-
Departmental agencies and accounts	-	-	31 254	-	-	-	-
Public corporations and private enterprises	1 000	1 000	20 000	-	-	-	-
Households	-	14	79	-	-	-	-
<b>Payments for capital assets</b>	<b>820</b>	<b>434</b>	<b>617</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Machinery and equipment	820	434	617	-	-	-	-
<b>Total</b>	<b>69 411</b>	<b>85 872</b>	<b>126 131</b>	<b>141 489</b>	<b>160 044</b>	<b>169 924</b>	<b>180 610</b>

**Table 30.5 Mineral Regulation (continued)**

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Details of major transfers and subsidies:</b>							
<b>Departmental agencies and accounts</b>							
<b>Public entities</b>							
<b>Current</b>	-	-	31 254	-	-	-	-
Council for Geoscience (Mine Rehabilitation projects)	-	-	13 254	-	-	-	-
National Nuclear Regulator (Mine Rehabilitation Projects)	-	-	18 000	-	-	-	-
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Other transfers</b>							
<b>Current</b>	-	-	20 000	-	-	-	-
Council for Science & Industrial Research (CSIR) - Mine rehabilitation	-	-	20 000	-	-	-	-
<b>Private enterprises</b>							
<b>Subsidies on production or products</b>							
<b>Current</b>	1 000	1 000	-	-	-	-	-
Council for Mineral Technology Research (Mintek)	1 000	1 000	-	-	-	-	-

### Expenditure trends

Expenditure is expected to increase at a strong average annual rate of 8,5 per cent over the 2006 MTEF, from R141,4 million in 2005/06 to R180,6 million in 2008/09. With the programme's emphasis on strengthening the regulation function, more expenditure has gone to personnel, consultants, and goods and services.

### Service delivery objectives and indicators

#### Recent outputs

The department is in the process of implementing the Minerals and Petroleum Resources Development Act (2002), which, among other things, calls for transformation and a representative mining sector. One of the indications of the transforming sector is the fact that, among more than 4 000 applications for prospecting and mining rights that were received and processed, approximately 1 000 (25 per cent) of applications approved were from previously disadvantaged persons.

Since the promulgation of the Mineral and Petroleum Resources Development Act (2002) in May 2005, the department has begun developing tools to assess the impact of mining rights projects on the lives of communities affected by mining.

In addition to monitoring current mining activities, efforts are being made to reduce the negative impact of previous activities. For example, sound environmental management practices are being put in place. In this process, 41 abandoned and ownerless mines have been identified for rehabilitation during the MTEF and preparations are under way for rehabilitating the mines to meet the target of total rehabilitation by 2008. Project co-ordinators have been appointed.

## Selected medium-term output targets

### Mineral Regulation

**Measurable objective:** Increase the number of historically disadvantaged people (entrepreneurs and managers) in the mining and minerals sector. Increase the contribution of the minerals sector to the socioeconomic development of communities affected by mining through the licensing process.

Subprogramme	Outcome	Measure/Indicator	Target
Mineral Regulation and Administration	Increased participation of historically disadvantaged people, including women	Percentage of new rights which are granted to historically disadvantaged people	At least 20% of new rights
	Reduced government environmental liability	Number of identified ownerless and derelict mines rehabilitated	13 mines

## Programme 4: Mineral Policy and Promotion

As with the *Minerals Regulation* programme, this programme has resulted from the split of the *Mineral Development* programme, to give effect to the implementation of the Mineral and Petroleum Resources Development Act (2002). The *Mineral Policy and Promotion Programme* formulates and promotes mineral-related policies that will encourage investment into the mining and mineral industry.

Apart from the *Management* subprogramme, there are two subprogrammes:

- *Mineral Policy* develops new policies, reviews existing policies and amends legislation to achieve transformation.
- *Mineral Promotion* promotes mineral development and gives advice on trends in the mining industry to attract investment.

## Expenditure estimates

Table 30.6 Mineral Policy and Promotion

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Management	1 961	3 045	3 060	4 239	4 990	5 229	5 490
Mineral Policy	2 024	3 146	3 161	4 378	5 156	5 404	5 630
Mineral Promotion	16 185	25 151	25 123	35 000	41 213	43 878	46 022
<b>Total</b>	<b>20 170</b>	<b>31 342</b>	<b>31 344</b>	<b>43 617</b>	<b>51 359</b>	<b>54 511</b>	<b>57 142</b>
Change to 2005 Budget estimate				43 617	51 359	54 511	57 142
<b>Economic classification</b>							
<b>Current payments</b>	<b>12 625</b>	<b>16 184</b>	<b>16 180</b>	<b>22 990</b>	<b>29 512</b>	<b>31 622</b>	<b>33 109</b>
Compensation of employees	10 086	13 162	14 234	16 429	21 846	23 573	24 752
Goods and services	2 539	3 022	1 946	6 561	7 666	8 049	8 357
of which:							
Communication	127	151	97	328	346	367	385
Consultants, contractors and special services	18	21	13	45	47	50	53
Inventory	95	113	73	245	258	274	288
Operating leases	12	15	10	32	34	36	38
Travel and subsistence	668	795	512	1 726	1 821	1 930	2 027
Training & Staff Development	79	94	61	205	216	229	241
<b>Transfers and subsidies</b>	<b>7 545</b>	<b>15 158</b>	<b>15 164</b>	<b>20 627</b>	<b>21 847</b>	<b>22 889</b>	<b>24 033</b>
Provinces and municipalities	45	58	64	62	48	–	–
Departmental agencies and accounts	3 400	–	–	20 565	21 799	22 889	24 033
Public corporations and private enterprises	4 100	15 100	15 100	–	–	–	–
<b>Total</b>	<b>20 170</b>	<b>31 342</b>	<b>31 344</b>	<b>43 617</b>	<b>51 359</b>	<b>54 511</b>	<b>57 142</b>

**Table 30.6 Mineral Policy and Promotion (continued)**

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Details of major transfers and subsidies:</b>							
<b>Departmental agencies and accounts</b>							
<b>Public entities</b>							
<b>Current</b>	<b>3 400</b>	<b>-</b>	<b>-</b>	<b>20 565</b>	<b>21 799</b>	<b>22 889</b>	<b>24 033</b>
Council for Geoscience (Small Scale Mining Projects)	-	-	-	20 565	21 799	22 889	24 033
SA Diamond Board	3 400	-	-	-	-	-	-
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Subsidies on production or products</b>							
<b>Current</b>	<b>4 100</b>	<b>15 100</b>	<b>15 100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Industrial Development Corporation of SA (Small Scale Mining)	4 100	15 100	15 100	-	-	-	-

### Expenditure trends

This is the other new programme resulting from the spilt of the *Mineral Development* programme. The changes in expenditure are due to the reallocation of functions between the two new programmes.

Expenditure on this programme is expected to increase at an average annual rate of 9,4 per cent over the 2006 MTEF, rising from R43,6 million in 2005/06 to R57,1 million in 2008/09. The large increase in expenditure from 2005/06 onwards relates to the transfer payments made to the Council for Geoscience for small-scale mining projects.

### Service delivery objectives and indicators

#### Recent outputs

Two pieces of legislation were formulated to ensure the equitable and regular supply of rough diamonds to local beneficiators and eliminate the barriers to local beneficiation of precious metals. The Diamond Amendment Bill and the Precious Metals Bill make provision for the establishment of the Precious Metals and Diamonds Regulator and a state diamond trader to promote equitable access to rough diamonds and to rationalise the regulation of precious metals refinement processes. The two bills will be promulgated and implemented in the second quarter of 2006. Implementation of this legislation will also assist in promoting the industry to facilitate transformation.

In relation to promoting the industry, there was an increase in the number of new reports and brochures aimed at potential investors. 10 directories and 17 reports were completed and published, against a target of 84 directories and reports published by 2008.

In addition, 11 small-scale mining projects were developed and implemented, with technical support provided to the small scale miners. A database of SMMEs is being developed to keep track of new and sustainable ones.

