

# Vote 9

## Public Enterprises

|                          | 2003/04<br>To be appropriated          | 2004/05     | 2005/06     |
|--------------------------|--|-------------|-------------|
| MTEF allocations         | R60 205 000                            | R64 182 000 | R68 090 000 |
| Statutory amounts        | -                                      | -           | -           |
| Responsible Minister     | Minister for Public Enterprises        |             |             |
| Administering Department | Department of Public Enterprises       |             |             |
| Accounting Officer       | Director-General of Public Enterprises |             |             |

### Aim

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

### Programme purpose and measurable objectives

#### Programme 1: Administration

**Purpose:** Take responsibility for the overall direction and management of the Ministry and the Department.

#### Programme 2: Restructuring of State-Owned Enterprises

**Purpose:** Develop, implement and manage the restructuring programme to meet Government's social and economic objectives.

**Measurable objective:** To manage the restructuring process through the development and implementation of transaction plans for state-owned enterprises, to maximise shareholder value.

#### Programme 3: Performance Monitoring and Strategic Analysis

**Purpose:** Monitor and evaluate the financial, socio-economic and non-financial performance of state-owned enterprises.

**Measurable objective:** To analyse the financial and non-financial performance of state-owned enterprises on a timely basis, in order to manage Government's shareholding interest in the restructuring process.

### Strategic overview and key policy developments: 1999/00 – 2005/06

Significant progress has been made in the restructuring programme with more than 30 transactions undertaken in various sectors between 1999 and December 2002. Key achievements for 2002/03 are progress in the restructuring of Denel, Transnet and various non-core entities. The focus of restructuring activities for 2003/04 and beyond will be on the energy, forestry and transport sectors. It is envisaged that the major restructuring plans will have been implemented by 2004. However, domestic and global factors will still determine the conditions for the successful implementation of certain transactions. As an indication, poor global market conditions between 2000 and 2002 posed challenges in the regulatory environment, and led to delays in the finalisation

of policy in the telecommunications sector. The Telkom initial public offering (IPO) is now envisaged to take place in March 2003.

### *Broader economic participation*

The range of restructuring transactions that have taken place in the period under review highlight an increasing trend towards the promotion of wider economic participation through the creation of investment opportunities to promote black economic empowerment. A number of transactions to date include outright sales to black economic empowerment groups, the sale of minority shares to strategic equity partners or black economic empowerment groups, and share offers for employees. A significant value transfer is evident in the Safcol, Aventura and Ucingo deals. In 2002/03, the Department developed a preferential procurement framework for state-owned enterprises. The framework is primarily aimed at benefiting historically disadvantaged individuals. The targets set in the policy have been included in shareholder compacts, and the achievement of minimum targets will be an important criterion in the overall assessment of state-owned enterprises.

### *Corporate governance*

In line with developments in corporate governance, the Department has linked the reporting requirements of various state-owned enterprises with the requirements of the Public Finance Management Act (1 of 1999) (PFMA). The Department completed the revised Protocol on Corporate Governance in 2002, and uses this to apply the stipulations of the Act in the various enterprises. Shareholder compacts have been finalised with half of the state-owned enterprises reporting to the Department. The shareholder compacts stipulate a state-owned enterprise's performance expectations of Government, and determine how the Department interacts with the boards of the state-owned enterprises.

### *Maximising shareholder value*

The shareholder management function will be the central concern of the Department beyond 2004, as it is expected that restructuring activities will have been scaled down by then. In 2003/04, more resources will go into building capacity for this in the Department's Performance Monitoring and Benchmarking Unit. A shareholding model is being developed to provide a framework for the post-restructuring mandate of the Department, and to ensure that Government's shareholding interests are translated into actions that can be monitored and evaluated.

## **Expenditure estimates**

Table 9.1: Public Enterprises

| Programme                                       | Expenditure outcome |         |                     | Adjusted appropriation | Revised estimate | Medium-term expenditure estimate |         |         |
|---|---------------------|---------|---------------------|------------------------|------------------|----------------------------------|---------|---------|
|   | Audited             | Audited | Preliminary outcome |                        |                  | 2003/04                          | 2004/05 | 2005/06 |
| R thousand                                      | 1999/00             | 2000/01 | 2001/02             | 2002/03                |                  |                                  |         |         |
| 1 Administration                                | 10 759              | 24 367  | 27 127              | 26 018                 | 26 018           | 28 676                           | 30 675  | 32 526  |
| 2 Restructuring of State-Owned Enterprises      | 25 490              | 5 098   | 161 769             | 207 583                | 191 340          | 15 847                           | 17 307  | 18 147  |
| 3 Performance Monitoring and Strategic Analysis | -                   | 4 847   | 7 519               | 15 477                 | 13 832           | 15 682                           | 16 200  | 17 417  |
| Total   | 36 249              | 34 312  | 196 415             | 249 078                | 231 190          | 60 205                           | 64 182  | 68 090  |
| Change to 2002 Budget Estimate                  |                     |         |                     | 193 801                | 175 913          | 1 601                            | 2 048   |         |

