Vote 29

Minerals and Energy

R thousand	2007/08 To be appropriated	2008/09	2009/10
MTEF allocations			
Administration	175 252	187 604	200 031
Promotion of Mine Safety and Health	124 845	131 453	137 975
Mineral Regulation	151 847	171 705	179 883
Mineral Policy and Promotion	70 140	57 382	60 127
Hydrocarbons and Energy Planning	52 600	60 861	63 903
Electricity and Nuclear	57 970	64 919	78 749
Associated Services	2 333 459	2 734 088	3 426 410
Total	**2 966 113**	**3 408 012**	**4 147 078**
Direct charges against the National Revenue Fund	–	–	–
Total expenditure estimates	**2 966 113**	**3 408 012**	**4 147 078**
Economic classification			
Current payments	574 130	628 473	672 559
Transfers and subsidies	2 382 824	2 769 659	3 463 761
Payments for capital assets	9 159	9 880	10 758
Total expenditure estimates	**2 966 113**	**3 408 012**	**4 147 078**
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 and measurable objectives

Programme 1: Administration

Provide comprehensive administrative support to the ministry and the 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

Purpose: Regulate the minerals and mining sectors to achieve transformation.

Programme 4: Mineral Policy and Promotion

Develop mineral-related policies and promote South Africa's mining and minerals industry in order to attract investment.

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: 2003/04 – 2009/10

To continue its strategic focus on ensuring effective implementation of minerals and energy policy that supports the transformation agenda of the South African government, the department revisited its mission, vision and mandate and developed new strategic objectives and priorities. The department's strategic aim is to formulate and implement policies that will promote the optimal use of mineral and energy resources in South Africa.

Key challenges that remain include the need to focus on expanding key mining, metal and energy production industries capable of growing the economy; reducing the cost of doing business in South Africa by improving the supply of critical infrastructure such as energy; developing policy on administered prices, diversifying the supply of energy, and promoting more efficient mineral and energy use; and reducing barriers in the minerals and energy sectors to allow second economy operations to gain entry to this market.

The mining sector

Broadening access to the mining sector and associated industries remains a strategic priority. The establishment of the Diamond and Precious Metals regulator and the State Diamond Trader will contribute to achieving this outcome.

Legislative and policy environment

The implementation of the Minerals and Petroleum Resources Development Act (2002) (MPRDA) brought with it a new set of operational challenges for the department. The MPRDA is being reviewed to reflect the dynamic changes in the industry, promote small scale mining and ensure sound environmental management principles. Over the medium term, the department will focus on reducing the time taken to process applications and increasing capacity to handle high volumes of applications, while assisting first time entrants in the industry.With the MPRDA the department is charting the way for the sector to conducts its prospecting and mining operations. For there to be greater competition and to ensure that previously disadvantaged individuals can participate in the industry, it discourages the hoarding of mineral resources.

With the implementation of the MPRDA it was realised that certain provisions have to be amended as they have negative consequences that are unintended in the spirit of the act. These include certain definitions, sound environmental management principles, further protection of certain existing rights and issues negatively affecting the development of small-scale mining, improved service delivery in terms of the time taken to process applications; and the capacity to handle high volumes of applications while attending to the problems encountered by first time entrants in the industry. To improve on service delivery and policy implementation, the former *Mineral Development* programme was divided into the *Mineral Regulation* programme (now programme 3 and responsible for implementing the MPRDA and other mineral policies) and the *Mineral Policy and Promotion* programme (now programme 4 and responsible for policy formulation and promotion).

Both the Diamond Amendment Act (2005) and the Precious Metals Act (2005) have ushered in a new era in the regulation of the South African mineral industry by creating an enabling environment for the beneficiation of the country's mineral resources by broadening access to both rough diamonds and precious metals. The Diamond and Precious Metals Regulator is to replace the South African Diamond Board with the added function of regulating precious metals. The State Diamond Trader is to be established for a trial period of 12 months to promote the beneficiation of diamonds with the aim of developing new diamond industry operators in the country. It is hoped that the implementation of these two pieces of legislation will stimulate jewellery manufacturing in the country. To further encourage beneficiation of South Africa's mineral resources, the department has entered into a series of discussions with the mining companies to define minimum beneficiation levels above which mining companies are to derive benefits if they encourage beneficiation to happen in the country. This is currently confined to the top 10 strategic mineral commodities produced in the country.

Environmental management

Considering the extent of environmental damage caused by mining in South Africa, the department has entered into a five-year agreement with the Council for Scientific and Industrial Research (CSIR), the Council for Geoscience and Mintek to find solutions for long-term rehabilitation and environmental management.

The need for a national strategy for dealing with derelict and ownerless mines is evident in the more than 8 000 entries made in the database for derelict and ownerless mines in South Africa. A ranking system has been developed to prioritise the rehabilitation of these mines and a dedicated geographic information system and an environmental auditing system have been finalised to strengthen environmental decision making and the enforcing of environmental regulations. These systems will be integrated with the existing national mining promotion system (NMPS).

Occupational health and safety

Reducing the number of mining accidents, disasters and fatalities is a key outcome for the department. The *Promotion of Mine Safety and Health* programme undertakes compliance monitoring and enforcement and the *Mineral Regulation* programme ensures that derelict mines are rehabilitated. The mine health and safety inspectorate has been restructured to improve service delivery. All policy issues will be dealt with by a dedicated chief directorate, and all issues relating to occupational health and safety will be dealt with by a specialist unit.

The energy sector

A well performing energy sector is critical to economic development and social transformation. The energy sector is divided into three sub-sectors: electricity, nuclear energy and petroleum. Collectively, they contribute to achieving departmental outcomes within the context of key policy developments. The free basic electricity programme plays a significant role in improving the lives of indigent households in the country. In addition, the integrated national electrification programme connects households to the grid, thus improving universal access to electricity.

The National Energy Regulator (NERSA) was officially launched in November 2005, bringing South Africa's energy regulatory framework in line with global best practice. The National Energy Regulator Act (2004) repealed sections of the existing acts to allow for a single energy regulator for electricity, piped-gas and petroleum pipeline industries.

Changes in legislation

The Electricity Act came into effect from the 1st of August 2006. Electricity regulation by local authorities will be legislated separately during 2007 through the Electricity Regulation Amendment Bill. The draft National

Energy Bill is currently being developed. The bill introduces measures to promote the uptake of renewable energy, improve energy efficiency, address climate change and increase the use of environmentally-friendlier technologies, thus aligning South Africa's energy sector with international best practice.

Ensuring a sustainable electricity supply

To maintain the security of electricity supply, government has started with co-ordinated efforts involving Eskom to introduce new generation capacity over the next five years. Independent power producers will be given an opportunity to commission 30 per cent of new generation capacity. The remaining 70 per cent of new generation capacity will be commissioned by Eskom.

The department also continues to focus on: building new bulk infrastructure; the refurbishment and rehabilitation of the existing electricity distribution infrastructure at local municipalities to ensure the reliability of supply for the 2010 FIFA World Cup and to accelerate the rate at which households are being electrified in order to achieve universal access by 2012.

The electricity distribution industry restructuring aimed at streamlining the sector and improving efficiency in service delivery continues. The restructuring process will result in a total of six independently owned regional electricity distributors (REDs) constituted as public entities and anchored by the six metropolitan municipalities.

Nuclear energy

A major focus will be on the continuous improvement of skills within the nuclear sector commensurate with the expanding programmes such as the pebble bed modular reactor (PBMR) programme. There will also be more investment in the research and development capabilities of the nuclear sector public entities to support current and future programmes. Additional funding was approved for the re-capitalisation of the Nuclear Energy Council of South Africa (NECSA) as part of the reinvestment in the nuclear technology research and development initiatives. A number of initiatives have been undertaken to improve the governance of public entities in the nuclear sector. Cabinet approved a radioactive waste management policy and strategy in 2005 and the establishment of structures for implementing this policy is currently under way. The Department of Minerals and Energy's nuclear disaster management plan was approved.

The revision of the national nuclear security (physical security of nuclear installations) framework was completed and its implementation will require additional resources for continuous training programmes for security personnel.

Government recognises the role that nuclear energy can play in ensuring security and diversity of energy supply. The cost of historical nuclear liabilities was revised and the nuclear liabilities management plan was approved. The discharge of nuclear liabilities is carried out by NECSA on behalf of government and involves the decommissioning and decontamination of disused facilities.

As part of its international obligations to maintain a clean and safe, nuclear energy sector, South Africa submitted the third national report on nuclear safety for review by other countries party to the International Convention on Nuclear Safety during the third review meeting held in April 2005.

Electricity

Since the inception of the electrification programme in 2001, approximately 4,5 million households, 11 724 schools and 279 clinics have been connected to the national grid. Statistics South Africa figures indicate that access to electricity has increased from approximately 30 per cent in 1994 to 72 per cent in 2005; and has contributed significantly to the socio-economic status of majority of historically disadvantaged communities in SA. In the 2004 State of Nation address, the president's national targets for basic infrastructure included that the country must have universal access to electricity by 2012.

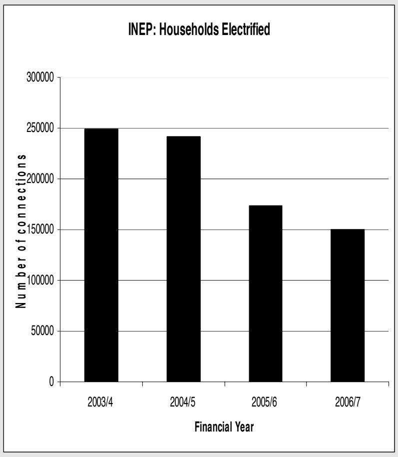
In 2005/06, electricity was provided to 151 297 households, 498 schools and 28 clinics. In 2006/07, 158 000 connections for households and 669 for schools and 23 clinics were planned. In achieving universal access over the MTEF period the Department plans to accelerated electrification and rehabilitation of electricity infrastructure leading to 2010. Over the 2007 MTEF period DME intends to electrify 150 000 grid connected households and 12 000 non-grid households, 1 039 schools and 314 clinics per annum and build new bulk substations and lines in Limpopo, Eastern Cape and Kwazulu-Natal.

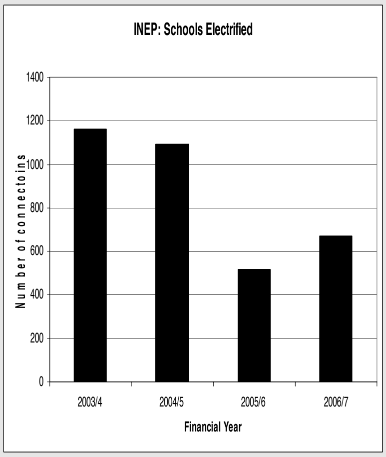
Actual connections reduced from 249 636 connections made by both municipalities and Eskom during the 2003/04 financial year to an estimated 150 549 during the 2006/07 as reflected in the graph below. The trend in reduction of the number of connections is attributable to the increased cost per connection mainly due to connections being made in rural areas. Also, in 2005/06, R113 million was used for bulk infrastructure and for 2006/7 R282 million was allocated. The bulk infrastructure will influence the targeted connections as infrastructure first need to be erected before connections are made.