## Selected medium-term output targets

### Mineral Policy and Promotion

**Measurable Objective:** Through research, provide relevant information that will increase global competitiveness, review policies and formulate legislation to achieve transformation and attract new investment into South Africa's minerals industry.

Subprogramme	Outcome	Measure/Indicator	Target
Mineral Policy	Policies and legislation that drive transformation	Amendments to Mineral and Petroleum Resources Development Act (2002) finalised Strategy on mine closure and sustainable development finalised	2006/07
Mineral Promotion	Promote new investment Sustainable small, medium and micro enterprises (SMME)	Number of exhibitions to attract investment Number of existing and sustainable SMMEs	5 exhibitions 15 SMMEs

## Programme 5: Hydrocarbons and Energy Planning

The *Hydrocarbons and Energy Planning* programme promotes the sustainable use of energy resources through integrated energy planning and appropriate promotion, including developing policy and regulations for petroleum products, coal, gas, renewable energy, carbon trading and energy efficiency.

Apart from the *management* component, there are two subprogrammes:

- *Energy Planning* promotes the sustainable use of energy resources through integrated energy planning and appropriate policy development.
- *Hydrocarbons* develops policy and regulations to manage petroleum, coal, natural gas and renewable energy.

### Expenditure estimates

**Table 30.7 Hydrocarbons and Energy Planning**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Hydrocarbons and Energy Planning Management	1 806	2 471	3 559	3 697	3 708	3 894	4 083
Energy Planning	6 104	6 536	7 903	19 101	21 052	22 096	23 202
Hydrocarbons	6 299	7 284	5 893	11 542	12 715	13 343	19 077
<b>Total</b>	<b>14 209</b>	<b>16 291</b>	<b>17 355</b>	<b>34 340</b>	<b>37 475</b>	<b>39 333</b>	<b>46 362</b>
Change to 2005 Budget estimate				-	898	932	6 041

### Economic classification

	14 004	16 065	17 071	29 701	32 558	34 186	40 956
<b>Current payments</b>							
Compensation of employees	7 081	8 694	9 969	15 730	19 047	19 999	26 060
Goods and services	6 923	7 371	7 102	13 971	13 511	14 187	14 896
of which:							
Communication	42	118	134	322	340	360	378
Computer Services	-	-	378	20	21	22	23
Consultants, contractors and special services	4 028	2 916	2 137	8 701	8 863	9 395	9 865
Inventory	48	254	245	217	229	243	255
Travel and subsistence	1 336	2 092	2 763	3 243	3 421	3 627	3 808
Training & Staff Development	39	51	42	94	99	105	110

**Table 30.7 Hydrocarbons and Energy Planning (continued)**

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Transfers and subsidies</b>	<b>46</b>	<b>126</b>	<b>81</b>	<b>4 639</b>	<b>4 917</b>	<b>5 147</b>	<b>5 406</b>
Provinces and municipalities	21	126	29	39	17	–	–
Universities and technikons	–	–	–	100	–	–	–
Public corporations and private enterprises	–	–	50	4 500	4 900	5 147	5 406
Households	25	–	2	–	–	–	–
<b>Payments for capital assets</b>	<b>159</b>	<b>100</b>	<b>203</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Machinery and equipment	159	100	24	–	–	–	–
Software and other intangible assets	–	–	179	–	–	–	–
<b>Total</b>	<b>14 209</b>	<b>16 291</b>	<b>17 355</b>	<b>34 340</b>	<b>37 475</b>	<b>39 333</b>	<b>46 362</b>

**Details of major transfers and subsidies:**

<b>Public corporations and private enterprises</b>							
<b>Private enterprises</b>							
<b>Subsidies on production or products</b>							
<b>Current</b>	–	–	–	<b>4 500</b>	<b>4 900</b>	<b>5 147</b>	<b>5 406</b>
Renewable Energy Subsidy Scheme	–	–	–	4 500	4 900	5 147	5 406

**Expenditure trends**

Expenditure increased sharply rising from R14,2 million in 2002/03 to R34,3 million in 2005/06, an average annual increase of 34,2 per cent. This was mainly due to expenditure associated with the appointment of consultants for various energy projects, which started in 2005/06. Expenditure is, however, expected to remain steady over the 2006 MTEF, at an average annual growth rate of 10,5 per cent.

**Service delivery objectives and indicators****Recent outputs**

In 2005, regulations under the Petroleum Products Amendment Act (2005) were published for public comment, including licensing provisions for manufacturers, wholesalers and retailers of petroleum products and clean fuel specifications. The department also introduced new specifications and set new standards for national octane to regulate the lead and sulphur content in petrol and diesel.

The Petroleum Pipelines Act (2003), signed by the president into law in June 2004, marks another key policy development. It embodies, among other things, government's policy on promoting competition in the transformation of the liquid fuels industry and inhibits monopolistic abuse of pipelines and storage facilities.

## Selected medium-term output targets

### Hydrocarbons and Energy Planning

**Measurable objective:** Integrated energy planning through the development and implementation of appropriate energy policy and regulation, leading to the sustainable use of South Africa's energy resources, internationally competitive energy prices, and an increase in energy efficiency.

Sub Programme	Output	Measure/indicator	Target
Energy Planning	Increased energy efficiency, and increased access to affordable modern energy for low income households	Number of integrated energy centres established	10 centres
		Number of new connections to modern energy	437 500 connections
Hydrocarbons	Increased procurement by oil companies from BEE companies	Percentage of procurement from BEE companies	8% of procurement
	Express system for petroleum products	Manufactures, wholesalers and retailers licensed	100% licensed

## Programme 6: Electricity and Nuclear

The *Electricity and Nuclear* programme ensures that development in the electricity and nuclear sectors is monitored, and that policies governing the sectors are improved and implemented. It supports the achievement of universal access to electricity, including overseeing the relevant state-controlled entities.

Apart from the management component, there are two subprogrammes:

- *Electricity* develops, implements and monitors electricity policy and programmes in relation to the integrated national electrification programme.
- *Nuclear* aims to improve governance of the nuclear sector, specifically nuclear safety, nuclear non-proliferation and nuclear technology.

## Expenditure estimates

Table 30.8 Electricity and Nuclear

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Electricity and Nuclear Management	1 806	2 472	3 444	4 218	3 749	3 933	4 129
Electricity	13 741	27 285	35 136	60 185	36 055	37 847	39 740
Nuclear	12 938	10 838	7 002	17 381	15 286	16 044	16 847
<b>Total</b>	<b>28 485</b>	<b>40 595</b>	<b>45 582</b>	<b>81 784</b>	<b>55 090</b>	<b>57 824</b>	<b>60 716</b>
Change to 2005 Budget estimate				25 000	(1 920)	(2 036)	(2 137)

### Economic classification

	23 231	25 759	45 515	76 741	55 071	57 824	60 716
<b>Current payments</b>							
Compensation of employees	5 190	9 388	10 915	17 618	21 069	22 122	23 229
Goods and services	17 624	16 371	34 600	59 123	34 002	35 702	37 487
<i>of which:</i>							
Communication	66	86	206	424	447	474	498
Consultants, contractors and special services	4 489	4 162	25 428	41 691	22 884	24 257	25 470
Inventory	18	33	106	235	248	263	276
Travel and subsistence	1 501	2 324	2 853	6 567	6 928	7 344	7 711
Training & Staff Development	188	34	12	348	367	389	409
Financial transactions in assets and liabilities	417	–	–	–	–	–	–

**Table 30.8 Electricity and Nuclear (continued)**

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Transfers and subsidies</b>	<b>5 060</b>	<b>14 384</b>	<b>33</b>	<b>5 043</b>	<b>19</b>	–	–
Provinces and municipalities	16	28	33	43	19	–	–
Departmental agencies and accounts	–	–	–	5 000	–	–	–
Public corporations and private enterprises	5 044	14 356	–	–	–	–	–
<b>Payments for capital assets</b>	<b>194</b>	<b>452</b>	<b>34</b>	–	–	–	–
Machinery and equipment	194	452	17	–	–	–	–
Software and other intangible assets	–	–	17	–	–	–	–
<b>Total</b>	<b>28 485</b>	<b>40 595</b>	<b>45 582</b>	<b>81 784</b>	<b>55 090</b>	<b>57 824</b>	<b>60 716</b>