|                                      | Expenditure outcome |               |                     | Adjusted appropriation | Revised estimate | Medium-term expenditure estimate |               |               |
|--------------------------------------|---------------------|---------------|---------------------|------------------------|------------------|----------------------------------|---------------|---------------|
|                                      | Audited             | Audited       | Preliminary outcome |                        |                  | 2003/04                          | 2004/05       | 2005/06       |
| R thousand                           | 1999/00             | 2000/01       | 2001/02             | 2002/03                |                  |                                  |               |               |
| <b>Economic classification</b>       |                     |               |                     |                        |                  |                                  |               |               |
| Current                              | 36 239              | 29 799        | 192 452             | 247 704                | 230 066          | 59 655                           | 63 637        | 67 522        |
| Personnel                            | 6 665               | 12 166        | 20 422              | 27 490                 | 26 565           | 32 467                           | 34 106        | 36 184        |
| Transfer payments                    | –                   | 26            | –                   | –                      | –                | –                                | –             | –             |
| Other current                        | 29 574              | 17 607        | 172 030             | 220 214                | 203 501          | 27 188                           | 29 531        | 31 338        |
| Capital                              | 10                  | 4 513         | 3 963               | 1 374                  | 1 124            | 550                              | 545           | 568           |
| Transfer payments                    | –                   | –             | –                   | –                      | –                | –                                | –             | –             |
| Acquisition of capital assets        | 10                  | 4 513         | 3 963               | 1 374                  | 1 124            | 550                              | 545           | 568           |
| <b>Total</b>                         | <b>36 249</b>       | <b>34 312</b> | <b>196 415</b>      | <b>249 078</b>         | <b>231 190</b>   | <b>60 205</b>                    | <b>64 182</b> | <b>68 090</b> |
| <b>Standard items of expenditure</b> |                     |               |                     |                        |                  |                                  |               |               |
| Personnel                            | 6 665               | 12 166        | 20 422              | 27 490                 | 26 565           | 32 467                           | 34 106        | 36 184        |
| Administrative                       | 4 357               | 9 397         | 11 514              | 11 267                 | 11 267           | 13 715                           | 16 784        | 18 741        |
| Inventories                          | 549                 | 1 078         | 1 092               | 2 563                  | 2 313            | 2 271                            | 2 446         | 2 063         |
| Equipment                            | 2 150               | 4 199         | 6 372               | 1 732                  | 1 482            | 1 413                            | 1 128         | 1 428         |
| Land and buildings                   | –                   | 314           | –                   | –                      | –                | 15                               | 16            | 17            |
| Professional and special services    | 22 451              | 5 429         | 157 015             | 205 504                | 189 041          | 10 309                           | 9 687         | 9 641         |
| Transfer payments                    | –                   | 26            | –                   | –                      | –                | –                                | –             | –             |
| Miscellaneous                        | 77                  | 1 703         | –                   | 522                    | 522              | 15                               | 15            | 16            |
| <b>Total</b>                         | <b>36 249</b>       | <b>34 312</b> | <b>196 415</b>      | <b>249 078</b>         | <b>231 190</b>   | <b>60 205</b>                    | <b>64 182</b> | <b>68 090</b> |

### Expenditure trends

The budget for 2002/03 has increased from a main appropriation of R55,2 million to R249,0 million as a result of funds rolled over from 2001/02 to accommodate the Telkom initial public offering, which is set to take place in March 2003.

For 2003/04 and beyond, the focus will be on the shareholder management function of the Department. The bulk of expenditure will be on the major projects of the Performance Monitoring and Benchmarking Unit, which include: corporate governance policies, financial performance and benchmarking. The termination of the *Alternative Service Delivery* programme has resulted in the shift of funds from this programme to the Performance Monitoring and Benchmarking subprogramme of the *Performance Monitoring and Strategic Analysis* programme. The Department will still make significant use of donor funds over the medium term.

### Departmental receipts

These are mainly accumulated from dividends, commissions on insurance premium deductions through the salary system, property income and the sale of goods and services. The income reflected for the years 2001/02 and 2002/03 is mainly from dividends received from Transnet. For the other years, proceeds from selling state-owned enterprises would only be disclosed during the course of the financial year, as no information is currently available. All revenue received is transferred to the National Revenue Fund.

Table 9.2: Departmental receipts

|   | Revenue outcome |            |                     | Adjusted appropriation | Medium-term revenue estimate |           |           |
|---|-----------------|------------|---------------------|------------------------|------------------------------|-----------|-----------|
|   | Audited         | Audited    | Preliminary outcome |                        | 2002/03                      | 2003/04   | 2004/05   |
| R thousand  | 1999/00         | 2000/01    | 2001/02             | 2002/03                | 2003/04                      | 2004/05   | 2005/06   |
| Tax revenue   | -               | -          | -                   | -                      | -                            | -         | -         |
| Non-tax revenue   | 10              | 177        | 1 435 245           | 1 023 326              | 52                           | 56        | 59        |
| Interest  | -               | 20         | -                   | -                      | 7                            | 8         | 10        |
| Dividends   | -               | -          | 1 435 109           | 1 023 284              | -                            | -         | -         |
| Rent  | -               | -          | -                   | -                      | -                            | -         | -         |
| Sales of goods and services                             | 2               | 3          | 4                   | 3                      | 3                            | 3         | 3         |
| Fines, penalties and forfeits                           | -               | -          | -                   | -                      | -                            | -         | -         |
| Miscellaneous   | 8               | 154        | 132                 | 39                     | 42                           | 45        | 46        |
| Sales of capital assets (capital revenue)               | -               | -          | -                   | -                      | -                            | -         | -         |
| Financial transactions (recovery of loans and advances) | -               | -          | -                   | -                      | -                            | -         | -         |
| <b>Total departmental receipts</b>                      | <b>10</b>       | <b>177</b> | <b>1 435 245</b>    | <b>1 023 326</b>       | <b>52</b>                    | <b>56</b> | <b>59</b> |

## Programme 1: Administration

This programme is responsible for the overall direction and management of the Ministry and the Department. It consists of the Ministry, the Director-General's office and Corporate Services. The Corporate Services Unit comprises the ministerial support staff, human resources, information technology (IT), financial management, communications and the internal audit unit.