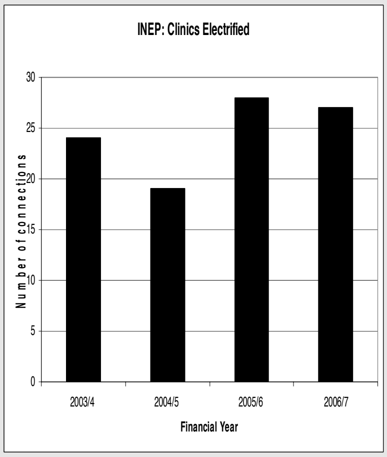
Additional allocations of R45 million, R90 million and R150 million over the MTEF period are for reducing backlogs in the electrification of schools and clinics. In 2007/08, an estimated 1 039 schools and 314 clinics will be electrified.

The electricity network capacity was such that more households can be connected without building large bulk infrastructure systems to open areas for electrification as majority of the areas were closer to networks and the human settlement were such that more connections can be achieved (closer to the infrastructure and better household densities) contributed to the success. Hence an increase in electrification numbers in 1990s.

A major electrification programme challenge over the MTEF period is the building of infrastructure as approximately 80% of the households who do not have electricity are in rural areas of Limpopo, Kwa-Zulu Natal and the Eastern Cape where there is no bulk infrastructure to continue with household connections.







Expenditure estimates

Table 29.1 Minerals and Energy

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
R thousand	2003/04	2004/05	2005/06	2006/07		2007/08	2008/09	2009/10
1. Administration	117 862	112 437	130 831	151 106	147 784	175 252	187 604	200 031
2. Promotion of Mine Safety and Health	87 244	87 566	99 008	117 210	107 724	124 845	131 453	137 975
3. Mineral Regulation	85 872	126 131	84 019	139 944	126 951	151 847	171 705	179 883
4. Mineral Policy and Promotion	31 342	31 344	84 257	71 459	72 588	70 140	57 382	60 127
5. Hydrocarbons and Energy Planning	16 291	17 355	31 362	43 289	41 079	52 600	60 861	63 903
6. Electricity and Nuclear	40 595	45 582	71 306	60 805	47 494	57 970	64 919	78 749
7. Associated Services	1 433 247	1 456 013	1 690 830	2 051 287	1 972 878	2 333 459	2 734 088	3 426 410
Total	**1 812 453**	**1 876 428**	**2 191 613**	**2 635 100**	**2 516 498**	**2 966 113**	**3 408 012**	**4 147 078**
Change to 2006 Budget estimate				86 828	(31 774)	249 200	453 700	

Table 29.1 Minerals and Energy (continued)

	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
R thousand	2003/04	2004/05	2005/06	2006/07		2007/08	2008/09	2009/10
Economic classification								
Current payments	**321 123**	**343 587**	**417 898**	**520 952**	**487 241**	**574 130**	**628 473**	**672 559**
Compensation of employees	176 742	190 783	217 070	289 389	252 662	323 503	348 882	375 089
Goods and services	144 007	152 600	200 784	231 563	234 579	250 627	279 591	297 470
of which:								
Communication	*8 145*	*8 395*	*11 027*	*11 359*	*11 982*	*12 039*	*12 641*	*13 399*
Computer services	*1 933*	*7 018*	*5 895*	*6 046*	*7 365*	*6 407*	*6 728*	*7 132*
Consultants, contractors and special services	*54 886*	*58 484*	*70 395*	*120 233*	*119 220*	*104 899*	*123 416*	*130 821*
Inventory	*5 300*	*3 691*	*3 915*	*4 515*	*4 752*	*4 786*	*5 026*	*5 327*
Maintenance, repairs and running costs	*49*	*717*	*949*	*734*	*687*	*778*	*817*	*866*
Operating leases	*1 127*	*1 095*	*2 276*	*486*	*629*	*1 279*	*1 357*	*1 580*
Travel and subsistence	*30 833*	*33 444*	*53 551*	*49 969*	*51 705*	*52 968*	*55 615*	*58 952*
Training and staff development	*4 124*	*2 896*	*2 930*	*4 082*	*4 082*	*5 213*	*5 474*	*5 803*
Property management	*13 455*	*15 550*	*16 771*	*17 983*	*17 983*	*19 491*	*21 029*	*23 241*
Municipal services	*2 105*	*2 210*	*2 385*	*2 794*	*2 794*	*3 033*	*3 224*	*3 545*
Financial transactions in assets and liabilities	374	204	44	–	–	–	–	–
Transfers and subsidies	**1 469 512**	**1 527 718**	**1 768 373**	**2 109 432**	**2 022 457**	**2 382 824**	**2 769 659**	**3 463 761**
Provinces and municipalities	245 704	196 671	298 153	391 524	355 265	467 827	595 637	897 008
Departmental agencies and accounts	132 867	174 743	204 188	206 187	206 187	247 721	281 197	294 848
Universities and technikons	–	–	100	–	–	–	–	–
Public corporations and private enterprises	1 090 073	1 155 503	1 264 786	1 510 621	1 459 905	1 666 111	1 891 602	2 270 621
Non-profit institutions	22	20	–	–	–	–	–	–
Households	846	781	1 146	1 100	1 100	1 165	1 223	1 284
Payments for capital assets	**21 818**	**5 123**	**5 342**	**4 716**	**6 800**	**9 159**	**9 880**	**10 758**
Machinery and equipment	21 818	4 333	4 266	4 716	6 686	7 659	8 380	9 258
Cultivated assets	–	–	–	–	114	–	–	–
Software and other intangible assets	–	790	1 076	–	–	1 500	1 500	1 500
Total	**1 812 453**	**1 876 428**	**2 191 613**	**2 635 100**	**2 516 498**	**2 966 113**	**3 408 012**	**4 147 078**

Expenditure trends

Expenditure has increased from R1,8 billion in 2003/04 to R2,6 billion in 2006/07, at an average annual rate of 13,3 per cent. The restructuring and expansion of the department to align its resources with strategic objectives contributed to a significant increase in expenditure associated with the compensation of employees and related expenditure on goods and services. Spending on compensation of employees and goods and services increased from R176,7 million and R144 million in 2003/04 to R289,4 million and R231,6 million in 2006/07 at an average annual growth rate of 17,9 per cent and 17,2 per cent respectively.

Over the MTEF period, overall spending for the department is projected to grow from R2,6 billion in 2006/07 to an estimated R4,1 billion in 2009/10, at an average annual rate of 16,3 per cent. Additional allocations for increasing the number of employees in the department, to meet its statutory obligations in implementing new legislation and regulating the mining and energy sectors, contributes to this increase in spending. R22,5 million, R22,4 million and R24,7 million has been provided for unfunded post and administrative expenditure relating to these unfunded posts over the 2007 MTEF. Other additional allocations over the same period, have gone to the integrated national electrification programme (INEP) (R1,8 billion), R285 million for electrification backlogs in schools and clinics, the Council for Geoscience (R50 million) and the South African Nuclear Energy Corporation (R145,7 million) and the implementation of new transfer payments to the Diamond and Precious Metals Regulator (R100 million) also contribute to the increase in transfer payments at an annual rate of 20,6 per cent.

Infrastructure spending

Infrastructure spending by the department occurs primarily through transfers to local municipalities and Eskom in the form of conditional grants to implement the integrated national electrification programme, which connects households to the electricity grid. The purpose of the conditional grant to local government is to electrify households, schools and clinics. Where municipalities do not have the capacity to establish new connections, the department transfers funds to Eskom to implement the electrification programme.

The additional allocation for INEP, for the rehabilitation of infrastructure and expanding the electrification programme, is divided as follows: R102 million in 2007/08, R230 million in 2008/09 and R668,8 million in 2009/10. A new grant of R45 million, R90 million and R150 million has been allocated over the MTEF period for the electrification backlogs at schools and clinics.

Departmental receipts

The main sources of receipts for the department are royalties and prospecting fees collected from mining companies. During 2005/06 and 2006/07, royalties, surface rental and prospecting fees represented approximately 96 per cent of total departmental revenue. Projected revenue over the MTEF period is expected to increase from R120,8 million in 2006/07 to an estimated R146,8 million in 2009/10.

Table 29.2 Departmental receipts

	Audited outcome			Adjusted appropriation	Medium-term receipts estimate		
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Departmental receipts	**297 452**	**113 773**	**133 611**	**120 832**	**133 214**	**139 875**	**146 802**
Sales of goods and services produced by department	3 656	8 823	2 511	2 265	2 497	2 621	2 752
Sales of scrap, waste and other used current goods	4	–	2	–	1	1	1
Fines, penalties and forfeits	1 832	229	276	58	61	64	–
Interest, dividends and rent on land	290 438	102 262	129 800	118 347	130 477	137 002	143 853
Financial transactions in assets and liabilities	1 522	2 459	1 022	162	178	187	196
Total	**297 452**	**113 773**	**133 611**	**120 832**	**133 214**	**139 875**	**146 802**

Programme 1: Administration

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

Expenditure estimates

Table 29.3 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Minister [1]	826	755	924	845	895	940	987
Deputy Minister [2]	709	616	649	687	728	764	802
Management	6 697	7 757	10 234	12 643	14 919	16 765	19 071
Corporate Services	94 070	85 549	99 816	116 153	136 186	144 882	152 385
Property Management	15 560	17 760	19 208	20 778	22 524	24 253	26 786
Total	**117 862**	**112 437**	**130 831**	**151 106**	**175 252**	**187 604**	**200 031**
Change to 2006 Budget estimate				–	13 476	17 036	

1. Payable as from 1 April 2006. Salary: R675 781. Car allowance: R168 945.

2. Payable as from 1 April 2006. Salary: R549 264. Car allowance: R137 315.

Table 29.3 Administration (continued)

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Economic classification							
Current payments	**96 690**	**107 580**	**124 355**	**145 561**	**165 342**	**176 935**	**188 445**
Compensation of employees	36 038	39 841	45 592	64 131	71 912	75 508	78 905
Goods and services	60 278	67 535	78 719	81 430	93 430	101 427	109 540
of which:							
Communication	*5 073*	*5 665*	*5 567*	*5 412*	*5 736*	*6 023*	*6 384*
Computer services	*1 923*	*6 640*	*5 879*	*6 014*	*6 374*	*6 693*	*7 095*
Consultants, contractors and special services	*8 434*	*6 669*	*7 128*	*7 186*	*7 617*	*9 098*	*9 644*
Inventory	*4 183*	*2 795*	*3 136*	*2 801*	*2 969*	*3 118*	*3 305*
Operating leases	*963*	*958*	*1 897*	*–*	*763*	*814*	*1 004*
Travel and subsistence	*13 620*	*15 194*	*19 938*	*16 994*	*18 014*	*18 914*	*20 049*
Training and staff development	*3 724*	*2 695*	*2 880*	*4 082*	*4 327*	*4 543*	*4 816*
Property management	*13 455*	*15 550*	*16 771*	*17 983*	*19 491*	*21 029*	*23 241*
Municipal services	*2 105*	*2 210*	*2 385*	*2 794*	*3 033*	*3 224*	*3 545*
Financial transactions in assets and liabilities	374	204	44	–	–	–	–
Transfers and subsidies	**1 052**	**924**	**1 383**	**1 223**	**1 165**	**1 223**	**1 284**
Provinces and municipalities	108	120	137	123	–	–	–
Public corporations and private enterprises	90	115	100	–	–	–	–
Non-profit institutions	22	20	–	–	–	–	–
Households	832	669	1 146	1 100	1 165	1 223	1 284
Payments for capital assets	**20 120**	**3 933**	**5 093**	**4 322**	**8 745**	**9 446**	**10 302**
Machinery and equipment	20 120	3 382	4 017	4 322	7 245	7 946	8 802
Software and other intangible assets	–	551	1 076	–	1 500	1 500	1 500
Total	**117 862**	**112 437**	**130 831**	**151 106**	**175 252**	**187 604**	**200 031**

Expenditure trends

Overall expenditure on the *Administration* programme increased from R117,9 million in 2003/04 to R151,1 million in 2006/07, at an average annual rate of 8,6 per cent. The programme's support functions were expanded in line with the department's restructuring. This resulted in more expenditure on compensation of employees and administrative services.