**Details of major transfers and subsidies:**

<b>Departmental agencies and accounts</b>							
<b>Public entities</b>							
<b>Current</b>	–	–	–	<b>5 000</b>	–	–	–
Electricity Distribution Industry Holdings Company	–	–	–	5 000	–	–	–
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Subsidies on production or products</b>							
<b>Current</b>	<b>4 000</b>	<b>12 400</b>	–	–	–	–	–
Eskom	–	12 400	–	–	–	–	–
Development Bank of South Africa (DBSA)	4 000	–	–	–	–	–	–
<b>Private enterprises</b>							
<b>Other transfers</b>							
<b>Current</b>	<b>1 044</b>	<b>1 956</b>	–	–	–	–	–
KwaZulu Energy Services	206	–	–	–	–	–	–
Nuon Rap Utility	444	–	–	–	–	–	–
Solar Vision	394	–	–	–	–	–	–
Eskom Enterprises (TSI Division) - EBSST	–	1 956	–	–	–	–	–

**Expenditure trends**

Expenditure increased rapidly from R28,5 million in 2002/03 to R81,8 million in 2005/06, an average annual increase of 42,1 per cent, mainly due to the transfer of the integrated national electrification programme business planning unit from Eskom to the department

If approved, additional funding for the new generation capacity projects will also increase expenditure by about R40 million over the next three years. Expenditure (excluding the anticipated approval) is anticipated to increase more steadily over the 2006 MTEF, from R55,1 million in 2006/07 to R60,7 million in 2008/09, an average annual increase of 5 per cent.

**Service delivery objectives and indicators****Recent outputs***Universal access to electricity*

From April 2002 to June 2005, 235 131 households have been electrified through the integrated electrification programme, which is planned, funded and monitored by the *Electricity* subprogramme and undertaken by Eskom and selected municipalities. For 2004/05, 54 618 actual connections were made, against the planned 74 140. A backlog of approximately 26 per cent was reported. This backlog is mainly due to limitations in government, which



include the inability of municipalities to conclude funding agreements and service level agreements.

#### *Regional electricity distributors*

The first RED was launched in Cape Town in July 2005. In September 2005, Cabinet approved the creation of six metro REDs and the establishment of the national RED or any other separate RED subject to a feasibility study, to identify appropriate funding and organisational and governance arrangements.

#### *Security of electricity supply*

To ensure that there is sufficient electricity generation capacity to meet the growth in demand, the department is facilitating a tendering process to procure 1000MW of open cycle gas turbine power plants. The plants will be located in Durban and Port Elizabeth and will be used for peaking purposes (meaning that they will only operate for short periods to meet energy needs during peak demand times). The requests for proposals (RFPs) will be published by the end of February 2006 in time for the deadline for commissioning these plants.

In June 2005, Cabinet gave approval for the department to facilitate another tendering process to procure approximately 2000MW of base load power plants to be commissioned between 2013 and 2015.

### **Selected medium-term output targets**

#### **Electricity and Nuclear**

**Measurable objective:** Ensure a well-managed, efficient, safe and cost-effective electricity and nuclear industry through policy, legislation and regulations. Achieve increased access to electricity and globally competitive electricity prices.

<b>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>Target</b>
Electricity	Universal access to electricity	Number of households electrified	230 000 households
		Number of schools and clinics electrified	500 schools and clinics
		Number of new bulk substations built	5 bulk stations
	Rehabilitation of electrification infrastructure to improve quality of supply	Percentage increase in revenue collected to be ploughed back into infrastructure maintenance	5% increase per year
		Restructured electricity industry	Number of regional electricity distributors (RED) set up
	Restructured electricity industry	Compensation framework for REDs established	By June 2006
		Electricity Distribution Industry Restructuring Bill in Parliamentary process	June 2006
	Detailed plans completed for base load power stations to ensure security of supply	By June 2006	

Subprogramme	Output	Measure/Indicator	Target
Nuclear	Policy direction	Revised nuclear energy policy document developed	March 2007
	Skilled personnel	Number of trainees in tertiary institutions	60 trainees annually
	Accelerated reduction of nuclear liabilities	Deadline for report on decommissioning and decontamination	March 2007
	Radioactive waste management policy	National radioactive waste management committee established	March 2007
		Legislation for formation of National Radioactive Waste Management Agency	Legislation developed during 2006/07 and completed in October 2007

## Programme 7: Associated Services

The *Associated Services* programme provides services to support the department's mandate through funded and non-funded statutory bodies and organisations. The programme is responsible for all transfer payments to public entities and municipalities.

The programme comprises the following main subprogrammes:

- *Council for Mineral Technology Research* contributes to the Council for Mineral Technology Research (Mintek).
- The *South African Nuclear Energy Corporation (NECSA)*, which falls under the Nuclear Energy sub programme, maintains, develops and utilises nuclear and related technology in terms of the Nuclear Energy Act (1999).
- The *National Nuclear Regulator (NNR)* provides for the protection of persons, property and the environment against nuclear damage, through the establishment of safety standards and regulatory practices.
- The *Council for Geoscience (CGS)* is primarily responsible for systematic geoscientific mapping of South Africa, and interpreting and compiling data, maps and map explanations.
- The *Electricity Distribution Industry Holding Company* facilitates the restructuring of the electricity distribution industry.
- *Conditional Grants to Local Governments*: Eskom and certain licenced municipalities are responsible for the integrated national electrification programme (INEP), which aims to provide universal access to basic electricity service to households over time, and to electrify all schools and health clinics. Transfer payments are made to licenced electricity distributors, (municipalities licenced as electricity distributors, as well as Eskom) for undertaking electrification projects.
- The *Assistance to Mines* subprogramme assists marginal mines with the cost of pumping water, which originate from defunct gold mines.

## Expenditure estimates

Table 30.9 Associated Services

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	appropriation	2006/07	2007/08	2008/09
R thousand				2005/06			
Council for Mineral Technology Research	76 410	82 439	88 632	108 880	118 664	124 569	130 834
NECSA Activities	139 863	140 233	148 647	214 066	237 020	295 371	294 193
NECSA Decommissioning Projects	19 536	19 550	20 500	21 730	23 034	24 185	25 402
NECSA Strategic Loans	265 548	1 407	10 754	–	–	–	–
NECSA Security	–	–	–	9 000	9 000	9 000	9 440
NECSA SAFARI Reactor Conversion	–	–	–	12 000	12 000	12 000	12 591
National Nuclear Regulator	7 282	7 610	8 067	5 417	14 742	18 029	20 333
Council for Geoscience	66 384	72 019	77 606	86 078	93 100	97 755	102 672
Electricity Distribution Industry Holdings Company	–	49 000	54 000	59 240	62 794	65 934	69 250
National Portion (Eskom)	739 513	795 549	796 759	783 469	893 165	932 083	1 058 758
Conditional Grants to Local Governments	224 763	245 091	196 102	313 132	391 130	406 627	457 637
Non-grid Electrification Service Providers	–	–	22 416	79 800	84 000	84 000	84 000
Assistance to Mines	28 914	20 349	32 530	35 225	37 339	39 206	41 178
<b>Total</b>	<b>1 568 213</b>	<b>1 433 247</b>	<b>1 456 013</b>	<b>1 728 037</b>	<b>1 975 988</b>	<b>2 108 759</b>	<b>2 306 288</b>
Change to 2005 Budget estimate				106 632	1 447 295	1 554 710	1 724 537

## Economic classification

<b>Transfers and subsidies</b>	<b>1 568 213</b>	<b>1 433 247</b>	<b>1 456 013</b>	<b>1 728 037</b>	<b>1 975 988</b>	<b>2 108 759</b>	<b>2 306 288</b>
Provinces and municipalities	224 763	245 091	196 102	313 132	391 130	406 627	457 637
Departmental agencies and accounts	102 580	128 629	139 673	150 735	170 636	181 718	192 255
Public corporations and private enterprises	1 240 870	1 059 527	1 120 238	1 264 170	1 414 222	1 520 414	1 656 396
<b>Total</b>	<b>1 568 213</b>	<b>1 433 247</b>	<b>1 456 013</b>	<b>1 728 037</b>	<b>1 975 988</b>	<b>2 108 759</b>	<b>2 306 288</b>