### Expenditure estimates

Table 9.3: Administration

| Subprogramme                   | Expenditure outcome |               |                     | Adjusted appropriation | Medium-term expenditure estimate |               |               |
|--------------------------------|---------------------|---------------|---------------------|------------------------|----------------------------------|---------------|---------------|
|                                | Audited             | Audited       | Preliminary outcome |                        | 2002/03                          | 2003/04       | 2004/05       |
| R thousand                     | 1999/00             | 2000/01       | 2001/02             | 2002/03                | 2003/04                          | 2004/05       | 2005/06       |
| Minister <sup>1</sup>          | 498                 | 677           | 768                 | 691                    | 746                              | 791           | 835           |
| Management                     | 3 793               | 5 845         | 3 772               | 5 576                  | 3 365                            | 3 755         | 4 355         |
| Corporate Services             | 6 468               | 17 845        | 22 587              | 19 751                 | 24 565                           | 26 129        | 27 336        |
| <b>Total</b>                   | <b>10 759</b>       | <b>24 367</b> | <b>27 127</b>       | <b>26 018</b>          | <b>28 676</b>                    | <b>30 675</b> | <b>32 526</b> |
| Change to 2002 Budget Estimate |                     |               |                     | 403                    | 2 265                            | 2 676         |               |

<sup>1</sup>Payable as from 1 April 2002. Salary: R552 984. Car allowance: R138 246.

#### Economic classification

|                               | 1999/00       | 2000/01       | 2001/02       | 2002/03       | 2003/04       | 2004/05       | 2005/06       |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Current</b>                | <b>10 759</b> | <b>20 348</b> | <b>25 438</b> | <b>25 008</b> | <b>28 276</b> | <b>30 260</b> | <b>32 085</b> |
| Personnel                     | 3 488         | 7 392         | 10 834        | 12 089        | 14 366        | 15 114        | 16 313        |
| Transfer payments             | -             | 26            | -             | -             | -             | -             | -             |
| Other current                 | 7 271         | 12 930        | 14 604        | 12 919        | 13 910        | 15 146        | 15 772        |
| <b>Capital</b>                | <b>-</b>      | <b>4 019</b>  | <b>1 689</b>  | <b>1 010</b>  | <b>400</b>    | <b>415</b>    | <b>441</b>    |
| Transfer payments             | -             | -             | -             | -             | -             | -             | -             |
| Acquisition of capital assets | -             | 4 019         | 1 689         | 1 010         | 400           | 415           | 441           |
| <b>Total</b>                  | <b>10 759</b> | <b>24 367</b> | <b>27 127</b> | <b>26 018</b> | <b>28 676</b> | <b>30 675</b> | <b>32 526</b> |

|                                    | Expenditure outcome |               |                     | Adjusted appropriation | Medium-term expenditure estimate |               |               |
|------------------------------------|---------------------|---------------|---------------------|------------------------|----------------------------------|---------------|---------------|
|                                    | Audited             | Audited       | Preliminary outcome |                        | 2003/04                          | 2004/05       | 2005/06       |
| R thousand                         | 1999/00             | 2000/01       | 2001/02             | 2002/03                |                                  |               |               |
| Standard items of expenditure      |                     |               |                     |                        |                                  |               |               |
| Personnel                          | 3 488               | 7 392         | 10 834              | 12 089                 | 14 366                           | 15 114        | 16 313        |
| Administrative                     | 2 685               | 8 014         | 8 766               | 6 761                  | 8 005                            | 9 480         | 10 621        |
| Inventories                        | 330                 | 830           | 914                 | 1 605                  | 1 767                            | 1 915         | 1 420         |
| Equipment                          | 1 176               | 3 705         | 3 583               | 1 364                  | 1 032                            | 893           | 1 004         |
| Land and buildings                 | -                   | 314           | -                   | -                      | 15                               | 16            | 17            |
| Professional and special services  | 3 036               | 4 030         | 3 030               | 3 870                  | 3 476                            | 3 242         | 3 135         |
| Transfer payments                  | -                   | 26            | -                   | -                      | -                                | -             | -             |
| Miscellaneous                      | 44                  | 56            | -                   | 329                    | 15                               | 15            | 16            |
| <b>Total</b>                       | <b>10 759</b>       | <b>24 367</b> | <b>27 127</b>       | <b>26 018</b>          | <b>28 676</b>                    | <b>30 675</b> | <b>32 526</b> |
| Transfer payments per subprogramme |                     |               |                     |                        |                                  |               |               |
| Corporate Services                 |                     |               |                     |                        |                                  |               |               |
| Government Motor Transport         | -                   | 26            | -                   | -                      | -                                | -             | -             |
| <b>Total</b>                       | <b>-</b>            | <b>26</b>     | <b>-</b>            | <b>-</b>               | <b>-</b>                         | <b>-</b>      | <b>-</b>      |

### Expenditure trends

The annual average growth rate of 34,2 per cent between 1999/00 and 2002/03 was due to expenditure on installing and implementing the Integrated Development Management System (IDMS). The budget will increase by 10,2 per cent in 2003/04 due to staff increases and investment in IT, but is expected to stabilise over time.

### Programme 2: Restructuring of State-Owned Enterprises

The aim of the programme is to develop and implement the restructuring programme to meet Government's economic and social objectives. There are four subprogrammes:

- Management is responsible for the co-ordination and overall management of the restructuring programme.
- Restructuring manages all aspects of the restructuring of state-owned enterprises: commercial, transformation of services and their general functions.
- Specialist Services provides services in economic analysis, transaction marketing, legal affairs, financial modelling and risk analysis.
- The Initial Public Offering (IPO) Office prepares identified state-owned enterprises for their listing on the domestic and international equity exchange markets.