Expenditure on this programme is expected to continue to increase from R151,1 million in 2006/07 to an estimated R200 million in 2009/10 due to the continued restructuring of the department, which is driven by legislative and policy changes.

Programme 2: Promotion of Mine Safety and Health

The *Promotion of Mine Safety and Health* programme protects the safety and health 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 29.4 Promotion of Mine Safety and Health

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Governance Policy and Oversight	36 665	33 809	38 495	42 934	48 073	50 843	53 674
Mine Health and Safety (Regions)	50 579	53 757	60 513	74 276	76 772	80 610	84 301
Total	**87 244**	**87 566**	**99 008**	**117 210**	**124 845**	**131 453**	**137 975**
Change to 2006 Budget estimate				–	59	(1 173)	
Economic classification							
Current payments	**82 113**	**83 183**	**94 331**	**112 270**	**119 757**	**126 110**	**132 365**
Compensation of employees	64 287	66 972	75 346	89 810	95 372	100 141	104 648
Goods and services	17 826	16 211	18 985	22 460	24 385	25 969	27 717
of which:							
Communication	*1 026*	*1 204*	*1 118*	*1 123*	*1 190*	*1 249*	*1 324*
Consultants, contractors and special services	*6 743*	*3 235*	*4 791*	*4 331*	*4 591*	*4 820*	*5 109*
Inventory	*537*	*356*	*216*	*583*	*618*	*649*	*688*
Operating leases	*–*	*25*	*43*	*53*	*56*	*59*	*63*
Travel and subsistence	*8 252*	*9 707*	*10 831*	*12 615*	*13 372*	*14 040*	*14 882*
Transfers and subsidies	**4 419**	**4 047**	**4 428**	**4 546**	**4 674**	**4 909**	**5 154**
Provinces and municipalities	181	200	228	94	–	–	–
Departmental agencies and accounts	4 238	3 816	4 200	4 452	4 674	4 909	5 154
Households	–	31	–	–	–	–	–
Payments for capital assets	**712**	**336**	**249**	**394**	**414**	**434**	**456**
Machinery and equipment	712	293	249	394	414	434	456
Software and other intangible assets	–	43	–	–	–	–	–
Total	**87 244**	**87 566**	**99 008**	**117 210**	**124 845**	**131 453**	**137 975**
Details of major transfers and subsidies:							
Departmental agencies and accounts							
Current	**4 238**	**3 816**	**4 200**	**4 452**	**4 674**	**4 909**	**5 154**
Mine Health and Safety Council	4 238	3 816	4 200	4 452	4 674	4 909	5 154

Expenditure trends

Overall spending on the *Promotion of Mine Safety and Health* programme increased from R87,2 million in 2003/04 to R117,2 million in 2006/07, at an average annual rate of 10,3 per cent. The increase is due to the expansion of support services.

Spending on the *Promotion of Mine Safety and Health* programme is expected to continue to increase in line with the restructuring of the health and safety inspectorate, from R117,2 million in 2006/07 to an estimated R138 million in 2009/10 at an average annual rate of 5,6 per cent. The inspectorate provides mine surveying, legal engineering expertise and inspection services and is driven by spending on compensation of employees, which takes up on average 76 per cent of total programme expenditure over the MTEF period.

Service delivery objectives and indicators

Recent outputs

During the reporting period, fatality rates per million hours worked decreased from 0,25 in 2004 to 0,21 in 2005, which reflects a 16 per cent decrease in the frequency rate at which employees die at mines. This incidence translates into 202 deaths in 2005 compared to 246 in 2004. While the overall mining industry's safety performance has improved, the fatality rates for gold have increased by 7 per cent, from 0,28 in 2004 to 0,3 in 2005. The fatality rates at mines for commodities such as diamonds, copper, chrome and granite dimension stone dropped between 2004 and 2005. Unfortunately the fatality rates at iron ore mines increased by 100per cent, while fatality rates for limestone mining increased by 25 per cent and rates for clay mining increased by 8 per cent.

The injury rates for the mining industry increased by 21 per cent from 2,91 per million hours in 2004 to 3,53 in 2005. Gold mining injury rates have dropped by 8 per cent from 7,37 per million hours in 2004 to 6,81 in 2005. Fatality rates at platinum mines decreased by 29 per cent from 0,21 in 2004 to 0,15 in 2005. The increased number of injuries for the industry as a whole can be attributed largely to under-reporting that was identified and rectified during 2005.

During 2005/06, nine people lost their lives in two mine disasters. Mine disasters are accidents in which four or more people die. The mine disasters in Gauteng and the Free State were both rock burst related and associated with remnant pillar extraction. The occurrence of mine disasters is on a decreasing trend, because of more efficient mine design, planning procedures and ore extraction methodologies. The health and safety inspectorate has made a concerted effort to increase its capacity to conduct inquiries into accidents.

Regulations on outlets, scraper and monocrope winches, mine environmental engineering, occupational hygiene, lifting equipment, and guidelines for codes of practice to combat rock failure accidents, and monorail systems were completed during 2005/06.

The health and safety inspectorate has finalised an internal guideline document on medico-legal investigations into mine deaths, which is scheduled for implementation early in 2007/08.

The health and safety inspectorate is faced with the challenge of recruiting and retaining scarce skills such as engineering skills. The skills shortage problems are being addressed through initiatives of the Mining Qualifications Authority, and issues of remuneration problems are tackled in the restructuring process through career pathing for technical competencies. In spite of the challenges, during the reporting period the health and safety inspectorate has continued to develop the skills and knowledge of its staff members, with 118 officials out of 272 attending different courses.

Since the promulgation of the Minerals and Petroleum Resources Development Act (2004), the number of mining licences issued to SMMEs has increased dramatically, and the regulatory capacity of the health and safety inspectorate has been stretched. It has had to match this increasing activity with conducting more inspections on these types of operations and to continue to offer training and assistance to small-scale miners. This effort has contributed to the 57 per cent year-on-year decrease in the accident rate in the diamond sector, where most of these new entrants are concentrated.

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	Integrated and appropriate management information system	Occupational hygiene and occupational medicine databases completed	June 2007
		Occupational safety standards reached	March 2008
		Annual medical reports compiled	March 2008
	Survey audit and inspection of rehabilitation sites of ownerless and derelict mines	Survey audits and inspection reports compiled	Monthly
Mine Health and Safety (Regions)	Enforcement of cleaner healthier and safer mines standards	Percentage decrease in occupational health and safety casualty rate	20% reduction in injuries 20% reduction in fatalities
		Percentage of mines managing occupational health risks	Address 80% of identified hazardous sites

Programme 3: Mineral Regulation

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. Apart from *Management*, there is one subprogramme, *Mineral Regulation and Administration*.

Expenditure estimates

Table 29.5 Mineral Regulation

Subprogramme				Adjusted			
	Audited outcome			appropriation	Medium-term expenditure estimate		
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Management	2 774	4 069	3 883	5 175	5 266	5 529	5 790
Mineral Regulation and Administration	83 098	122 062	80 136	134 769	146 581	166 176	174 093
Total	**85 872**	**126 131**	**84 019**	**139 944**	**151 847**	**171 705**	**179 883**
Change to 2006 Budget estimate				(20 100)	(18 077)	(8 905)	
Economic classification							
Current payments	**84 312**	**74 058**	**83 881**	**139 851**	**151 847**	**171 705**	**179 883**
Compensation of employees	45 173	48 852	53 495	73 486	77 530	81 407	85 070
Goods and services	39 139	25 206	30 386	66 365	74 317	90 298	94 813
of which:							
Communication	*1 691*	*1 089*	*3 528*	*3 691*	*3 912*	*4 108*	*4 354*
Consultants, contractors and special services	*32 611*	*21 002*	*8 629*	*71 207*	*58 989*	*74 110*	*78 557*
Inventory	*180*	*116*	*432*	*395*	*419*	*440*	*466*
Operating leases	*149*	*96*	*300*	*325*	*345*	*362*	*384*
Travel and subsistence	*3 750*	*2 415*	*11 380*	*8 190*	*8 681*	*9 115*	*9 662*
Other	*712*	*459*	*5 809*	*(17 547)*	*1 861*	*2 047*	*1 267*
Transfers and subsidies	**1 126**	**51 456**	**138**	**93**	**–**	**–**	**–**
Provinces and municipalities	112	123	138	93	–	–	–
Departmental agencies and accounts	–	31 254	–	–	–	–	–
Public corporations and private enterprises	1 000	20 000	–	–	–	–	–
Households	14	79	–	–	–	–	–
Payments for capital assets	**434**	**617**	**–**	**–**	**–**	**–**	**–**
Machinery and equipment	434	617	–	–	–	–	–
Total	**85 872**	**126 131**	**84 019**	**139 944**	**151 847**	**171 705**	**179 883**
Details of major transfers and subsidies:							
Departmental agencies and accounts							
Current	**–**	**31 254**	**–**	**–**	**–**	**–**	**–**
Council for Geoscience: Mine rehabilitation projects	–	13 254	–	–	–	–	–
National Nuclear Regulator: Mine rehabilitation projects	–	18 000	–	–	–	–	–
Public corporations							
Other transfers							
Current	**–**	**20 000**	**–**	**–**	**–**	**–**	**–**
Council for Scientific and Industrial Research (CSIR): Mine rehabilitation	–	20 000	–	–	–	–	–
Private enterprises							
Subsidies on production or products							
Current	**1 000**	**–**	**–**	**–**	**–**	**–**	**–**
Council for Mineral Technology Research (Mintek)	1 000	–	–	–	–	–	–

Expenditure trends

Overall spending in the *Mineral Regulation* subprogramme increased from R85,9 million in 2003/04 to R139,9 million in 2006/07, at an average annual rate of 17,7 per cent. The increase is due to the expansion of administrative and regulatory services in the branch in order to fully implement the Minerals and Petroleum Resources Development Act (2002) (MPRDA).