## Details of major transfers and subsidies:

<b>Provinces and municipalities</b>							
<b>Municipalities</b>							
<b>Municipal bank accounts</b>							
<b>Current</b>	<b>224 763</b>	<b>245 091</b>	<b>196 102</b>	–	–	–	–
Integrated National Electrification Programme Grant	224 763	245 091	196 102	–	–	–	–
<b>Capital</b>	–	–	–	<b>313 132</b>	<b>391 130</b>	<b>406 627</b>	<b>457 637</b>
Integrated National Electrification Programme	–	–	–	313 132	391 130	406 627	457 637
<b>Departmental agencies and accounts</b>							
<b>Public entities</b>							
<b>Current</b>	<b>94 080</b>	<b>119 849</b>	<b>126 424</b>	<b>140 222</b>	<b>159 856</b>	<b>170 399</b>	<b>180 367</b>
National Nuclear Regulator	6 782	7 110	7 567	4 887	14 180	17 439	19 713
Electricity Distribution Industry Holdings Company	–	49 000	49 988	58 518	62 393	65 513	68 808
Council for Geoscience	58 384	63 739	68 869	76 817	83 283	87 447	91 846
Council for Geoscience (Assistance to Mines)	28 914	–	–	–	–	–	–
<b>Capital</b>	<b>8 500</b>	<b>8 780</b>	<b>13 249</b>	<b>10 513</b>	<b>10 780</b>	<b>11 319</b>	<b>11 888</b>
National Nuclear Regulator	500	500	500	530	562	590	620
Council for Geoscience	8 000	8 280	8 737	9 261	9 817	10 308	10 826
Electricity Distribution Industry Holdings Company	–	–	4 012	722	401	421	442

**Table 30.9 Associated Services (continued)**

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Subsidies on production or products</b>							
<b>Current</b>	<b>179 463</b>	<b>159 040</b>	<b>163 205</b>	<b>249 747</b>	<b>273 582</b>	<b>332 711</b>	<b>333 386</b>
NECSA - Activities	129 313	139 583	143 497	208 607	231 233	289 295	287 811
NECSA - Decommissioning Projects	18 036	18 050	19 000	20 140	21 349	22 416	23 544
NECSA - Strategic Loans	32 114	1 407	708	–	–	–	–
NECSA - Security	–	–	–	9 000	9 000	9 000	9 440
NECSA - SAFARI Reactor Conversion	–	–	–	12 000	12 000	12 000	12 591
<b>Capital</b>	<b>984 997</b>	<b>797 699</b>	<b>813 455</b>	<b>790 518</b>	<b>900 637</b>	<b>939 928</b>	<b>1 066 998</b>
NECSA - Activities	10 550	650	5 150	5 459	5 787	6 076	6 382
NECSA - Decommissioning Projects	1 500	1 500	1 500	1 590	1 685	1 769	1 858
NECSA - Strategic Loans	233 434	–	10 046	–	–	–	–
ESKOM - Integrated National Electrification Programme	739 513	795 549	796 759	783 469	893 165	932 083	1 058 758
<b>Private enterprises</b>							
<b>Subsidies on production or products</b>							
<b>Current</b>	<b>68 410</b>	<b>93 788</b>	<b>111 162</b>	<b>133 505</b>	<b>144 767</b>	<b>151 977</b>	<b>159 621</b>
Assistance to Mines	–	20 349	32 530	35 225	37 339	39 206	41 178
Council for Mineral Technology Research	68 410	73 439	78 632	98 280	107 428	112 771	118 443
<b>Capital</b>	<b>8 000</b>	<b>9 000</b>	<b>10 000</b>	<b>10 600</b>	<b>11 236</b>	<b>11 798</b>	<b>12 391</b>
Council for Mineral Technology Research	8 000	9 000	10 000	10 600	11 236	11 798	12 391
<b>Other transfers</b>							
<b>Capital</b>	<b>–</b>	<b>–</b>	<b>22 416</b>	<b>79 800</b>	<b>84 000</b>	<b>84 000</b>	<b>84 000</b>
Integrated National Electrification Programme: Non-grid service providers	–	–	22 416	79 800	84 000	84 000	84 000

## Expenditure trends

This programme consists of various subprogrammes which make transfer payments to public entities, municipalities and others. This explains why expenditure trends do not follow an even pattern. Expenditure increased steadily at an average annual rate of 3,3 per cent from R1,6 billion in 2002/03 to R1,7 billion in 2005/06, and is anticipated to increase at an average rate of 10,1 per cent to R2,3 billion in 2008/09. The major transfers are made to municipalities, non-grid service providers and Eskom for the integrated national electrification programme.

## Public entities reporting to the Minister

### The National Energy Regulator of South Africa

The National Energy Regulator of South Africa (NERSA) formerly the National Electricity Regulator (NER) was created in terms of the National Energy Regulator Act, 2004 (2004). The mandate of NERSA is to undertake the functions of the National Electricity Regulator as set out in the National Electricity Act (1987), undertake the functions of the Gas Regulator as set out in the Gas Regulator Act (2001), and undertake the functions of the Petroleum and Pipelines Regulatory Authority as set out in the Petroleum and Pipelines Act (2003). NERSA also performs other functions as may be assigned to it by or under these acts.

NERSA is expected to proactively take the necessary regulatory actions in anticipation of and in response to the changing circumstances in the energy industry. Some of the regulatory functions of NERSA include processing licence applications, setting tariffs, setting conditions of supply and standards, investigating complaints, and mediating or arbitrating in disputes. NERSA also promotes BEE and competition in the three energy sector industries.

NERSA is funded through levies from the electricity, piped-gas and petroleum pipelines industries. The key spending areas for NERSA include skilled manpower and technical and management consultants. The expected increase in revenue from R69 million in 2005/06 to R144 million in 2006/07 is because of the increase in levy income related to tariff increases, as well as the incorporation of the piped-gas and petroleum pipelines industries into the regulator. Salary and related expenditure will increase by 17 per cent from R16,9 million to R19,8 million due to inflation related increases and the filling of vacancies. An increase in technical fees from R1,9 million to R4.6 million was due to fees for studies and projects to develop benchmark mechanisms in regulatory standards, and to develop the multi-year price determinations going forward.

NERSA'S key priorities for the coming MTEF are: to effectively and efficiently regulate the current electricity industry; to establish appropriate processes, procedures and systems to implement the Gas Act and the Petroleum and Pipelines Act; to develop an appropriate regulatory framework for the reforming electricity industry, and to promote and advise on appropriate legislation to regulate the electricity industry going forward.