## Expenditure estimates

Table 9.4: Restructuring of State-Owned Enterprises

| Subprogramme                   | Expenditure outcome |              |                     | Adjusted appropriation | Medium-term expenditure estimate |               |               |
|--------------------------------|---------------------|--------------|---------------------|------------------------|----------------------------------|---------------|---------------|
|                                | Audited             | Audited      | Preliminary outcome |                        |                                  |               |               |
| R thousand                     | 1999/00             | 2000/01      | 2001/02             | 2002/03                | 2003/04                          | 2004/05       | 2005/06       |
| Management                     | -                   | 954          | 96 853              | 5 043                  | 4 263                            | 4 756         | 4 948         |
| Restructuring                  | 25 490              | 2 054        | 3 415               | 4 347                  | 6 212                            | 6 465         | 6 875         |
| Specialist Services            | -                   | 1 528        | 1 782               | 2 110                  | 2 113                            | 3 408         | 3 645         |
| Initial Public Offering Office | -                   | 562          | 59 719              | 196 083                | 3 259                            | 2 678         | 2 679         |
| <b>Total</b>                   | <b>25 490</b>       | <b>5 098</b> | <b>161 769</b>      | <b>207 583</b>         | <b>15 847</b>                    | <b>17 307</b> | <b>18 147</b> |
| Change to 2002 Budget Estimate |                     |              |                     | 191 385                | (1 739)                          | (1 337)       |               |

### Economic classification

|                               |               |              |                |                |               |               |               |
|-------------------------------|---------------|--------------|----------------|----------------|---------------|---------------|---------------|
| Current                       | 25 480        | 4 851        | 160 779        | 207 534        | 15 832        | 17 291        | 18 130        |
| Personnel                     | 3 177         | 3 254        | 6 071          | 10 159         | 11 002        | 11 315        | 11 462        |
| Transfer payments             | -             | -            | -              | -              | -             | -             | -             |
| Other current                 | 22 303        | 1 597        | 154 708        | 197 375        | 4 830         | 5 976         | 6 668         |
| Capital                       | 10            | 247          | 990            | 49             | 15            | 16            | 17            |
| Transfer payments             | -             | -            | -              | -              | -             | -             | -             |
| Acquisition of capital assets | 10            | 247          | 990            | 49             | 15            | 16            | 17            |
| <b>Total</b>                  | <b>25 490</b> | <b>5 098</b> | <b>161 769</b> | <b>207 583</b> | <b>15 847</b> | <b>17 307</b> | <b>18 147</b> |

### Standard items of expenditure

|                                   |               |              |                |                |               |               |               |
|-----------------------------------|---------------|--------------|----------------|----------------|---------------|---------------|---------------|
| Personnel                         | 3 177         | 3 254        | 6 071          | 10 159         | 11 002        | 11 315        | 11 462        |
| Administrative                    | 1 672         | 973          | 1 854          | 1 943          | 3 068         | 4 554         | 5 100         |
| Inventories                       | 219           | 154          | 81             | 398            | 222           | 235           | 250           |
| Equipment                         | 974           | 247          | 1 426          | 53             | 205           | 101           | 220           |
| Land and buildings                | -             | -            | -              | -              | -             | -             | -             |
| Professional and special services | 19 415        | 470          | 152 337        | 194 856        | 1 350         | 1 102         | 1 115         |
| Transfer payments                 | -             | -            | -              | -              | -             | -             | -             |
| Miscellaneous                     | 33            | -            | -              | 174            | -             | -             | -             |
| <b>Total</b>                      | <b>25 490</b> | <b>5 098</b> | <b>161 769</b> | <b>207 583</b> | <b>15 847</b> | <b>17 307</b> | <b>18 147</b> |

## Expenditure trends

The growth of expenditure from R25,5 million to R207,6 million between 1999/00 and 2002/03 reflects the restructuring process in general and the Telkom IPO in particular. The significant increase in the budget is reflected under professional and special services. Expenditure is expected to stabilise from 2003/04 due to the downscaling of the restructuring initiatives and the completion of the Telkom IPO.

A significant portion of the budget for 2003/04 will be utilised to accelerate the activities of the energy and transport sectors of this programme. The main focus will be on developing the end-state of Transnet and its subsidiaries, concessioning port operations, introducing competition in electricity generation (10 per cent black economic empowerment and 20 per cent other partners) and developing a model to set up Eskom Transmission as an independent company.

## Service delivery objectives and indicators

### Recent outputs

#### *Energy*

Government has opted for a managed liberalisation process for the restructuring of this sector. An initial implementation plan for restructuring the Electricity Supply Industry (ESI) has been developed to create an enabling environment for private participation, currently set at 30 per cent of existing generation capacity in the electricity industry. The plan includes a multi-market model, which will allow for efficiency in future investments, and innovation in electricity supply, operations and usage; create downward pressure on prices; and allow for private sector funding for investments.

#### *Transport*

The successful restructuring of the Transnet Pension Fund debt has made it possible to accelerate the restructuring of its various business entities. An interdepartmental review of restructuring options was conducted for completing the end-state architecture for Transnet, which will provide consistency in restructuring within the group.

Government has finalised a rail restructuring model and reached an agreement with organised labour. The proposed approach involves: the concessioning of Luxrail, the integration of general freight businesses with the heavy haulage coal line, a restructuring option for the Orex dedicated heavy haulage iron ore export line, and turnaround strategies and efficiency enhancement programmes. The re-engineering of the business will involve labour in job-loss mitigation processes to limit the human costs.

The National Commercial Ports Policy was approved by Cabinet and gazetted on 8 August 2002 to ensure that there is an affordable, internationally competitive, efficient and safe port service to national and international shippers and receivers. Government has appointed consultants to undertake the necessary preparatory work for port concessioning. Work will start at Durban Container Terminal (DCT). Due to the inefficiencies at the terminal, a request for proposals will be issued in April/May 2003, with the intention of appointing a new operator by December 2003.