Spending on this programme is expected to continue to increase over the medium term from R139,9 million in 2006/07 to an estimated R179,9 million in 2009/10, at an average annual rate of 8,7 per cent.

Service delivery objectives and indicators

Recent outputs

Between the time of the promulgation of the Mineral and Petroleum Resources Development Act (2002) MPRDA, and May 2004, the mineral regulation branch had received more than 10 000 applications for prospecting and mining rights. During 2005/06 the mineral regulation branch received a total of 5 462 applications for prospecting and mining rights in terms of the MPRDA. Approximately 40 per cent of those applications were from entities with more than 25 per cent representation of previously disadvantaged individuals. From 1 January 2006 until the present, the branch has received and processed 3 553 applications for prospecting and mining rights. This is proof that transformation is being achieved in the mining industry. The restructuring of the department with the split of the mineral development branch should enhance service delivery.

In 2006/07 processing all applications for prospecting and mining rights on time was emphasised. The backlog resulting from the increase in applications in the previous year meant that some applications were processed outside the prescribed timeframes. Control measures have been put in place to make sure that all applications are dealt with in time. Progress can also be monitored through the national mining promotion system. Also in the previous year, problems were experienced with approving tenders for rehabilitating ownerless mines. In 2006/07 seven tenders were approved and signed and work on these has already started.

Selected medium-term output targets

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 socio-economic development of communities affected by mining through the licensing process.

Subprogramme	Output	Measure/indicator	Target
Mineral Regulation and Administration	Approval of applications in terms of MPRDA	Applications received processed within timeframes as prescribed in the Mineral and Petroleum Resources Development Act (MPRDA)	All applications received processed within prescribed time frames
	Granting of mineral rights	Percentage of new rights granted to historically disadvantaged people	At least 25% of new rights granted to historically disadvantaged
	Approval of mining and prospecting work programmes and inspections on operations.	Optimal use of mineral resources	50% of inspections conducted on all rights granted
	Enforcement of environmental compliance and environmental audits conducted	Percentage of operations visited	50% of operations visited
	Approval of identified social and labour plans and align with GOA, PGDS and IPDs	Poverty reduction around mining and llabour sending areas and a co-ordinated approach to local economic development	All approved social and labour plans implemented
	Systems and technology for improving service delivery	Information on all rights granted in terms of the MPRDA readily available on live web based system /creation of database	March 2008
	Rehabilitation of ownerless and derelict	Number of identified ownerless and derelict mines rehabilitated	All identified sites for 2006/07 rehabilitated by March 2008

Programme 4: Mineral Policy and Promotion

The *Mineral Policy and Promotion* programme formulates and promotes mineral related policies that will encourage investment in the mining and minerals 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 29.6 Mineral Policy and Promotion

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Management	3 045	3 060	4 779	5 990	5 102	5 357	5 609
Mineral Policy	3 146	3 161	47 495	24 256	21 134	5 926	6 203
Mineral Promotion	25 151	25 123	31 983	41 213	43 904	46 099	48 315
Total	**31 342**	**31 344**	**84 257**	**71 459**	**70 140**	**57 382**	**60 127**
Change to 2006 Budget estimate				20 100	15 629	240	
Economic classification							
Current payments	**16 184**	**16 180**	**17 933**	**28 612**	**31 761**	**33 349**	**34 892**
Compensation of employees	13 162	14 234	15 587	21 846	23 647	24 829	25 947
Goods and services	3 022	1 946	2 346	6 766	8 114	8 520	8 945
of which:							
Communication	*151*	*97*	*272*	*346*	*367*	*385*	*408*
Consultants, contractors and special services	*21*	*13*	*667*	*47*	*50*	*53*	*56*
Inventory	*113*	*73*	*33*	*258*	*274*	*288*	*305*
Operating leases	*15*	*10*	*23*	*34*	*36*	*38*	*40*
Travel and subsistence	*795*	*512*	*879*	*1 821*	*1 930*	*2 027*	*2 149*
Transfers and subsidies	**15 158**	**15 164**	**66 324**	**42 847**	**38 379**	**24 033**	**25 235**
Provinces and municipalities	58	64	71	48	–	–	–
Departmental agencies and accounts	–	–	44 253	31 099	31 329	24 033	25 235
Public corporations and private enterprises	15 100	15 100	22 000	11 700	7 050	–	–
Total	**31 342**	**31 344**	**84 257**	**71 459**	**70 140**	**57 382**	**60 127**
Details of major transfers and subsidies:							
Departmental agencies and accounts							
Current	**–**	**–**	**44 253**	**31 099**	**31 329**	**24 033**	**25 235**
Council for Geoscience: Small scale mining	–	–	20 565	21 799	22 889	24 033	25 235
Council for Geoscience: Mine environmental research and development	–	–	8 050	9 300	8 440	–	–
Council for Geoscience: Unsafe shafts and holdings	–	–	15 638	–	–	–	–
Public corporations							
Subsidies on production or products							
Current	**15 100**	**15 100**	**–**	**–**	**–**	**–**	**–**
Industrial Development Corporation of South Africa: Small scale mining	15 100	15 100	–	–	–	–	–
Other transfers							
Current	**–**	**–**	**22 000**	**11 700**	**7 050**	**–**	**–**
Council for Scientific and Industrial Research (CSIR): Mine environmental research and development	–	–	14 000	5 335	3 335	–	–
Council for Mineral Technology Research: Mine environmental research and development	–	–	8 000	5 365	3 715	–	–
Chamber of Mines of South Africa	–	–	–	1 000	–	–	–

Expenditure trends

Overall spending on the *Mineral Policy and Promotion* programme increased from R31,3 million in 2003/04 to R71,5 million in 2006/07 at an average annual rate of 31,6 per cent. The increase is due to the reclassification of funds under subprogramme 3 (*Mineral Promotion*) as transfer payments to several science councils for a mine environmental research and development projects. Transfer payments thus increased from R15,2 million in 2003/04 to R38,4 million in 2007/08, at an average annual rate of 26,1 per cent. Expenditure on this programme is expected to decrease from R71,5 million in 2006/07 to R60,1 million in 2009/10, at an average annual rate of 5,6 per cent due to the finalisation of the mine environmental research and development project in 2007/08.

Service delivery objectives and indicators

Recent outputs

The Diamonds Amendment Act (2005) and the Precious Metals Act (2005) have been promulgated and are expected to be implemented during 2007/08 with the listing of the State Diamond Trader and the Precious Metals and Diamond Regulator. Technical amendments to the Mineral and Petroleum Resource Development Act (2002) were approved by Cabinet, pending the finalisation of consultation with the Department of Environmental Affairs and Tourism.

Recent resignations from this programme have had a negative impact on the number of publications completed, so some were published after their due dates. The newly established beneficiation economics directorate offered support to existing jewellery and other emerging projects and is currently developing a methodology of supporting new jewellery fabrication projects. Little progress was achieved in workshops that were conducted with the industry to reach consensus on baseline beneficiation levels. However, recommendations were made and incorporated into the Mineral and Petroleum Resources Royalty Bill that was published for public comment in 2006. Nine Small scale mining projects are presently being fully supported but only one is at an advanced stage of operation.

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	Output	Measure/indicator	Target
Mineral Policy	Review and amendments to policies and legislation that drive transformation	Approved amendment to the Mineral and Petroleum Resource Development Act by Parliament	Completed by March 2008
	Compilation of national strategy for the rehabilitation of derelict and ownerless mines	National strategy for the rehabilitation of derelict and ownerless mines finalised.	Strategy completed by March 2008
	Compilation of regional mine closure strategy	Regional mine closure strategy finalised	Completed strategy in place by March 2008.
Mineral Promotion	Promotion of new investment in mining industry	Number of exhibitions to attract investment	5 exhibitions by March 2008
		Increased level of beneficiation	Minimum levels of beneficiation defined by March 2008
	Promotion of sustainable small, medium and micro enterprises (SMME)	Number of marketing publications and distribution of directories and reports	28 directories and reports published by March 2008
		Number of existing and sustainable SMMEs supported	Support to 15 new and existing SMMEs

Programme 5: Hydrocarbons and Energy Planning

The main purpose of the *Hydrocarbons and Energy Planning* programme is to promote 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.

The programme's activities are organised into three subprogrammes:

- *Hydrocarbons and Energy Planning Management* provides management and administrative support to the other two subprogrammes
- *Energy Planning* promotes the sustainable use of energy resources through integrated energy planning and promotes the development of sustainable and environmentally friendly energy sources and technologies and promote optimal utilisation of energy
- *Hydrocarbons* develops policy and regulations to manage petroleum, coal, natural gas and renewable energy.

Expenditure estimates

Table 29.7 Hydrocarbons and Energy Planning

Subprogramme				Adjusted			
	Audited outcome			appropriation	Medium-term expenditure estimate		
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Hydrocarbons and Energy Planning Management	2 471	3 559	3 735	3 708	4 331	4 551	4 774
Energy Planning	6 536	7 903	16 532	26 866	25 257	26 520	27 846
Hydrocarbons	7 284	5 893	11 095	12 715	23 012	29 790	31 283
Total	**16 291**	**17 355**	**31 362**	**43 289**	**52 600**	**60 861**	**63 903**
Change to 2006 Budget estimate				5 814	13 267	14 499	
Economic classification							
Current payments	**16 065**	**17 071**	**31 222**	**33 872**	**47 453**	**55 455**	**58 225**
Compensation of employees	8 694	9 969	13 285	19 047	32 830	39 900	41 893
Goods and services	7 371	7 102	17 937	14 825	14 623	15 555	16 332
of which:							
Communication	*118*	*134*	*151*	*340*	*360*	*378*	*401*
Consultants, contractors and special services	*2 916*	*2 137*	*8 995*	*8 863*	*9 395*	*9 865*	*10 457*
Inventory	*254*	*245*	*62*	*229*	*243*	*255*	*270*
Operating leases	*–*	*3*	*4*	*64*	*68*	*72*	*76*
Travel and subsistence	*2 092*	*2 763*	*4 164*	*3 421*	*3 627*	*3 808*	*4 036*
Transfers and subsidies	**126**	**81**	**140**	**9 417**	**5 147**	**5 406**	**5 678**
Provinces and municipalities	126	29	40	17	–	–	–
Universities and technikons	–	–	100	–	–	–	–
Public corporations and private enterprises	–	50	–	9 400	5 147	5 406	5 678
Households	–	2	–	–	–	–	–
Payments for capital assets	**100**	**203**	**–**	**–**	**–**	**–**	**–**
Machinery and equipment	100	24	–	–	–	–	–
Software and other intangible assets	–	179	–	–	–	–	–
Total	**16 291**	**17 355**	**31 362**	**43 289**	**52 600**	**60 861**	**63 903**
Details of major transfers and subsidies:							
Private enterprises							
Subsidies on production or products							
Current	**–**	**–**	**–**	**9 400**	**5 147**	**5 406**	**5 678**
Renewable energy subsidy scheme	–	–	–	9 400	5 147	5 406	5 678

Expenditure trends

Overall spending increased sharply from R16,3 million in 2003/04 to R43,3 million in 2006/07 at an average annual rate of 38,5 per cent. This substantial increase is attributable to the restructuring of the branch and expenditure associated with the appointment of specialist consultants for various energy projects.