**Table 30.10 Financial summary for the National Energy Regulator of South Africa**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R Thousand	2002/03	2003/04	2004/05	2005/06			
<b>INCOME STATEMENT SUMMARY</b>							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>53 370</b>	<b>64 896</b>	<b>64 072</b>	<b>69 536</b>	<b>144 890</b>	<b>151 084</b>	<b>161 660</b>
Sale of goods and services other than capital	51 160	63 509	62 166	68 030	144 884	151 077	161 653
Of which:							
Non-market est. sales	51 160	63 509	62 166	68 030	144 884	151 077	161 653
Other non-tax revenue	2 210	1 387	1 905	1 506	6	6	7
<b>Transfers received</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total revenue</b>	<b>53 370</b>	<b>64 896</b>	<b>64 072</b>	<b>69 536</b>	<b>144 890</b>	<b>151 084</b>	<b>161 660</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>39 750</b>	<b>52 900</b>	<b>59 949</b>	<b>80 338</b>	<b>123 551</b>	<b>130 518</b>	<b>138 948</b>
Compensation of employees	19 505	25 433	28 914	42 690	45 948	49 164	52 606
Goods and services	19 029	24 784	28 329	35 953	75 713	79 303	84 236
Depreciation	1 216	2 683	2 706	1 694	1 890	2 051	2 106
Interest, dividends and rent on land	-	-	-	-	-	-	-
<b>Transfers and subsidies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 780</b>	<b>1 905</b>
<b>Total expenses</b>	<b>39 750</b>	<b>52 900</b>	<b>59 949</b>	<b>80 338</b>	<b>123 551</b>	<b>132 298</b>	<b>140 853</b>
<b>Surplus / (Deficit)</b>	<b>13 620</b>	<b>11 996</b>	<b>4 123</b>	<b>(10 802)</b>	<b>21 339</b>	<b>18 785</b>	<b>20 807</b>

**Table 30.10 Financial summary for the National Energy Regulator of South Africa (NERSA)**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R Thousand	2002/03	2003/04	2004/05	2005/06			
<b>BALANCE SHEET SUMMARY</b>							
Carrying value of assets	12 028	13 011	11 638	24 014	24 205	27 784	48 153
Receivables and Prepayments	1 580	1 313	292	300	26 980	7 384	4 082
Cash and cash equivalents	18 861	24 888	32 178	4 571	4 800	37 250	39 112
<b>Total assets</b>	<b>32 468</b>	<b>39 212</b>	<b>44 108</b>	<b>28 885</b>	<b>55 985</b>	<b>72 418</b>	<b>91 347</b>
Capital and reserves	21 217	33 213	37 336	26 535	47 874	66 659	87 466
Borrowings	8 414	-	-	-	-	-	-
Trade and other payables	2 441	4 983	2 642	272	2 913	300	315
Provisions	396	1 016	4 130	2 079	5 199	5 459	3 566
<b>Total equity and liabilities</b>	<b>32 468</b>	<b>39 212</b>	<b>44 108</b>	<b>28 885</b>	<b>55 985</b>	<b>72 418</b>	<b>91 347</b>

Data provided by the National Energy Regulator of South Africa

### The South African Nuclear Energy Corporation

The Nuclear Energy Act (1999) gives the South African Nuclear Energy Corporation (NECSA) the mandate to develop and use nuclear technology as part of the national system of innovation, and to serve the state's nuclear institutional obligations. NECSA's vision is to pursue excellence in nuclear technology for sustained social and economic development. Nuclear technology products form the basis of all commercial nuclear activities. NECSA's main units include: nuclear technology, nuclear services, facilities management, nuclear technology products and high technology products.

In March 2005, SAFARI-1 (South African Fundamental Atomic Research Installation No 1) celebrated 40 years of safe and successful operation. SAFARI-1 is used for research purposes and the production of radioisotopes for medical applications. Annually, at least 60 000 patients from South Africa and more from the rest of the world benefit from the use of isotopes originating from SAFARI 1. NECSA has also played a critical role in certain specialised areas of the pebble bed modular reactor programme. In addition, it has reliably provided products to customers in more than 50 countries mainly through its major subsidiary, NTP Radioisotopes (Pty) Ltd.

NECSA is partially funded by the fiscus, while revenue from the sale of nuclear products is expected to contribute 57 per cent of the entity's total revenue for 2006/07. Additional allocations have been made to assist in the restructuring and streamlining of the activities of the entity. This explains the substantial increase from R179,9 million in 2004/05 to R341,6 million in 2008/09.

As part of the turnaround plan, a special allocation for the low enriched uranium fuel conversion programme was made and further provisions to upgrade control systems of SAFARI-1. After an initial decline, net income grows strongly over the MTEF period underpinned by robust own revenue and a steady stream of state transfers to the entity.

Over the medium term, NECSA has set itself the following targets: upgrading the Pelindaba and Vaalputs security systems; improving the health, safety and environmental management system; and manufacturing low enriched uranium (LEU) prototype fuel for the conversion of the SAFARI reactor.

**Table 30.11 Financial summary for the Nuclear Energy Corporation of South Africa (NECSA)**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited				
R Thousand	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>INCOME STATEMENT SUMMARY</b>							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>474 675</b>	<b>407 047</b>	<b>386 254</b>	<b>404 181</b>	<b>470 865</b>	<b>488 974</b>	<b>498 859</b>
Sale of goods and services other than	411 211	360 186	361 583	380 757	407 988	429 855	439 318
<i>Of which:</i>							
Sales by market establishments	408 498	357 636	359 186	377 871	404 973	427 504	437 085
Non-market est. sales	2 713	2 550	2 397	2 886	3 015	2 351	2 233
Other non-tax revenue	63 464	46 861	24 671	23 424	62 877	59 119	59 541
<b>Transfers received</b>	<b>424 947</b>	<b>160 017</b>	<b>179 901</b>	<b>269 900</b>	<b>281 054</b>	<b>340 556</b>	<b>341 626</b>
<b>Total revenue</b>	<b>899 622</b>	<b>567 064</b>	<b>566 155</b>	<b>674 081</b>	<b>751 919</b>	<b>829 530</b>	<b>840 485</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>647 191</b>	<b>628 203</b>	<b>588 034</b>	<b>609 221</b>	<b>722 940</b>	<b>769 445</b>	<b>743 755</b>
Compensation of employees	264 951	279 837	250 933	299 290	341 561	363 371	364 114
Goods and services	333 855	310 579	310 562	270 134	335 038	361 216	336 868
Depreciation	28 678	34 351	26 150	39 332	44 294	42 970	41 023
Interest, dividends and rent on land	19 707	3 436	389	465	2 047	1 888	1 750
<b>Transfers and subsidies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 924</b>	<b>6 175</b>	<b>6 641</b>	<b>6 958</b>
<b>Total expenses</b>	<b>647 191</b>	<b>628 203</b>	<b>588 034</b>	<b>616 145</b>	<b>729 115</b>	<b>776 086</b>	<b>750 713</b>
<b>Surplus / (Deficit)</b>	<b>252 431</b>	<b>(61 139)</b>	<b>(21 879)</b>	<b>57 936</b>	<b>22 804</b>	<b>53 444</b>	<b>89 772</b>
Tax payment	8 768	(4 920)	2 279	1 705	3 884	4 679	5 762
Outside shareholders Interest	1 671	27	1 312	1 329	1 499	1 600	1 711
<b>BALANCE SHEET SUMMARY</b>							
Carrying value of assets	197 944	182 289	138 219	166 553	166 633	187 237	225 678
Investments	26 118	32 618	37 133	55 439	64 519	69 599	74 679
Inventory	54 098	55 445	44 664	45 193	43 610	43 070	46 186
Receivables and prepayments	87 945	75 652	80 133	82 158	84 403	89 537	89 556
Cash and cash equivalents	71 679	32 109	35 275	55 436	66 240	90 960	118 133
<b>Total assets</b>	<b>437 784</b>	<b>378 113</b>	<b>335 424</b>	<b>404 779</b>	<b>425 405</b>	<b>480 403</b>	<b>554 232</b>
Capital and reserves	231 398	(53 254)	(87 363)	(43 185)	(20 657)	31 544	102 759
Borrowings	11 946	23 644	17 891	52 194	52 341	54 030	55 597
Post retirement benefits	35 695	291 164	280 619	280 978	280 978	280 978	280 978
Trade and other payables	79 198	42 455	52 464	62 635	62 475	63 455	64 492
Provisions	79 547	74 104	71 813	52 157	50 268	50 396	50 406
<b>Total equity and liabilities</b>	<b>437 784</b>	<b>378 113</b>	<b>335 424</b>	<b>404 779</b>	<b>425 405</b>	<b>480 403</b>	<b>554 232</b>

Data provided by the Nuclear Energy Corporation of South Africa

### The Council for Mineral Technology

The Council for Mineral Technology (Mintek), established in terms of the Mineral Technology Act (1989), provides research, development and technology transfers that foster the development of businesses in the mineral and mineral products industries. It achieves these objectives by transferring technology to industry and promoting the optimal supply and efficient use of mineral resources.