#### *Other transport-related transactions*

The 20 per cent stake that Swiss Air held in South African Airways (SAA) has been re-acquired by Transnet, with a gain of R1 billion to Transnet. Transnet's 20 per cent stake in M-Cell was disposed of through ICE BV, a special purpose vehicle of ICE Finance of the Netherlands, for R5,3 billion.

#### *Telecommunications and information technology sector*

The telecommunications policy environment has been clarified with the passing of the Telecommunications Amendment Act (64 of 2001) in December 2001. This was followed by significant regulatory work by the Independent Communications Authority of South Africa (Icasa), with a final set of regulations gazetted. The Telkom IPO is now set for March 2003 and an educational campaign was launched in preparation for the listing. An agreement has been reached with the strategic equity partner on the parameters for Telkom's listing on the JSE Securities Exchange (JSE) and the New York Stock Exchange.

*Defence-related industries*

Government started the process of introducing strategic equity partners (SEPs) into Denel in February 2001. BAE Systems was invited to become a strategic equity partner for Denel and Turbomeca (TM) to acquire a majority stake in Denel's Airmotive division. Agreements were reached for the creation of TM Africa, with TM and Denel holding 51 per cent and 49 per cent respectively. In March 2002, the Minister of Public Enterprises and organised labour representatives signed a memorandum of understanding on the introduction of strategic equity partners in Denel. This agreement set out a common vision for the development and transformation of Denel and the key principles guiding restructuring.

*Other restructuring initiatives*

The KwaZulu-Natal forestry transaction was completed in October 2001 through a sale to the Siyaqhubeka Consortium. Safcol currently holds Government's shareholding of 25 per cent in the North Eastern Cape Singisi forestry assets. It is envisaged that Government's shareholding in these assets will be reduced to 6 per cent once negotiations for a 9 per cent employee share ownership plan and a 10 per cent community interest are finalised. Cabinet approved the final preferred bidder for the Northern Cape/Mpumalanga forestry assets, but the transaction has since been cancelled and is still to be re-opened.

The restructuring strategy for Alexkor entails introducing a strategic equity partner with a 51 per cent stake and a 10 per cent stake set aside for the Namaqualand community. Parliament has passed the Alexkor Amendment Act (29 of 2001) to facilitate this strategy by first separating the mining from the non-mining businesses of Alexkor, and then transferring the latter to the Northern Cape government and the community.

Three Aventura resorts have been disposed of: Aldam, Christiana and Bloemfontein. Government is in the process of disposing of the remaining 12 resorts in line with black economic empowerment principles and in a way that enhances tourism potential in the hospitality sector. Requests for proposals were only issued for four of the 12 resorts.

Cabinet approved a 100 per cent disposal of Air Chefs to SAA for R60 million.

Fifty-one per cent of Apron Services was disposed of to Equity Aviation for R117 million.

The following table provides more detail about the restructured enterprises and the proceeds from them.

Summary of proceeds from restructuring: 1999/00 to 2001/02

| Enterprise                  | Date   | (%) Stake sold | Total proceeds<br>R million | Paid to exchequer<br>R million |
|-----------------------------|--------|----------------|-----------------------------|--------------------------------|
| South African Airways       | Jul 99 | 20             | 1 400                       | 611                            |
| Connex                      | Aug 99 | 80             | 15                          | n/a                            |
| SASRIA                      | Feb 00 | n/a            | 7 100                       | 7 100                          |
| SASRIA                      | Sep 00 | n/a            | 2 400                       | 2 000                          |
| M-Cell/MTN                  | Jun 00 | 6              | 2 400                       | 2 000                          |
| M-Cell                      | Jan 02 | 20             | 5 500                       | 5 000                          |
| Transnet: Production House  | Jul 00 | 100            | 11                          | n/a                            |
| Transnet: Chemical Services | Aug 00 | 100            | 3                           | n/a                            |
| Transnet: Transwerk         | Sep 00 | 65             | 19                          | n/a                            |
| Transnet: Transmed          | Sep 00 | 100            | 5                           | n/a                            |
| Telkom (Ucingo)             | Sep 00 | 3              | 564                         | 564                            |
| Safcol – ECN                | Sep 00 | 75             | 100                         | 75                             |
| Safcol – KZN                | Sep 00 | 75             | 45                          |                                |
| Total                       |        |                | 19 562                      | 17 350                         |

### Medium-term output targets

#### Restructuring of State-Owned Enterprises

Measurable objective: To manage the restructuring process through the development and implementation of transaction plans for state-owned enterprises to maximise shareholder value.

| Subprogramme  | Output  | Measure/Indicator  | Target   |
|---------------|---|--|--|
| Restructuring | Proceeds from restructuring plans                                     | The total amount of proceeds realised in the restructuring process   | R2 billion annually  |
|               | Development and implementation of restructuring and transaction plans | Regular updating of plans as circumstances change  | Planning review every quarter  |
|               |   | Timely implementation of restructuring and implementation plans  | 75% on time implementation   |
|               | Wider economic participation  | The number of policies and initiatives developed to promote the participation of historically disadvantaged individuals in state-owned enterprises | At least 2 initiatives per entity per year                             |
|               |   | Percentage equity in disposals taken up by HDIs  | Minimum 10% equity HDI uptake  |
|               | Global competitiveness of state-owned enterprises                     | Percentage increase in profitability   | At least 5% annually   |
|               |   | Alignment with financial ratio multiples in global sectors   | Within 25% margin of international multiples                           |
|               |   | Long-term employee numbers forecasts, stable or rising   | 0-5% change per year   |
|               | Stakeholder support for restructuring plans                           | Stakeholder and union buy-in achieved  | No strikes or disputes related to restructuring                        |
|               |   | Union-related initiatives undertaken   | Employee Share Ownership Programmes implemented in 50% of transactions |

### Programme 3: Performance Monitoring and Strategic Analysis

This programme is responsible for monitoring and evaluating the financial, socio-economic and non-financial performance of state-owned enterprises. The programme also promotes best performance management practices to enhance shareholder value through improved corporate governance structures. The Strategic Analysis subprogramme is responsible for developing strategic policy frameworks, and analysing sector strategies and economic issues to enable the accelerated restructuring of state-owned enterprises.