Spending on this programme is expected to continue to increase over the MTEF period from R43,3 million in 2006/07 to an estimated R63,9 million in 2009/10 at an average annual rate of 13,9 per cent. The increase is partly due to the implementation of the Petroleum Products Amendment Act (2005) which includes licensing provisions for manufacturers, wholesalers and retailers of petroleum products and clean fuel specifications. The subsequent expansion of the petroleum and gas operations inspectorate will result in an increase in expenditure associated with the compensation of employees and related administrative expenditure over the MTEF period.

Recent outputs

During 2006, regulations under the Petroleum Products Amendment Act (2003) were promulgated. A licensing system for all petroleum activities was developed with the assistance of the Norwegian capacity building programme (NORAD). In the first six months of operation, 12 040 licence applications were received and are now awaiting processing. Implementation of the Petroleum Pipelines Act (2003), the Gas Act (2001) and the National Energy Regulator Acts (2004) started in the latter part of 2005. The department has also carried out an audit on the level of participation of previously disadvantaged South Africans in the liquid fuel industry.

The fuel and electricity shortages in 2006 highlighted the need for better planning in South Africa and the need for formulating better contingency and emergency plans. The Moerane Commission was set up to investigate the fuel supply crisis, task teams were set up to plan supply and to clarify supply constraints and patterns, and the strategic stocks policy was reviewed.

A bio fuels task team was set up to assist in developing a bio fuels strategy, which will further assist South Africa with the development of cleaner and renewable transport fuels. The energy efficiency accord, which the department has signed with a number of departments, will help to promote and increase energy efficiency in public buildings, associated institutions and related private sector companies. The department is still involved in international negotiations on sustainable development, to follow up on the implementation of the Johannesburg Plan of Implementation (developed at the 2003 World Summit on Sustainable Development) and climate change issues related to the implementation of the Kyoto Protocol.

The African Ministers' Conference on Hydropower and Sustainable Development was held in March 2006 with the co-operation and assistance from Department of Water Affairs and the international community. The former Minister of Minerals and Energy approved the integrated energy centres sustainability strategy and implementation plan. In terms of the strategy, the department will facilitate the establishment of integrated energy centres in every poverty nodal area, district and municipality by 2015. The department has also published the 2005 Energy Digest, which details South Africa's energy balances up to 2002.

Selected medium-term output targets

Hydrocarbons and Energy Planning

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

Subprogramme	Output	Measure/indicator	Target
Energy Planning	Uninterrupted access to affordable modern energy for low income households	Number of fuel supply shortages	Zero
		Number of integrated energy centres established (cumulative)	10 centres
	Dynamic integrated energy strategy	Dynamic integrated energy planning tool	1 national integrated energy plan
	Increased energy efficiency	Energy savings in peta joules (1 million kilojoules) [PJ]	29 PJ saved
	Greater share of renewable energy in South Africa's energy pool	Gigawatt hours [GWh]	250 GWh
Hydrocarbons	Decreased coal fire emissions and improved health	Number of emission reduction promotions and programmes in targeted areas (cumulative)	100 000 by 2010
	Decreased vehicle emissions and improved health conditions	Percentage compliance with new regulations for liquid fuels specifications and standards	100% compliance
	Deracialisation of and gender equity in the petroleum sector	Percentage compliance with the BEE charter for the petroleum and liquid fuels industry	8%
	Increased procurement by oil companies from BEE companies	Percentage procurement by oil companies from BEE companies	100% by 2007 Min. 51% by 2010
	Sustainability and efficiency of the liquid fuels industry	Manufacturers, wholesalers and retailers licensed	12 140 licences issued in 2007
	Licensing of petroleum activities	Percentage compliance in licence renewals	100%
	Access to affordable modern energy carriers	Number of new connections to modern energy	437 500 connections

Programme 6: Electricity and Nuclear

The *Electricity and Nuclear* programme makes sure 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 29.8 Electricity and Nuclear

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Electricity and Nuclear Management	2 472	3 444	3 886	3 749	4 666	4 899	5 127
Electricity	27 285	35 136	59 677	41 770	37 299	43 214	55 996
Nuclear	10 838	7 002	7 743	15 286	16 005	16 806	17 626
Total	**40 595**	**45 582**	**71 306**	**60 805**	**57 970**	**64 919**	**78 749**
Change to 2006 Budget estimate				5 715	146	4 203	
Economic classification							
Current payments	**25 759**	**45 515**	**66 176**	**60 786**	**57 970**	**64 919**	**78 749**
Compensation of employees	9 388	10 915	13 765	21 069	22 212	27 097	38 626
Goods and services	16 371	34 600	52 411	39 717	35 758	37 822	40 123
of which:							
Communication	*86*	*206*	*391*	*447*	*474*	*498*	*528*
Consultants, contractors and special services	*4 162*	*25 428*	*40 185*	*28 599*	*24 257*	*25 470*	*26 998*
Inventory	*33*	*106*	*36*	*248*	*263*	*276*	*293*
Operating leases	*–*	*4*	*9*	*11*	*11*	*12*	*13*
Other	*9 732*	*5 983*	*1 320*	*3 463*	*2 998*	*3 423*	*3 659*
Transfers and subsidies	**14 384**	**33**	**5 130**	**19**	**–**	**–**	**–**
Provinces and municipalities	28	33	42	19	–	–	–
Departmental agencies and accounts	–	–	5 000	–	–	–	–
Public corporations and private enterprises	14 356	–	88	–	–	–	–
Payments for capital assets	**452**	**34**	**–**	**–**	**–**	**–**	**–**
Machinery and equipment	452	17	–	–	–	–	–
Software and other intangible assets	–	17	–	–	–	–	–
Total	**40 595**	**45 582**	**71 306**	**60 805**	**57 970**	**64 919**	**78 749**
Details of major transfers and subsidies:							
Departmental agencies and accounts							
Current	**–**	**–**	**5 000**	**–**	**–**	**–**	**–**
Electricity Distribution Industry Holdings Company	–	–	5 000	–	–	–	–
Public corporations							
Subsidies on production or products							
Current	**12 400**	**–**	**–**	**–**	**–**	**–**	**–**
Eskom	12 400	–	–	–	–	–	–
Private enterprises							
Other transfers							
Current	**1 956**	**–**	**88**	**–**	**–**	**–**	**–**
Eskom Enterprises (TSI Division): EBSST	1 956	–	–	–	–	–	–
Donations to private enterprises	–	–	88	–	–	–	–

Expenditure trends

Spending on the *Electricity and Nuclear* programme increased from R40,6 million in 2003/04 to R60,8 million in 2006/07 at an average annual rate of 14,4 per cent. In line with the department's restructuring initiative to fulfil its strategic objective, more staff were acquired under the programme. This explains the increase in expenditure evident in compensation of employees and administrative services in support of the department's strategic objectives. Another contributing factor is spending associated with the new generation capacity project.

Spending in this programme is expected to continue to increase over the MTEF period in line with the continued restructuring of the electricity and nuclear branch, from R60,8 million in 2006/07 to an estimated R78,7 million in 2009/10, at an average annual rate of 9 per cent.

Service delivery objectives and indicators

Recent outputs

In relation to electricity, the targeted grid connections for 2005/06 were 230 000 households, 500 schools and 28 clinics. However, the target was reduced to 193 171 for households, 411 schools and 28 clinics due to the re-imbursement of the bridging finance of R271,9 million to Eskom which was used during 2004/05. The bridging finance was used to electrify schools and clinics, which were used as voting stations during the elections. The creation of the distribution bulk infrastructure (building of sub transmission sub-stations and lines) in various provinces redirected funds targeted for household connections.

Between April 2005 and June 2006 a total of 165 057 households, 505 schools and 28 clinics were connected to the grid. R58,2 million was used for implementing non-grid electrification of households in rural areas. In Kwazulu Natal, 14 195 households have been connected through non-grid technology and 6 647 in Limpopo.

Cabinet approved the final boundaries of regional electricity distributors (REDs) in November 2006. This is a significant milestone and forms the basis of restructuring of the electricity distribution industry. A business plan for implementing the six REDs, which will cover the whole of South Africa geographically, is now being developed.

In October 2006, Cabinet approved that independent power producers (IPPs) build 1600 MW of base load power plant(s) in Coega. The procurement process for the transaction advisor for this PPP project will be completed in the current financial year.

In relation to nuclear, servicing the obligations under the Nuclear Energy Act (1999), the National Nuclear Regulator Act (1999) and the Disaster Management Act (2002) have continued in the areas of nuclear technology, nuclear safety and nuclear non-proliferation. Drafting a national policy for nuclear power generation has begun and efforts to address the shortage of skills are ongoing.

Significant progress has been made in the publication of important regulations under the National Nuclear Regulator Act, which include regulations on safety standards and regulatory practices, and regulations prescribing the content of an annual report on safety in the nuclear industry. The annual financial report to the minister has indicated that the minister's institutional obligation in relation to the decommissioning and decontamination of nuclear facilities has been executed as per the approved programme and that the expenditure is accounted for.

Actions to implement the radioactive waste management policy and strategy approved by Cabinet at the end of 2005 have begun. The department has formally invited nominations to the national committee on radioactive waste management and drafting the bill on a national waste management agency has begun. The national nuclear disaster management plan was completed and approved in August 2005 and staff in the department need to be trained to ensure the plan gets implemented.

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

Subprogramme	Output	Measure/indicator	Target
Electricity	Universal access to electricity	Number of households electrified in 2007/08	350 000 poor households
		Number of schools and clinics electrified	1 500 schools
		Number of new bulk substations built	400 clinics
	Rehabilitation of electricity infrastructure to improve quality of supply	Percentage increase in revenue collected to be spent on infrastructure maintenance	5 bulk stations 5% increase per year
	Restructured electricity industry	Number of regional electricity distributors (RED) set up	6 REDs by June 2007
		Compensation framework for REDs established	June 2007
		Electricity distribution industry restructuring bill in parliamentary process	June 2007
		Detailed plans completed for base load power stations to ensure security of supply	June 2007
Nuclear	Policy direction	Revised nuclear energy policy document approved	March 2008
	Skilled personnel	Number of SOE trainees in tertiary institutions	60 trainees annually
	Publication of regulations	Recurrent regulations under the National Nuclear Regulator Act	Annual revision of identified recurring regulations
	Implementation of nuclear liabilities management plan	Annual financial report on decommissioning and decontamination	Annual report October 2007 (March 2008)
	Implementation of radioactive waste management policy	Finalise draft bill on national radioactive waste management agency	March 2007
	Implementation of nuclear disaster management plan	Bill on radioactive waster management fund	February 2008
	Training of DME functionaries	Trained DME functionaries	March 2008

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 and subsidies to private enterprises.