Mintek strives to make its expertise and technology world class. To this end, it is negotiating a bilateral agreement with Russia for collaborative research into new industrial applications for palladium. An investigation has also started into the feasibility of setting up a collaborative centre of metallurgical excellence, similar to the UK's National Metals Technology Centre, to address the shortage of metallurgical skills, education and facilities in South Africa. In addition, Mintek has been appointed co-ordinator of the bioleaching work package in the European Union's BioMinE project.

The council's income is derived mainly from commercial activities (sales of its deep-mining research, technology developments and patents, and the royalties it receives on existing research), expanded laboratory facilities and increases in client charges. Mintek's allocation increases from R109 million in 2005/06 to R131 million in 2008/09, which is expected to represent only 39,6 per cent of Mintek's total annual revenue over the period. Over the MTEF period, Mintek should be in a position to fully cover its expenses, drawing on reserves in the third year if necessary.

Key medium-term output targets for the council include: building an advanced laboratory scale reactor to study gold leaching behaviour under carefully controlled conditions; increasing the cost-effectiveness of platinum production, as well as the recycling of reject autocatalysts; and expanding the knowledge gained from research into new uses of gold and other metals like platinum, as well as into broader nano-based technologies.

**Table 30.12 Financial summary for the Council for Mineral Technology (MINTEK)**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited				
R Thousand	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>INCOME STATEMENT SUMMARY</b>							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>129 800</b>	<b>140 700</b>	<b>158 691</b>	<b>166 000</b>	<b>183 500</b>	<b>188 700</b>	<b>198 378</b>
Sale of goods and services other than capital assets	16 978	18 740	23 000	16 000	7 500	8 100	8 748
<i>Of which:</i>							
Admin fees	16 978	18 740	23 000	16 000	7 500	8 100	8 748
Other non-tax revenue	112 822	121 960	135 691	150 000	176 000	180 600	189 630
<b>Transfers received</b>	<b>78 160</b>	<b>82 439</b>	<b>88 632</b>	<b>108 880</b>	<b>118 664</b>	<b>124 569</b>	<b>130 834</b>
<b>Total revenue</b>	<b>207 960</b>	<b>223 139</b>	<b>247 323</b>	<b>274 880</b>	<b>302 164</b>	<b>313 269</b>	<b>329 212</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>214 129</b>	<b>215 613</b>	<b>234 517</b>	<b>267 579</b>	<b>298 164</b>	<b>312 185</b>	<b>333 285</b>
Compensation of employees	121 407	129 558	146 975	147 168	168 200	176 356	189 945
Goods and services	79 427	76 536	78 103	108 411	116 764	122 329	129 340
Depreciation	7 494	8 675	8 868	12 000	13 200	13 500	14 000
Interest, dividends and rent on land	5 801	844	571	–	–	–	–
<b>Transfers and subsidies</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total expenses</b>	<b>214 129</b>	<b>215 613</b>	<b>234 517</b>	<b>267 579</b>	<b>298 164</b>	<b>312 185</b>	<b>333 285</b>
<b>Surplus / (Deficit)</b>	<b>(6 169)</b>	<b>7 526</b>	<b>12 806</b>	<b>7 301</b>	<b>4 000</b>	<b>1 084</b>	<b>(4 073)</b>

**BALANCE SHEET SUMMARY**

Carrying value of assets	62 388	53 233	53 584	64 800	69 818	70 825	70 832
Investments	88 871	98 300	128 030	129 000	134 000	137 000	147 000
Inventory	5 608	4 399	2 090	3 000	3 010	3 200	3 500
Receivables and prepayments	38 593	39 691	38 720	41 600	45 700	49 800	51 900
Cash and cash equivalents	5 723	4 495	20 292	22 491	17 495	17 419	7 797
<b>Total assets</b>	<b>201 183</b>	<b>200 118</b>	<b>242 716</b>	<b>260 891</b>	<b>270 023</b>	<b>278 244</b>	<b>281 029</b>
Capital and reserves	146 508	122 524	138 551	149 006	153 006	154 090	150 017
Post retirement benefits	28 042	49 300	52 232	57 000	57 510	59 154	60 012
Trade and other payables	9 758	18 937	33 915	34 885	36 507	40 000	44 000
Provisions	16 875	9 357	18 018	20 000	23 000	25 000	27 000
<b>Total equity and liabilities</b>	<b>201 183</b>	<b>200 118</b>	<b>242 716</b>	<b>260 891</b>	<b>270 023</b>	<b>278 244</b>	<b>281 029</b>

Data provided by the Council for Mineral Technology



## **National Nuclear Regulator**

The National Nuclear Regulator (NNR) was established in terms of the National Nuclear Regulator Act (1999). Its purpose is to provide for the protection of persons, property and the environment against nuclear damage, through the establishment of safety standards and regulatory practices. The regulator exercises safety regulatory control over the entire life cycle of nuclear installations and vessels propelled by or containing radioactive material. The regulator also fulfils national obligations related to international instruments concerning nuclear safety and ensures that provisions for nuclear emergency planning are in place.

Total revenue before the state contribution for the proposed 2006/07 budget increased by 7 per cent compared to 2005/06. The state's annual contribution represented 9,5 per cent of the regulator's total revenue during 2005/06. However, the additional allocation of R9 million, R12 million and R14 million over the MTEF increased government's annual contribution to an average of 22,9 per cent of total revenue. Total expenditure for the proposed 2006/07 budget increased by 22 per cent compared to 2005/06. This increase budgeted for the implementation of a holistic human resources management strategy, improving the organisational climate, strengthening the regulatory presence at the authorised sites, improving the ability to conduct independent verification exercises, and effective enforcement.

Key medium-term output targets include: recruitment and retention of additional staff; readiness to license new technologies; and increased self-reliance, specifically, less reliance on international consultants. A major undertaking for the regulator will be processing the nuclear installation licence application submitted by Eskom in July 2000 for the proposed pebble bed modular reactor. The application will be subject to the NNR's public hearing process being finalised and its satisfactory assessment of the associated pebble bed modular reactor safety case to be presented to the NNR by the applicant, Eskom.

## **Council for Geoscience**

The Council for Geoscience (CGS) was established in terms of the Geoscience Act (1993). CGS also operates under the national system of innovation (NSI). The objectives of the CGS are to develop and publish world-class geoscience-knowledge products and to provide geoscience-related services to the South African public and industry. The mandate of the council includes the systematic reconnaissance and documentation of the geology of the earth's surface and continental crust, including all offshore areas within the territorial boundaries of South Africa. Its mandate is also to compile all geoscience data and information in the form of maps and documents, which are placed in the public domain.

Transfers by the state to the Council for Geoscience increased at an average annual rate of 9 per cent from R66.4 million in 2002/03 to R86,1 million in 2005/06 and are expected to increase at a rate of 6,1 per cent over the MTEF to R102,7 million in 2008/09. The state's annual contribution represented 63,7 per cent of the council's total annual income for 2005/06. It is estimated to continue with an average contribution of 63,2 per cent of the council's anticipated revenue over the MTEF. This allows the council to maintain a small surplus over the next three years.

The CGS has formulated a five-year equipment-renewal plan. Its current research infrastructure is over 15 years' old, and needs to be urgently replaced for the council to remain a world-class institution. Most of the areas where investments would be required include marine mapping, geophysical mapping and analytical equipment.

Key medium-term output targets include: to develop a stakeholder- and customer focused organization; increase the number and quality of maps and publications published; and increase the number of strategic partnerships developed.