#### Expenditure estimates

Table 9.5: Performance Monitoring and Strategic Analysis

| Subprogramme                            | Expenditure outcome |         |                     |         | Adjusted appropriation | Medium-term expenditure estimate |         |  |
|---|---------------------|---------|---------------------|---------|------------------------|----------------------------------|---------|--|
|   | Audited             | Audited | Preliminary outcome |         |                        |                                  |         |  |
| R thousand                              | 1999/00             | 2000/01 | 2001/02             | 2002/03 | 2003/04                | 2004/05                          | 2005/06 |  |
| Management                              | –                   | 2 136   | 2 385               | 4 434   | 5 525                  | 3 619                            | 3 790   |  |
| Performance Monitoring and Benchmarking | –                   | 760     | 2 674               | 6 896   | 6 577                  | 9 083                            | 9 602   |  |
| Management                              | –                   | 402     | 1 780               | 2 870   | 2 194                  | 2 238                            | 2 390   |  |
| Strategic Analysis                      | –                   | 1 549   | 680                 | 1 277   | 1 386                  | 1 260                            | 1 635   |  |
| Total                                   | –                   | 4 847   | 7 519               | 15 477  | 15 682                 | 16 200                           | 17 417  |  |
| Change to 2002 Budget Estimate          |                     |         |                     | 2 013   | 1 075                  | 709                              |         |  |

|                                      | Expenditure outcome |              |                     | Adjusted appropriation | Medium-term expenditure estimate |               |               |
|--------------------------------------|---------------------|--------------|---------------------|------------------------|----------------------------------|---------------|---------------|
|                                      | Audited             | Audited      | Preliminary outcome |                        |                                  |               |               |
| R thousand                           | 1999/00             | 2000/01      | 2001/02             | 2002/03                | 2003/04                          | 2004/05       | 2005/06       |
| <b>Economic classification</b>       |                     |              |                     |                        |                                  |               |               |
| Current                              | -                   | 4 600        | 6 235               | 15 162                 | 15 547                           | 16 086        | 17 307        |
| Personnel                            | -                   | 1 520        | 3 517               | 5 242                  | 7 099                            | 7 677         | 8 409         |
| Transfer payments                    | -                   | -            | -                   | -                      | -                                | -             | -             |
| Other current                        | -                   | 3 080        | 2 718               | 9 920                  | 8 448                            | 8 409         | 8 898         |
| Capital                              | -                   | 247          | 1 284               | 315                    | 135                              | 114           | 110           |
| Transfer payments                    | -                   | -            | -                   | -                      | -                                | -             | -             |
| Acquisition of capital assets        | -                   | 247          | 1 284               | 315                    | 135                              | 114           | 110           |
| <b>Total</b>                         | <b>-</b>            | <b>4 847</b> | <b>7 519</b>        | <b>15 477</b>          | <b>15 682</b>                    | <b>16 200</b> | <b>17 417</b> |
| <b>Standard items of expenditure</b> |                     |              |                     |                        |                                  |               |               |
| Personnel                            | -                   | 1 520        | 3 517               | 5 242                  | 7 099                            | 7 677         | 8 409         |
| Administrative                       | -                   | 410          | 894                 | 2 563                  | 2 642                            | 2 750         | 3 020         |
| Inventories                          | -                   | 94           | 97                  | 560                    | 282                              | 296           | 393           |
| Equipment                            | -                   | 247          | 1 363               | 315                    | 176                              | 134           | 204           |
| Land and buildings                   | -                   | -            | -                   | -                      | -                                | -             | -             |
| Professional and special services    | -                   | 929          | 1 648               | 6 778                  | 5 483                            | 5 343         | 5 391         |
| Transfer payments                    | -                   | -            | -                   | -                      | -                                | -             | -             |
| Miscellaneous                        | -                   | 1 647        | -                   | 19                     | -                                | -             | -             |
| <b>Total</b>                         | <b>-</b>            | <b>4 847</b> | <b>7 519</b>        | <b>15 477</b>          | <b>15 682</b>                    | <b>16 200</b> | <b>17 417</b> |

## Expenditure trends

Changes to the 2002 budget estimate show substantial increases as a result of the incorporation of the former *Alternative Service Delivery* programme into the Performance Monitoring and Benchmarking subprogramme of this programme. During 2001/02 the *Alternative Service Delivery* programme developed operational frameworks for government procurement policies and black economic empowerment in state-owned enterprises. The current expenditure trends for 2002/03 show increased costs in professional fees due to more projects identified for the Performance Monitoring and Benchmarking Unit. Expenditure on equipment and administration is expected to increase in the short to medium term due to the hiring of new personnel in line with the structure still to be approved. Professional fees are set to decrease as the Department of Public Enterprises will undertake more work internally.

The current under-expenditure in the Strategic Analysis subprogramme is due to vacant posts which are currently being filled and the use of donor funding for two major projects on Employment and the Employee Share Ownership Programmes (ESOPs).