The programme comprises the following main subprogrammes:

- *Council for Mineral Technology Research* contributes core funding to the Council for Mineral Technology Research (Mintek). The council provides research, development and technology transfers that foster the development of businesses in the mineral and mineral products industries.
- The *South African Nuclear Energy Corporation (NECSA)* provides funding for NECSA activities, decommissioning projects, security of NECSA sites and the fuel conversion of the SAFARI reactor. NECSA maintains, develops and uses 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 Geosciences (CGS)* is primarily responsible for systematic geoscientific mapping of South Africa, and interpreting and compiling data, maps and map explanations.
- The *Electricity Distribution Industry Holdings (EDIH) Company* facilitates the restructuring of the electricity distribution industry and establishment of regional energy distributors (REDs).
- The *Integrated National Electrification Programme* is aimed at providing support in the form of transfer payments and conditional grants to achieve universal access to electricity. This programme consists of transfer payments to Eskom, municipalities and non-grid service providers for grid and non-grid electricity connections at schools, clinics and households.
- The *Assistance to Mines* subprogramme provides assistance to marginal mines for pumping extraneous water from underground holdings provides research and strategic solutions to address the ingress of water into underground holdings, in the Witwatersrand area.

Expenditure estimates

Table 29.9 Associated Services

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Council for Mineral Technology Research	82 439	88 632	108 880	118 664	124 569	130 834	137 379
NECSA: Activities	140 233	148 647	214 066	300 173	284 383	280 497	321 584
NECSA: Decommissioning projects	19 550	20 500	21 730	29 300	80 033	84 053	82 212
NECSA: Strategic loans	1 407	10 754	–	–	–	–	–
NECSA: Security	–	–	9 000	11 520	10 217	10 659	10 951
NECSA: SAFARI reactor conversion	–	–	12 000	15 360	13 623	14 217	14 609
National Nuclear Regulator	7 610	8 067	5 417	14 742	18 029	20 333	23 915
Council for Geoscience	72 019	77 606	86 078	93 100	107 755	122 672	127 821
Electricity Distribution Industry Holdings Company	49 000	54 000	59 240	62 794	65 934	69 250	72 723
National portion (Eskom)	795 549	796 759	783 469	893 165	1 018 083	1 240 758	1 570 770
Conditional grants to local governments	245 091	196 102	297 497	391 130	467 827	595 637	897 008
Non-grid electrification service providers	–	22 416	58 228	84 000	84 000	84 000	84 000
Assistance to Mines	20 349	32 530	35 225	37 339	39 006	41 178	43 438
South African Diamond and Precious Metals Regulator	–	–	–	–	20 000	40 000	40 000
Total	**1 433 247**	**1 456 013**	**1 690 830**	**2 051 287**	**2 333 459**	**2 734 088**	**3 426 410**
Change to 2006 Budget estimate				75 299	224 700	427 800	
Economic classification							
Transfers and subsidies	**1 433 247**	**1 456 013**	**1 690 830**	**2 051 287**	**2 333 459**	**2 734 088**	**3 426 410**
Provinces and municipalities	245 091	196 102	297 497	391 130	467 827	595 637	897 008
Departmental agencies and accounts	128 629	139 673	150 735	170 636	211 718	252 255	264 459
Public corporations and private enterprises	1 059 527	1 120 238	1 242 598	1 489 521	1 653 914	1 886 196	2 264 943
Total	**1 433 247**	**1 456 013**	**1 690 830**	**2 051 287**	**2 333 459**	**2 734 088**	**3 426 410**
Details of major transfers and subsidies:							
Municipalities							
Current	**245 091**	**196 102**	**–**	**–**	**–**	**–**	**–**
Integrated national electrification programme grant	245 091	196 102	–	–	–	–	–
Capital	**–**	**–**	**297 497**	**391 130**	**467 827**	**595 637**	**897 008**
Integrated national electrification programme grant	–	–	297 497	391 130	467 827	595 637	897 008
Departmental agencies and accounts							
Current	**119 849**	**126 424**	**140 222**	**159 856**	**200 399**	**240 367**	**251 977**
National Nuclear Regulator	7 110	7 567	4 887	14 180	17 439	19 713	23 264
Electricity Distribution Industry Holdings Company	49 000	49 988	58 518	62 393	65 513	68 808	72 259
Council for Geoscience	63 739	68 869	76 817	83 283	97 447	111 846	116 454
South African Diamond and Precious Metals Regulator	–	–	–	–	20 000	40 000	40 000
Capital	**8 780**	**13 249**	**10 513**	**10 780**	**11 319**	**11 888**	**12 482**
National Nuclear Regulator	500	500	530	562	590	620	651
Council for Geoscience	8 280	8 737	9 261	9 817	10 308	10 826	11 367
Electricity Distribution Industry Holdings Company	–	4 012	722	401	421	442	464
Public corporations							
Subsidies on production or products							
Current	**159 040**	**163 205**	**249 747**	**312 474**	**379 323**	**380 095**	**419 559**
NECSA: Activities	139 583	143 497	208 607	261 203	277 464	273 270	313 996
NECSA: Decommissioning projects	18 050	19 000	20 140	24 391	78 019	81 949	80 003
NECSA: Strategic loans	1 407	708	–	–	–	–	–
NECSA: Security	–	–	9 000	11 520	10 217	10 659	10 951
NECSA: SAFARI reactor conversion	–	–	12 000	15 360	13 623	14 217	14 609

Table 29.9 Associated Services (continued)

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Capital	**797 699**	**813 455**	**790 518**	**937 044**	**1 027 016**	**1 250 089**	**1 580 567**
NECSA: Activities	650	5 150	5 459	38 970	6 919	7 227	7 588
NECSA: Decommissioning projects	1 500	1 500	1 590	4 909	2 014	2 104	2 209
NECSA: Strategic loans	–	10 046	–	–	–	–	–
Eskom: Integrated national electrification programme	795 549	796 759	783 469	893 165	973 083	1 150 758	1 420 770
Eskom: Integrated national electrification programme (backlogs)	–	–	–	–	45 000	90 000	150 000
Private enterprises							
Subsidies on production or products							
Current	**93 788**	**111 162**	**133 505**	**144 767**	**151 777**	**159 621**	**167 806**
Assistance to Mines	20 349	32 530	35 225	37 339	39 006	41 178	43 438
Council for Mineral Technology Research	73 439	78 632	98 280	107 428	112 771	118 443	124 368
Capital	**9 000**	**10 000**	**10 600**	**11 236**	**11 798**	**12 391**	**13 011**
Council for Mineral Technology Research	9 000	10 000	10 600	11 236	11 798	12 391	13 011
Other transfers							
Capital	**–**	**22 416**	**58 228**	**84 000**	**84 000**	**84 000**	**84 000**
Integrated national electrification programme: Non-grid electrification service providers	–	22 416	58 228	84 000	84 000	84 000	84 000

Expenditure trends

Spending on the *Associated Services* programme increased from R1,4 billion in 2003/04 to R2,1 billion in 2006/07 at an average annual rate of 12,7 per cent. The increase is attributable to the additional allocation of funds transferred to public entities due to changes in VAT legislation and funding allocated towards the Integrated National Electrification Programme (INEP). The majority of transfer payments under this programme are made to municipalities, non-grid services providers and Eskom in terms of the INEP programme. Further funding has been allocated as a conditional grant to local government to reduce backlogs by accelerating the electrification of schools and clinics. Over the medium term, this additional funding will amount to R45 million in 2007/08, R90 million in 2008/09 and R150 million in 2009/10

Spending on this programme continues to increase over the MTEF period from R2,1 billion in 2006/07 to an estimated R3,4 billion in 2009/10 at an average annual rate of 18,7 percent. Additional allocations made for the rehabilitation of electricity infrastructure. The establishment of the Diamond and Precious Metals Regulator with effect from 2007/08 also contributes the anticipated increase in spending over the MTEF period.

Public entities and agencies

National Energy Regulator of South Africa

National Energy Regulator of South Africa (NERSA) was created in terms of the National Energy Regulator Act, 2004 to also undertake the functions of Gas Regulator and Petroleum and Pipelines Regulatory Authority. NERSA's mandate is anchored on four pieces of legislation: National Energy Regulator Act, 2004 (Act No. 40 of 2004); Electricity Regulation Act, 2006 (Act No. 4 of 2006); Gas Act, 2001 (Act No. 48 of 2001); and Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).

NERSA is responsible for the necessary regulatory functions in the energy industry. Some of the regulatory functions include processing licence applications, setting tariffs, setting conditions of supply and standards, investigating complaints and mediating or arbitrating in disputes. It also promotes BEE and competition in the industries of the three energy sectors. NERSA is funded mostly from levies on the regulated industries introduced in terms of legislation.

Its key priorities for the coming MTEF period include the efficient and effective regulation of the energy industry; to regulate in a manner that incentivises security and reliability of supply; to ensure that regulatory decisions are consistent and predictable, providing certainty for all stakeholders; and the provision of stability, certainty and predictability in the regulation of energy prices. Furthermore, the Regulator will continue to create an environment conducive to investment in the energy industry; and to facilitate a fair balance between the interests of customers and end users, licensees and investors.

National Nuclear Regulator

The core business of the National Nuclear Regulator (NNR) is defined in the National Nuclear Regulator Act No 47 of 1999). The NNR was set up to regulate nuclear activities and, among other things, develops safety standards and regulatory practices for the protection of persons, property and the environment against nuclear damage.

The NNR continued to monitor radiation exposure of personnel working at nuclear power plants, research institutions and mines through the operational radiation protection programme. This programme ensures that control within the annual individual dose limit is achieved and that all doses are kept as low as reasonably achievable. The results for 2005/06 reinforced the downward trend in radiation exposure. One of the factors that contributed to the improvement was the implementation of more rigorous compliance assurance measures by the NNR where dose limits had been exceeded. More frequent inspections were conducted and working groups have been established to monitor progress with the action plans to reduce occupational exposures. These action plans include the identification and implementation of engineering controls and the use of action levels to remove workers from high exposure areas.

- The highest annual individual dose accrued during 2005 at Koeberg was 17.2 mSv, compared to the regulatory limit of 50 mSv per annum.
- NECSA also demonstrated its ability to control the occupational exposure of personnel to radiation by complying with the NNR requirements with regard to radiation protection for the workforce.
- The average effective radiation dose per occupationally exposed worker at Vaalputs for the calendar year 2005 was 0,9 mSv.
- Dose Reports indicating level of occupational exposures show that gold mines where mining activities are taking place in old working areas and the ore have high uranium content have a higher probability of above the dose limit of 50mSv/a exposure. However only 8 persons have exceeded the annual dose limit by a maximum of 3.45 mSv above the dose limit of 50 mSv during the year before they were relocated to areas where they would not be occupationally exposed to radiation.