**Table 30.13 Financial summary for the Council for Geoscience (CGS)**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2005/06	2006/07	2007/08
R Thousand	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>INCOME STATEMENT SUMMARY</b>							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>39 849</b>	<b>35 061</b>	<b>43 238</b>	<b>48 739</b>	<b>51 500</b>	<b>57 000</b>	<b>62 500</b>
Sale of goods and services other than capital assets	27 372	24 505	35 935	40 000	45 000	50 000	55 000
<i>Of which:</i>							
Sales by market establishments	27 372	24 505	35 935	40 000	45 000	50 000	55 000
Other non-tax revenue	12 477	10 556	7 303	8 739	6 500	7 000	7 500
<b>Transfers received</b>	<b>78 222</b>	<b>72 631</b>	<b>77 606</b>	<b>86 339</b>	<b>93 099</b>	<b>97 754</b>	<b>102 619</b>
<b>Total revenue</b>	<b>118 071</b>	<b>107 692</b>	<b>120 844</b>	<b>135 078</b>	<b>144 599</b>	<b>154 754</b>	<b>165 119</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>97 059</b>	<b>97 605</b>	<b>111 393</b>	<b>131 969</b>	<b>140 138</b>	<b>148 362</b>	<b>157 510</b>
Compensation of employees	51 358	59 604	66 426	75 150	80 281	85 902	91 915
Goods and services	42 013	32 370	38 550	48 974	51 420	54 276	57 298
Depreciation	3 677	5 621	6 409	7 836	8 429	8 175	8 287
Interest, dividends and rent on land	11	10	8	9	8	9	10
<b>Transfers and subsidies</b>	<b>1 980</b>	<b>1 621</b>	<b>2 394</b>	<b>3 009</b>	<b>3 924</b>	<b>4 166</b>	<b>4 578</b>
<b>Total expenses</b>	<b>99 039</b>	<b>99 226</b>	<b>113 787</b>	<b>134 978</b>	<b>144 062</b>	<b>152 528</b>	<b>162 088</b>
<b>Surplus / (Deficit)</b>	<b>19 032</b>	<b>8 466</b>	<b>7 057</b>	<b>100</b>	<b>537</b>	<b>2 226</b>	<b>3 031</b>
<b>BALANCE SHEET SUMMARY</b>							
Carrying value of assets	28 339	37 320	47 671	50 538	47 457	36 962	32 265
Investments	91 001	114 182	120 855	112 612	104 386	105 370	101 389
Receivables and prepayments	16 622	19 596	21 836	17 085	18 815	21 015	23 215
Cash and cash equivalents	32 040	5 299	18 636	6 000	6 000	6 000	6 000
<b>Total assets</b>	<b>168 002</b>	<b>176 397</b>	<b>208 998</b>	<b>186 235</b>	<b>176 658</b>	<b>169 347</b>	<b>162 869</b>
Capital and reserves	128 352	136 818	143 875	143 975	144 512	146 738	149 769
Post retirement benefits	(464)	(2 050)	(3 480)	-	-	-	-
Trade and other payables	35 532	33 703	58 484	40 760	30 541	20 892	11 262
Provisions	4 582	7 926	10 119	1 500	1 605	1 717	1 838
<b>Total equity and liabilities</b>	<b>168 002</b>	<b>176 397</b>	<b>208 998</b>	<b>186 235</b>	<b>176 658</b>	<b>169 347</b>	<b>162 869</b>

Data provided by the Council for Geoscience

## Central Energy Fund

The Central Energy Fund (Pty) Ltd (CEF), was registered in 1976 and is mandated by the Central Energy Fund Act (1977) to engage in the acquisition, exploration, generation, marketing and distribution of any energy form, as well as to engage in research relating to the energy sector. The CEF's mission is to actively pursue economically viable opportunities in oil, gas, coal and renewable energy resources, and to provide access to sustainable and affordable energy by being the leading commercially viable energy development company in Africa. The fund's activities are housed in five active subsidiaries: PetroSA, Petroleum Agency SA, Igas, the Strategies Fuel Fund Association, and Oil Pollution Control South Africa.

The CEF does not receive funding from the state. The CEF Group and Central Energy Fund are two separate legal entities. The activities of the CEF Group are funded out of reserves, debt funding and dividends from its subsidiaries. The Central Energy Fund can impose a levy on fuel manufactured, distributed or sold for the benefit of the Equalisation Fund controlled by the CEF Group. Group performance improved significantly in 2004/05 compared to the previous year, due mainly to improved results from PetroSA. The average crude oil price for the year

was \$42.1/bbl against an average of \$28.9/bbl in the previous year. This led to a significant increase in group revenues. The stronger ZAR/US\$ exchange rate benefited operating costs and had a positive impact on imported condensate and the cost of drilling projects, but had a negative impact on group revenue, which is predominantly US dollar based.

Key medium-term output targets include: position the CEF brand as the leading energy group in Africa; establish and position the Energy Development Corporation in the energy industry as a leading promoter, facilitator, developer and potential investor in commercially viable, sustainable and social and developmental projects in alternative and renewable energy; set up a new subsidiary of CEF to house the South African National Energy Research Institute.

### **Mine Health and Safety Council**

The Mine Health and Safety Council advises the Minister of Minerals and Energy on Occupational Health and Safety legislation and on research outcomes focused on improving and promoting occupational health and safety at South African mines. The council was constituted in 1996 on recommendations made by the Leon Commission of Inquiry into Health and Safety in the Mining Industry, and which resulted in the promulgation of the Mine Health and Safety Act (1996). The council, as well as its three statutory tripartite permanent committees, consist of 15 non-executive members representing the state, employers and employees under the chairmanship of a state member.

The council is funded by both transfers from government and levies imposed on the mining industry. The transfer to the council is expected to increase from R4,1 million in 2005/06 to R4,4 million in 2006/07. This represents a relatively flat growth rate over the period.

Key medium-term output targets include: implement the safety in mining research advisory committee (SIMRAC) project for eliminating silicosis and noise induced hearing loss; implement the SIMRAC project on rock bursts; and implement, monitor and evaluate the SIMRAC research programme, to contribute to the achievements of industry milestones.

### **Electricity Distribution Industry Holdings**

Electricity Distribution Industry Holdings Company (Pty) Ltd, was created for the sole purpose of executing government's strategic objectives of restructuring the electricity distribution industry (EDI) as per the requirement of the Energy White Paper of 1998, the EDI restructuring blueprint of 2001, and as amplified by subsequent Cabinet decisions.

EDI Holdings established the first RED in Cape Town on 1 July 2005, meeting the president's deadline. However, the initial area of supply of the RED is smaller than the originally envisaged area. Furthermore, due to the implementation challenges, the RED only entered into operating agreements between itself and the City of Cape Town and Eskom, as no business transfers were effected. This will take place over the next 18 months. A service delivery agreement was signed between the RED and the City of Cape Town. The RED has been issued with a licence by the National Electricity Regulator. Six independent board members, the chief executive officer and the chief operations officer were also appointed when the RED was launched.

EDI Holdings Ltd is financed by government through a transfer from the Department of Minerals and Energy. The transfer payment is expected to increase from R59 million in 2005/06 to R91 million in 2006/07. The increase in the budgeted amount is mainly due to the incorrect baseline having been used in previous years. The previous baseline was calculated on the costs incurred by the EDI restructuring project office, whose mandate did not include the specific steps of the creation of the REDs. The increase relates to: R23,3 million for changes in the baseline, R2,5 million for additional staff, R1,7 million for marketing and communications, and R1 million towards increased consulting services.

A key priority for the MTEF period is to facilitate the restructuring of the existing electricity distribution entities into financially viable RED companies, in line with government policy. Key policy assumptions underlying the revised restructuring approach include: a cross-subsidisation framework; the transfer of all Eskom customers excluding contestable customers; medium and large (contestable) customers allowed to exercise choice of supplier; and accelerate the creation of other REDs.

### **South African Diamond Board**

The South African Diamond Board (SADB) was established in terms of the Diamonds Act (1986) to regulate the diamond industry. Its main function is to exercise control over the possession and sale, the processing and the export of diamonds, and oversee related matters. The board is now fully compliant with the United Nations Resolution 55 which requires all diamond participating countries to issue a certificate of the country of origin for all export of unpolished (rough) diamonds. The certificates are known as the Kimberley Process Certificates.

The SADB derives its main income from levies raised on exporting and importing diamonds and does not receive transfers from government. Recent IT reforms have helped to boost revenue collection. The board was able to install a billing system to collect outstanding revenues from the defaulting licence holders. The billing system increased the income from licence fees by more than R1,5 million. The new billing system enabled the board to reduce the number of late submission of registers by 56 per cent.