## Service delivery objectives and indicators

### Recent outputs

#### *Performance Monitoring and Benchmarking*

The reporting system for state-owned enterprises has been substantially improved. State-owned enterprises are now required to submit quarterly reports addressing financial and non-financial key performance indicators, as set out in shareholder compacts. The new system of reporting will be linked to a database of state-owned enterprises, which has been created by the Performance Monitoring and Benchmarking Unit, to replace time-consuming manual reporting. The database

will be made accessible to other shareholding departments. A benchmarking and performance evaluation model is currently being developed to assist in the monitoring of state-owned enterprises. An HIV/Aids reporting framework that will be incorporated in quarterly reports is being developed to assess and manage the impact of HIV/Aids in state-owned enterprises.

Government exposure to risk is likely to be reduced by the development of a guarantee and debt maturity register to monitor and manage guarantees issued by Government to creditors of state-owned enterprises. The register is fully operational and is to be updated on a quarterly basis. An investment framework has been developed for clarity and ease of operation in relation to investments by state-owned enterprises. This is to help identify and quantify investment risks, while at the same time ensuring consistent evaluation of proposed investments. An electronic investment map will serve as a reporting mechanism for state-owned enterprises' investments.

A review of the Corporate Governance Protocol in the public sector is now complete. The Protocol documents best practices in state-owned enterprises. It provides state-owned enterprises with guidelines on implementing and complying with the rules that regulate their relationship with the shareholder. Shareholder compacts with Transnet, Denel and Eskom have been finalised. There has also been progress with the recent restructuring of the boards of Transnet, Aventura, Safcol and Alexkor.

#### *Strategic Analysis*

An employment impact study undertaken in 2002 will be finalised by the end of 2002/03. The purpose is to investigate the impact of restructuring on employment trends in state-owned enterprises. Work is currently in progress for the implementation of a knowledge management system, to be completed in 2003/04.

The Strategic Analysis Unit has been involved in policy related research to inform restructuring in the forestry, energy, and transport sectors, and has been assisting in the review of Government undertaken by the Presidency. The Department's overarching policy framework is currently being reviewed to evaluate progress in the restructuring programme.

The focus of the unit in 2003/04 will be undertaking research on the impact of restructuring on macroeconomic indicators and on the role that state-owned enterprises should play in development.

#### **Medium-term output targets**

##### Performance Monitoring and Strategic Analysis

Measurable objective: To analyse the financial and non-financial performance of state-owned enterprises on a timely basis, in order to manage Government's shareholding interest in the restructuring process.

| Subprogramme                            | Output  | Measure/Indicator  | Target       |
|---|---|--|--------------|
| Performance Monitoring and Benchmarking | Shareholding model for managing government interest in state-owned enterprises  | Finalisation of discussion document for tabling in Cabinet and timely implementation of a shareholding model | March 2004   |
|   | Development of policies and measures within the relevant acceptable benchmarks to enhance value and promote good performance culture within state-owned enterprises | Finalisation of benchmarking exercise to help develop key performance indicators for shareholder compacts    | October 2003 |
|   |   | Timely implementation and development of policies and other ongoing measures                                 | March 2004   |

| Subprogramme   | Output  | Measure/Indicator  | Target                                  |
|--|---|--|---|
| Performance Monitoring and Benchmarking (continued)              | Electronic interface between state-owned enterprises and Department                     | Tested and updated state-owned enterprise database in time for launch  | June 2003                               |
|  |   | Quarterly updating of state-owned enterprise information (including Investments and financial performance)   | March 2004                              |
|  | Shareholder compacts with state-owned enterprises                                       | Timely approval and sign-off between executive authority and state-owned enterprises   | March 2003 (and annually thereafter)    |
|  |   | Timely revision of shareholder compacts  | Annually                                |
|  | Reports to ensure compliance with various legislative frameworks: for example, the PFMA | Assessment of quarterly reports submitted by state-owned enterprises in relation to legislative compliance   | Quarterly                               |
|  |   | Development and implementation of robust evaluation process for approvals in line with PFMA  | March 2004                              |
|  | Financial evaluation model  | Implementation of model to provide quarterly, half-yearly and annual reports on the financial position of state-owned enterprises and assist in target-setting | March 2004                              |
|  | Regular reports to Cabinet on state-owned enterprises' overall performance              | Improved system of reporting by state-owned enterprises  | March of each year (financial year-end) |
|  |   | Timely submission of reports by state-owned enterprises  | Annually                                |
|  | Good governance policies  | Communicating and developing remedial action plans as a result of 2002 corporate governance audit reviews  | March of each year (financial year-end) |
| Assessment of level of compliance with and adherence to policies |   | March 2004   |   |
|  | Reports provided to Cabinet on level of compliance                                      | March 2004   |   |
| Strategic Analysis   | Study on macroeconomic impact of restructuring of state-owned enterprises               | Timely completion of a macroeconomic study   | July 2003                               |
|  | Sectoral analysis on various restructuring projects                                     | Timely response to internal clients  | December 2004                           |
|  | Knowledge management system for the Department  | Timely implementation of knowledge management model  | November 2003                           |

## Public entities reporting to the Minister

### Denel

Denel (Pty) Ltd is a major player in South Africa's defence-related industries. It has a total asset base of R4,0 billion and total debt of R2,6 billion for the 2002 financial year. The 2002/03 financial year was a difficult one for Denel. Gross revenue increased by R332,1 million compared to the previous year. This increase can be directly related to its export initiatives. Exports contributed 52 per cent (47 per cent in 2001) to the total revenue of R4,0 billion. Net income, however, decreased from R24,1 million in 2001 to a net loss of R363,2 million in 2002. The decline can be attributed mainly to the restructuring cost of Datam and Airmotive, accounted for in the year under review. In addition, a total of R126 million was provided for inventory and risk associated with the Rooivalk helicopter programme.