Key priorities for the coming MTEF period include attracting and retaining staff; improving regulation through the holistic compliance assurance programme; improving independent verification and enforcement systems; and improving operational efficiency.

Transfers by the state to the NNR increased from R7,6 million in 2003/04 to R 14,7 million in 2006/07 and are expected to increase over the MTEF to R24 million in 2009/10. Most of the funding of the NNR is however received from levies paid by the industry.

Council for Mineral Technology and Research

Mintek was established as a Science Council in terms of the Mineral Technology Act, 30 of 1989. Mintek's primary objective is research, development and technology transfer to promote mineral technology and to foster the establishment and expansion of mineral and associated industries.

In order to fulfil its mandate, Mintek will:

- Promote beneficiation of minerals and mineral products through competitive and innovative mineral and metal process technology and equipment;

- strengthen South Africa's position as an exporter of mineral processing equipment, process design as well as control and optimisation systems, through the formation of consortia, strategic alliances and joint ventures with industry;
- develop and implement regional strategies for the mineral beneficiation sector, concentrating on value-addition, capacity building and broad-based development through mineral-based anchor projects;
- develop technologies appropriate to the local artisanal and small scale mining (ASSM) industry with the aim of expanding the industry and of lowering entry barriers and develop training modules for ASSM, initiate poverty alleviation programmes and support the growth of Small, Medium and Micro Enterprises (SMMEs) in the mineral sector;
- transform Mintek's internal and external business processes and the workforce profile to ensure that it is in line with the socio-economic realities of South Africa today, whilst ensuring broad representation of our diverse cultures and peoples;
- Ensure that Mintek applies appropriate quality, environmental and safety programmes to comply with South African legislation.

The Council's income is derived mainly from commercial activities such as sales of its deep-mining research, technology developments and patents and royalties it receives on existing research. Transfers by the state to Mintek (including capital funding) increased from R82,4 million in 2003/04 to R118,7 million in 2006/07 and are expected to increase over the MTEF to R 137,4 million in 2009/10. Since 2005/06, the amounts include VAT.

Table 29.10 Financial summary for the Council for Mineral Technology

	Outcome			Estimated	Medium-term estimate		
	Audited	Audited	Audited	outcome			
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Revenue							
Non-tax revenue	**140 702**	**158 069**	**185 087**	**193 733**	**217 900**	**227 795**	**241 735**
Service fees	102 724	109 972	141 432	157 515	183 597	191 889	203 750
Other non-tax revenue	37 978	48 097	43 655	36 218	34 303	35 906	37 985
Transfers received	**82 439**	**88 632**	**95 509**	**104 091**	**109 271**	**114 766**	**120 505**
Total revenue	**223 141**	**246 701**	**280 596**	**297 824**	**327 171**	**342 561**	**362 240**
Expenses							
Current expense	**219 503**	**246 947**	**277 839**	**293 771**	**319 391**	**338 643**	**357 360**
Compensation of employees	144 100	144 099	156 461	168 800	186 141	198 786	210 509
Goods and services	66 726	91 564	110 422	110 971	118 550	124 457	130 681
Depreciation	8 675	11 284	10 619	14 000	14 700	15 400	16 170
Interest, dividends and rent on land	2	–	337	–	–	–	–
Transfers and subsidies	**–**	**–**	**–**	**3 829**	**2 850**	**2 993**	**3 142**
Total expenses	**215 615**	**239 433**	**275 524**	**297 600**	**322 241**	**341 636**	**360 502**
Surplus / (Deficit)	**7 526**	**7 268**	**5 072**	**224**	**4 930**	**925**	**1 738**
Balance sheet data							
Carrying value of assets	53 233	70 500	147 069	147 069	144 369	140 969	136 799
Investments	98 300	129 625	115 116	115 116	115 116	115 116	115 116
Inventory	4 399	2 073	2 744	2 744	2 744	2 744	2 744
Receivables and prepayments	39 691	40 288	47 640	47 640	47 640	47 640	47 640
Cash and cash equivalents	4 495	20 400	30 938	31 162	38 792	43 117	49 025
Total assets	**200 118**	**262 886**	**343 507**	**343 731**	**348 661**	**349 586**	**351 324**
Capital and reserves	122 524	150 716	218 835	219 059	223 989	224 914	226 652
Borrowings	–	1 193	2 428	2 428	2 428	2 428	2 428
Post retirement benefits	49 300	51 429	61 235	61 235	61 235	61 235	61 235
Trade and other payables	18 937	41 120	48 363	48 363	48 363	48 363	48 363
Provisions	9 357	18 428	12 646	12 646	12 646	12 646	12 646
Managed funds	–	–	–	–	–	–	–
Total equity and liabilities	**200 118**	**262 886**	**343 507**	**343 731**	**348 661**	**349 586**	**351 324**

Source: Council for Mineral Technology

Electricity Distribution Holdings Company

The EDIH was created as a vehicle to facilitate the restructuring of the electricity distribution following the recommendations set out in the White Paper on Energy, published in 1998. In 2003, the organisation was incorporated as EDI Holdings (Pty) Ltd in terms of the PFMA and the Company's Act. In 2006, the Cabinet approved the proposal to establish six wall-to-wall REDS.

During the past year, EDI Holdings (Pty) Ltd completed the establishment of the first RED within the jurisdiction of the City of Cape Town. In addition, EDIH as requested by Cabinet delivered a report advising on the feasibility of creating a national RED.

Over the MTEF period, the organisation intends to prioritise: the restructuring of the electricity distribution industry as per the restructuring blueprint report approved by Cabinet in 2001; the establishment of a schedule 3A company to consolidate electricity distribution by creating six REDS; and the approval of the restructuring budget and transfer of funds by NERSA into EDIH for public deposits accounts.

EDI Holdings (Pty) Ltd has obtained approved funding through NERSA amounting to R1.2 billion over the next financial years for the restructuring of the electricity distribution industry effective 1 April 2006 to 31 March 2009. This funding is raised through a tariff surcharge included in the NERSA approved ESKOM Multi-Year Price Determination (MYPD), which will be received from ESKOM as the sole collection agents, and will be managed through a transparent and independent mechanism.

Nuclear Energy Corporation of South Africa

The Nuclear Energy Corporation of SA (Necsa) has been incorporated in terms of the Nuclear Energy Act no 46 of 1999. Its main functions are:

- To undertake and promote research and development in the field of nuclear energy and radiation sciences and technology and subject to the Safeguards Agreement, to make these generally available;
- To process source material, special nuclear material and restricted material and to reprocess source material and nuclear material; and
- To co-operate with any person or institution in matters falling within these functions subject to the approval of the Minister.

In addition to its research mandate, NECSA is also responsible for the following institutional obligations on behalf of the state: decommissioning and decontamination of past strategic nuclear facilities; management of nuclear waste disposal on a national basis; application of radiation technology for scientific and medical purposes; operation of the SAFARI-1 nuclear reactor; operation of the Pelindaba site and accompanying services; and execution of the safeguards function

Some of the key deliverables achieved during the 2005/06 period included discharging the state's nuclear institutional liabilities; investing in skill retention for skilled scientists and technical staff; refurbishment of site infrastructure; completion of core research and development programmes; research collaboration with universities; increased provision of nuclear technology services to industry; completion of the phase 2 decommissioning of the former Y enrichment plant; and contribution to nuclear research in Africa.

Over the MTEF, the organisation will refocus Necsa's main programmes to fulfil its statutory mandate in terms of nuclear R&D and continue the refurbishment of Necsa's site and infrastructure facilities to ensure that safe and sustainable operations be maintained

Table 29.11 Financial summary for the National Energy Corporation South Africa

	Outcome			Estimated	Medium-term estimate		
	Audited	Audited	Audited	outcome			
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Revenue							
Non-tax revenue	**407 047**	**386 356**	**399 613**	**243 250**	**236 398**	**236 772**	**259 379**
Sales by market establishments	360 186	361 583	383 239	203 641	201 747	201 506	223 518
Other non-tax revenue	46 861	24 773	16 374	39 609	34 651	35 266	35 861
Transfers received	**160 017**	**179 901**	**221 712**	**306 167**	**362 044**	**351 872**	**361 508**
Total revenue	**567 064**	**566 257**	**621 325**	**549 417**	**598 442**	**588 644**	**620 887**
Expenses							
Current expense	**632 189**	**589 066**	**616 284**	**684 697**	**774 295**	**753 656**	**756 312**
Compensation of employees	308 037	277 122	313 209	347 992	367 523	368 179	370 566
Goods and services	286 365	286 949	279 411	310 935	379 115	355 188	356 695
Depreciation	34 351	24 463	23 397	22 300	24 185	26 847	25 628
Interest, dividends and rent on land	3 436	532	267	3 470	3 472	3 442	3 423
Transfers and subsidies	**907**	**862**	**–**	**2 295**	**2 653**	**2 674**	**2 761**
Total expenses	**628 203**	**593 488**	**624 622**	**686 992**	**776 948**	**756 330**	**759 073**
Surplus / (Deficit)	**(61 139)**	**(27 231)**	**(3 297)**	**(137 575)**	**(178 506)**	**(167 686)**	**(138 186)**

Source: National Energy Corporation South Africa

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 and engage in research relating to the energy sector. Its mission is to actively pursue economically viable energy development in Africa

The CEF does not receive funding from the fiscus. The CEF Group's activities which are a separate legal entity from the CEF are funded out of reserves, debt funding and dividends from its subsidiaries. The CEF can impose a levy on fuel manufactured, distributed or sold for the benefit of the Equalisation Fund controlled by the CEF Group.

South African Diamond and Precious Metals Regulator

The SA Diamond Board was established in terms of the Diamond Act, (Act No. 56 of 1986 as amended). Both the Diamond Amendment Act and the Precious Metals Act have ushered in a new era in the regulation of the mineral industry in the country by creating an enabling environment for the beneficiation of the country's mineral resources by widening access to rough diamonds and precious metals. The South African Diamond and Precious Metals Regulator (SADPMR) is to replace the South African Diamond Board.

The establishment of the South African Diamond and Precious Metal Regulator encompassing diamonds, platinum, group metals and gold will result in the delisting of the South African Diamond Board at the end of the 2006/07 financial year. During 2006/07 the regulator continued to issue licenses and monitor compliance in terms of the Act; implement the Kimberley Process Certification Scheme to eradicate the conflict diamond trade into legitimate markets; and issue export and import clearance certificates for rough and polished diamonds.

South Africa's competitive edge in the global mining industry relies on the presence of world class deposits of gold, platinum, diamonds and other various mineral commodities which have been exploited by big mining companies and exported as raw materials, by so doing denying the local manufacturing industries an opportunity to participate in the value chain.

The South African Diamond and Precious Metals Regulator will be tasked with issuing licenses and permits related with the trade in diamonds, gold and platinum including the monitoring of activities related to the trade.

The SADPMR is to be funded from the budget. A total of R100 million has been allocated over the MTEF period; R20 million in 2007/08; R40 million in 2008/09 and R40 million in 2009/10.