Key medium-term output targets include: to increase the number of diamond licence holders by 1 500 to 2 000 every year; to increase the number of inspections on premises; to cover at least 60 per cent of the current 5 852 licences in issue; and to provide more international exposure and training to the diamond inspectors with a view to promoting them to the position of government diamond valuers.

## **Annexure**

### **Vote 30: Minerals and Energy**

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

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

Table 30.C: Summary of expenditure on training

Table 30.D: Summary of conditional grants to provinces and local government (municipalities)

Table 30.E: Summary of official development assistance expenditure

Table 30.F: Summary of expenditure on infrastructure

**Table 30.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 thousand	2004/05		2004/05	2005/06			2005/06
1. Administration	92 417	121 177	112 437	111 364	19 309	130 673	130 673
2. Promotion of Mine Safety and Health	99 633	97 643	87 566	108 536	3 104	111 640	111 640
3. Mineral Regulation	99 257	100 527	126 131	141 539	(50)	141 489	141 489
4. Mineral Policy and Promotion	60 551	60 626	31 344	43 617	–	43 617	43 617
5. Hydrocarbons and Energy Planning	24 380	23 426	17 355	34 340	–	34 340	34 340
6. Electricity and Nuclear	49 243	47 335	45 582	56 784	25 000	81 784	81 784
7. Associated Services	1 509 013	1 512 169	1 456 013	1 621 405	106 632	1 728 037	1 728 037
<b>Total</b>	<b>1 934 494</b>	<b>1 962 903</b>	<b>1 876 428</b>	<b>2 117 585</b>	<b>153 995</b>	<b>2 271 580</b>	<b>2 271 580</b>

**Economic classification**

	398 690	369 351	343 587	462 700	37 583	500 283	500 283
<b>Current payments</b>							
Compensation of employees	203 129	194 947	190 783	241 131	–	241 131	241 131
Goods and services	195 561	174 199	152 600	221 569	37 583	259 152	259 152
Financial transactions in assets and liabilities	–	205	204	–	–	–	–
<b>Transfers and subsidies</b>	<b>1 530 414</b>	<b>1 585 230</b>	<b>1 527 718</b>	<b>1 647 942</b>	<b>116 372</b>	<b>1 764 314</b>	<b>1 764 314</b>
Provinces and municipalities	248 112	251 344	196 671	258 636	55 132	313 768	313 768
Departmental agencies and accounts	232 121	174 743	174 743	154 934	25 565	180 499	180 499
Universities and technikons	–	–	–	–	100	100	100
Public corporations and private enterprises	1 048 381	1 157 013	1 155 503	1 233 235	35 565	1 268 800	1 268 800
Households	1 800	2 130	781	1 137	10	1 147	1 147
<b>Payments for capital assets</b>	<b>5 390</b>	<b>8 322</b>	<b>5 123</b>	<b>6 943</b>	<b>40</b>	<b>6 983</b>	<b>6 983</b>
Machinery and equipment	5 390	8 322	4 333	6 943	40	6 983	6 983
Software and intangible assets	–	–	790	–	–	–	–
<b>Total</b>	<b>1 934 494</b>	<b>1 962 903</b>	<b>1 876 428</b>	<b>2 117 585</b>	<b>153 995</b>	<b>2 271 580</b>	<b>2 271 580</b>

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

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>A. Permanent and full-time contract employees</b>							
Compensation (R thousand)	137 695	169 841	187 726	237 087	286 950	308 245	332 572
Unit cost (R thousand)	168	187	202	239	236	248	260
Compensation as % of total	98.7%	96.1%	98.4%	98.3%	98.8%	98.9%	98.9%
Personnel numbers (head count)	819	906	928	992	1 216	1 244	1 280
<b>B. Part-time and temporary contract employees</b>							
Compensation (R thousand)	1 500	6 301	2 202	2 628	1 879	1 992	2 111
Unit cost (R thousand)	33	38	37	38	37	39	41
Compensation as % of total	1.1%	3.6%	1.2%	1.1%	0.6%	0.6%	0.6%
Personnel numbers (head count)	45	165	59	70	51	51	51

**Table 30.B Summary of personnel numbers and compensation of employees (continued)**

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>C. Interns</b>							
Compensation of interns (R thousand)	300	600	855	1 416	1 560	1 560	1 560
Unit cost (R thousand)	12	12	19	24	24	24	24
Number of interns	25	50	45	59	65	65	65
<b>Total for department</b>							
Compensation (R thousand)	139 495	176 742	190 783	241 131	290 389	311 797	336 243
Unit cost (R thousand)	157	158	185	215	218	229	241
Personnel numbers (head count)	889	1 121	1 032	1 121	1 332	1 360	1 396

**Table 30.C Summary of expenditure on training**

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Training and staff development</b>							
Expenditure (R thousand)	2 710	4 124	2 896	4 662	4 918	5 213	5 474
Number of employees trained (head count)	341	209	155	455	455	455	455
<b>Bursaries (employees)</b>							
Expenditure (R thousand)	573	904	960	253	266	282	282
Number of employees (head count)	72	72	76	124	124	124	124
<b>Total</b>	<b>3 283</b>	<b>5 028</b>	<b>3 856</b>	<b>4 915</b>	<b>5 184</b>	<b>5 495</b>	<b>5 756</b>
<b>Number of employees</b>	<b>413</b>	<b>281</b>	<b>231</b>	<b>579</b>	<b>579</b>	<b>579</b>	<b>579</b>

**Table 30.D Summary of conditional grants to provinces and local government (municipalities)<sup>1</sup>**

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Conditional grants to local government (municipalities)</b>							
<b>7. Associated Services</b>							
Integrated National Electrification Programme Grant	224 763	245 091	196 102	313 132	391 130	406 627	457 637
<b>Total</b>	<b>224 763</b>	<b>245 091</b>	<b>196 102</b>	<b>313 132</b>	<b>391 130</b>	<b>406 627</b>	<b>457 637</b>

<sup>1</sup> Detail provided in the Division of Revenue Act (2006).

**Table 30.E Summary of official development assistance expenditure**

Donor	Project	Cash/ kind	Audited outcome			Adjusted	Medium-term expenditure estimate		
			2002/03	2003/04	2004/05	appropriation	2006/07	2007/08	2008/09
R thousand									
<b>Foreign</b>									
Danish Government	Capacitating the Designated National Authority	Kind	-	-	-	1 600	-	-	-
Canada	Kgabane pilot project	Cash	-	-	-	-	-	-	-
United kingdom	Kgabane pilot project	Cash	-	-	-	-	-	-	-
European Union	Non-Grid electrification of rural schools	Cash	678	-	438	-	-	-	-
Norway	Electricity Capacity Building Programme	Cash	2 775	2 528	1 894	778	-	-	-
Norway	Co-operation between Department of Minerals and Energy	Cash	-	-	-	-	-	-	-
Norway	Petroleum sector Policy , Research and Capacity	Cash	11 615	-	-	-	-	-	-
Denmark	Danish consultants - capacity building in energy efficiency	Cash	-	-	-	-	-	-	-
Norway	SADC Regional electricity support	Cash	-	203	-	-	-	-	-
Germany	Decentralised rural electrification project	Kind	-	1 257	-	-	-	-	-
The Netherlands	Electrification of schools	Cash	675	-	10 867	-	-	-	-
<b>Total</b>			<b>15 743</b>	<b>3 988</b>	<b>13 199</b>	<b>2 378</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Table 30.F Summary of expenditure on infrastructure**

Description	Service delivery outputs			Adjusted	Medium-term expenditure estimate		
	Audited outcome			appropriation	2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
<b>Infrastructure transfers to other spheres, agencies and departments</b>							
National Electrification Programme	225 000	245 000	251 000	313 000	1 368 000	1 423 000	1 600 000
<b>Total</b>	<b>225 000</b>	<b>245 000</b>	<b>251 000</b>	<b>313 000</b>	<b>1 368 000</b>	<b>1 423 000</b>	<b>1 600 000</b>