Mine Health and Safety Council

The Council has been established in terms of section 41(1) of the Mine Health and Safety Act (1996) to advise the Minister on all occupational health and safety issues in the mining industry relating to legislation, research and promotion; review and develop legislation; promote health and safety in the mining industry; and oversee research on health and safety in the mining industry.

The key long-term objectives are to eliminate fatalities, reduce injuries (especially disabling injuries) and reduce occupational diseases in the mining sector.

The key priorities of the Council for the 2007-2008 periods include:

- Support the achievement of milestones set at the (2003) Summit
  - to promote the prevention of death, injury and disease within the mining industry;
  - promote and drive the legislative review
  - advise the Minister on health and safety issues
  - promote and facilitate the development of a preventive culture to drive the health and safety agenda
  - ensure the effective and efficient operation of Council
  - Monitor and update Council strategic plan.
- Strategic key issues identified in order to advise the Minister are
  - priority issues identified are Silicosis, HIV and Aids, the national integration of occupational health and safety structures, a mechanism for identifying key issues on an on-going basis, specialised risks e.g. manganese and Future of Gold Mining.
  - a policy on Intellectual Property Rights has been completed which will benefit the MHSC regarding the management of IPR
  - Stakeholders are in the process of finalising the MHSC position on 'Registration and Licence to Practice' of engineering persons.

The council is funded by both transfers from government and levies imposed on the mining industry. The transfers to the council is expected to increase from R4,2 million in 2003/04 to R 4,5 million in 2006/07 and are expected to increase over the MTEF to R5,4 million in 2009/10.

Council for Geoscience

The Council for Geoscience was established in terms of the Geoscience Act, No. 100 of 1993. This Act also established the mandate and national responsibilities of the Council for Geoscience (CGS).

The Geoscience Act, No. 100 of 1993 mandates the Council for Geoscience to:

- Carry out systematic geological, geophysical, geochemical, marine geoscience, metallogenic and engineering-geological mapping of South Africa and to compile and publish this information.
- Conduct basic geoscience research to understand present and past geological processes.
- Curate all geoscience data for South Africa, and facilitate public access to this data.
- Manage a number of geoscience facilities, including the National Geoscience Library, the National Geoscience Museum and a National Seismological Network.

The CGS developed its current strategy in response to the various mandates it operates under and the primary directive of the State, namely to free the potential of individuals by improving the quality of life of all citizens, assisting in the growth and wealth of South Africa and eradicating poverty, especially in the rural areas of the country.

The technical and social Programmes of the CGS address the following areas of focus:

- Growth of the CGS and development of the first economy: Ensuring that the CGS grows as an organisation and also contributes to economic development – people, scientific and financial.
- Regulatory, systems and stakeholder; Ensuring CGS compliance with legislative requirements, development of CGS regulatory systems and alignment with national mandates.
- Rural development and poverty eradication: Ensuring that the CGS contributes to the development of the second economy.
- Innovation: Development of products, systems and services.
- Africa development: CGS assistance in the development of Africa and its people by upgrading the continent's geoscience infrastructure.
- Skills development: Building capacity in respect of scientific, administrative and managerial/leadership skills.
- Transformation: Business and people.

Transfers by the state to the council increased from R72,6 million in 2003/04 to R93,4 million in 2006/07 and are expected to increase over the MTEF to R127,8 million in 2009/10. The CGS also derives around 40 per cent of its revenue from geological service contracts.

Table 29.12 Financial summary for the Council for Geoscience

	Outcome			Estimated	Medium-term estimate		
	Audited	Audited	Audited	outcome			
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Revenue							
Non-tax revenue	**35 061**	**43 238**	**77 658**	**75 252**	**76 500**	**81 500**	**86 500**
Geological service contracts - local and international	24 505	35 935	70 401	68 152	70 000	75 000	80 000
Interest	10 186	7 033	5 776	6 500	6 500	6 500	6 500
Other non-tax revenue	370	270	1 481	600	–	–	–
Transfers received	**72 631**	**77 606**	**86 183**	**93 365**	**107 755**	**122 672**	**127 806**
Total revenue	**107 692**	**120 844**	**163 841**	**168 617**	**184 255**	**204 172**	**214 306**
Expenses							
Current expense	**97 605**	**111 393**	**145 556**	**167 804**	**181 965**	**201 002**	**211 067**
Compensation of employees	59 604	66 426	74 574	88 864	103 248	109 817	116 811
Goods and services	32 370	38 550	59 857	69 006	69 897	83 758	87 382
Depreciation	5 621	6 409	11 118	9 924	8 808	7 414	6 860
Interest, dividends and rent on land	10	8	7	10	12	13	14
Transfers and subsidies	**1 621**	**2 394**	**1 995**	**1 295**	**1 290**	**1 410**	**1 509**
Total expenses	**99 226**	**113 787**	**147 551**	**169 099**	**183 255**	**202 412**	**212 576**
Surplus / (Deficit)	**8 466**	**7 057**	**16 290**	**(482)**	**1 000**	**1 760**	**1 730**
Balance sheet data							
Carrying value of assets	37 320	69 903	68 396	62 284	54 976	49 912	42 149
Investments	116 232	3 480	5 200	128 895	109 484	103 592	99 046
Receivables and prepayments	19 596	21 836	45 820	23 675	39 115	41 430	44 350
Cash and cash equivalents	5 299	139 491	144 841	18 000	15 000	11 000	5 000
Total assets	**178 447**	**234 710**	**264 257**	**232 854**	**218 575**	**205 934**	**190 545**
Capital and reserves	136 818	166 107	175 175	175 175	175 175	175 175	175 175
Trade and other payables	33 703	60 970	86 725	55 145	40 675	27 817	12 180
Provisions	7 926	7 633	2 357	2 534	2 725	2 942	3 190
Total equity and liabilities	**178 447**	**234 710**	**264 257**	**232 854**	**218 575**	**205 934**	**190 545**

Source: Council for Geoscience

Additional tables

Table 29.A Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation Main	Appropriation Adjusted	Audited outcome	Appropriation Main	Appropriation Additional	Appropriation Adjusted	Revised estimate
R thousand	2005/06		2005/06	2006/07			2006/07
1. Administration	130 572	130 673	130 831	151 106	–	151 106	147 784
2. Promotion of Mine Safety and Health	108 536	111 640	99 008	117 210	–	117 210	107 724
3. Mineral Regulation	185 156	92 405	84 019	160 044	(20 100)	139 944	126 951
4. Mineral Policy and Promotion	–	92 701	84 257	51 359	20 100	71 459	72 588
5. Hydrocarbons and Energy Planning	34 340	34 340	31 362	37 475	5 814	43 289	41 079
6. Electricity and Nuclear	56 784	81 784	71 306	55 090	5 715	60 805	47 494
7. Associated Services	1 621 405	1 728 037	1 690 830	1 975 988	75 299	2 051 287	1 972 878
Total	**2 136 793**	**2 271 580**	**2 191 613**	**2 548 272**	**86 828**	**2 635 100**	**2 516 498**
Economic classification							
Current payments	**481 908**	**500 283**	**417 898**	**534 923**	**(13 971)**	**520 952**	**487 241**
Compensation of employees	241 131	241 131	217 070	290 389	(1 000)	289 389	252 662
Goods and services	240 777	259 152	200 784	244 534	(12 971)	231 563	234 579
Financial transactions in assets and liabilities	–	–	44	–	–	–	–
Transfers and subsidies	**1 647 942**	**1 764 314**	**1 768 373**	**2 008 633**	**100 799**	**2 109 432**	**2 022 457**
Provinces and municipalities	258 636	313 768	298 153	391 524	–	391 524	355 265
Departmental agencies and accounts	154 934	180 499	204 188	196 887	9 300	206 187	206 187
Universities and technikons	–	100	100	–	–	–	–
Public corporations and private enterprises	1 233 235	1 268 800	1 264 786	1 419 122	91 499	1 510 621	1 459 905
Households	1 137	1 147	1 146	1 100	–	1 100	1 100
Payments for capital assets	**6 943**	**6 983**	**5 342**	**4 716**	**–**	**4 716**	**6 800**
Machinery and equipment	6 943	6 983	4 266	4 716	–	4 716	6 686
Cultivated assets	–	–	–	–	–	–	114
Software and intangible assets	–	–	1 076	–	–	–	–
Total	**2 136 793**	**2 271 580**	**2 191 613**	**2 548 272**	**86 828**	**2 635 100**	**2 516 498**

Table 29.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
A. Permanent and full-time contract employees							
Compensation (R thousand)	169 841	187 726	213 026	285 950	319 951	345 211	371 234
Unit cost (R thousand)	187	202	215	235	234	244	259
Personnel numbers (head count)	906	928	992	1 216	1 369	1 416	1 436
B. Part-time and temporary contract employees							
Compensation (R thousand)	6 301	2 202	2 628	1 879	1 992	2 111	2 217
Unit cost (R thousand)	38	37	38	37	39	41	43
Personnel numbers (head count)	165	59	70	51	51	51	51
C. Interns							
Compensation of interns	600	855	1 416	1 560	1 560	1 560	1 638
Unit cost (R thousand)	12	19	24	24	24	24	24
Number of interns	50	45	59	65	65	65	68
Total for department							
Compensation (R thousand)	**176 742**	**190 783**	**217 070**	**289 389**	**323 503**	**348 882**	**375 089**
Unit cost (R thousand)	**158**	**185**	**194**	**217**	**218**	**228**	**241**
Personnel numbers (head count)	**1 121**	**1 032**	**1 121**	**1 332**	**1 485**	**1 532**	**1 555**

Table 29.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Training and staff development							
Expenditure (R thousand)	4 124	2 896	4 662	4 918	5 213	5 474	5 803
Number of employees trained (head count)	209	155	455	455	455	455	510
Bursaries (employees)							
Expenditure per programme (R thousand)	904	960	253	266	782	1 282	1 782
Number of employees (head count)	72	76	124	124	132	138	144
Total	**5 028**	**3 856**	**4 915**	**5 184**	**5 995**	**6 756**	**7 585**
Number of employees	**281**	**231**	**579**	**579**	**587**	**593**	**654**

Table 29.D Summary of conditional grants to provinces and municipalities[1]

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Conditional grants to municipalities							
7. Associated Services							
Integrated national electrification programme grant	245 091	196 102	297 497	391 130	467 827	595 637	897 008
Total	**245 091**	**196 102**	**297 497**	**391 130**	**467 827**	**595 637**	**897 008**

1. Detail provided in the Division of Revenue Act (2007).

Table 29.E Summary of expenditure on infrastructure

Description	Service delivery outputs	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Infrastructure transfers to other spheres, agencies and departments								
National electrification programme: Eskom portion		795 549	796 759	783 469	893 165	973 083	1 150 758	1 420 770
National electrification programme: Municipal portion		245 091	196 102	297 497	391 130	467 827	595 637	897 008
National electrification programme: Eradication of electrification backlog on schools and clinics		–	–	–	–	45 000	90 000	150 000
Total		**1 040 640**	**992 861**	**1 080 966**	**1 284 295**	**1 485 910**	**1 836 395**	**2 467 778**