### Eskom

Eskom is South Africa's dominant electricity utility and supplies over 95 per cent of the country's electricity. It has a total asset base of R76,9 billion and a total debt of R42,8 billion, as per its

financial statements for the financial year ended 31 December 2001. It reported a turnover of R26,1 billion and a profit of R2,6 billion for this period.

The regulated business reported a net profit after tax on historical cost basis of R2,3 billion, up from the previous year's net profit of R1,8 billion. Sales for the year were 181 185 GWh, which reflects a growth of 1,8 per cent on the previous year. This increase in sales growth resulted in net revenue of R25,0 billion, up from R23,6 billion in 2000.

The non-regulated business activities, conducted mainly by Eskom Enterprises, reported turnover of R2,4 billion, up from the previous year's turnover of R2,1 billion. Net profit for the year was R108 million compared to R17 million of 2001.

### **Transnet**

Transnet Ltd is the holding company behind South Africa's largest transport businesses and consists of nine divisions - Spoornet, Port Authority, Port Operations, Freight Dynamics, Petronet, Metrorail, Propnet, Transtel, Transwerk, as well as SAA and a number of related and support businesses.

Transnet has a total asset base of R72,3 billion and total debt of R51,1 billion as per its financial statements for the financial year ended 31 March 2002. It reported a turnover of R35,8 billion and a profit of R3,4 billion for this period.

Group operating profit before miscellaneous revenue and retirement costs rose by R593 million from R2,0 billion to R2,6 billion. Impairment provisions amounting to R448 million (R173 million for 2001) were raised in the current year. These impairments were primarily in relation to aircraft and related spares, which have been impaired as a consequence of the decision to phase out selected aircraft from SAA's fleet and the impairment of certain specialised airline software.

Spoornet, the largest division of Transnet reported a turnover of R10,6 billion, which is 4,8 per cent higher than last year.

Passenger revenue for SAA increased by 25,8 per cent to R11,2 billion for the 2002 financial year. SAA's net profit after tax increased by 182 per cent to R409 million.

### **South African Forestry Company**

South African Forestry Company Ltd (Safcol) is charged with the management, development and optimisation of the state's investment in forestry, according to accepted commercial and conservation principles. It has a total asset base of R734,1 million and total debt of R259,4 million for the year ended 30 June 2001. It reported a turnover of R645,0 million and a profit of R34,4 million for this period.

Despite Safcol posting profits for the 1999/00 and 2000/01 financial years, no dividends were declared or paid to the shareholder. However, a special restructuring dividend of R66,7 million was declared by the company and paid to the shareholder out of the proceeds of the Siyaqhubeka transaction which yielded a profit of R69,1 million.

The shortfall transferred from the State Pension Fund to the Safcol Retirement Funds in relation to ex-state officials employed by Safcol, was initially estimated to be approximately R80 million. The funds' actuaries performed an evaluation of the funds as at 31 May 2001 to determine the level of shortfall in the various funds. Government and the various funds agreed on an approach for eliminating the shortfalls in the various funds.

### **Aventura**

Aventura Ltd operates self-catering resorts around the country. It has a total asset base of R115,7 million and total debt of R174,9 million as per its draft financial statements for the financial year ended 30 June 2002. It reported a turnover of R138,8 million and a net profit of R1,6 million for this period. A profit of R7,7 million was reported on the sale of resorts. This is inclusive of the sale of Aventura Christiana to Nkolo Developments (Pty) Ltd, valued at R13 million. Subsequent to the year-end, the company finalised the sale of Aventura Kareekloof for a consideration price of R1,7 million. Aventura Bloemfontein and Aventura Aldam were sold in July 2002 for R3 million and R7 million respectively. Management has taken steps to sell all the remaining resorts during the year ending 30 June 2003.

### **Alexkor**

Alexkor's core business is the mining of diamonds on land, along rivers, on beaches and in the sea along the north-west coast of South Africa. Alexkor has a total asset base of R92,9 million and total debt of R92,9 million as per its draft financial statements for the financial year ended 30 June 2002. Included in the total debt is a provision of R52,5 million for staff costs. It reported a turnover of R287,9 million and a profit of R1,7 million for this period.

Land claims have been lodged against the company and the amount and possible liability of these claims has not been determined. An amount of R1 million was provided for legal costs.

## **Annexure**

### **Vote 9: Public Enterprises**

Table 9.6: Summary of expenditure trends and estimates per programme

Table 9.7: Summary of expenditure trends and estimates per economic classification

Table 9.8: Summary of expenditure trends and estimates per standard item

Table 9.9: Summary of personnel numbers and costs

Table 9.10: Summary of expenditure on training

Table 9.11: Summary of information and communications technology expenditure

Table 9.12: Summary of donor support



Table 9.7: Summary of expenditure trends and estimates per economic classification

|   | Expenditure outcome |               |                     |                    |                          | Revised estimate | Medium-term expenditure estimate |            |               |               |               |
|---|---------------------|---------------|---------------------|--------------------|--------------------------|------------------|----------------------------------|------------|---------------|---------------|---------------|
|   | Audited             |               | Preliminary outcome | Main appropriation | Additional appropriation |                  | Adjusted appropriation           | Current    | Capital       | Total         |               |
|   | 1999/00             | 2000/01       | 2001/02             |                    |                          |                  |                                  |            |               |               | 2002/03       |
| <b>R thousand</b>                                       |                     |               |                     |                    |                          |                  |                                  |            |               |               |               |
| Current   | 36 239              | 29 799        | 192 452             | 54 203             | 193 501                  | 247 704          | 59 655                           | -          | 59 655        | 63 637        | 67 522        |
| Personnel   | 6 665               | 12 166        | 20 422              | 27 490             | -                        | 27 490           | 32 467                           | -          | 32 467        | 34 106        | 36 184        |
| Salaries and wages                                      | 6 665               | 12 166        | 18 434              | 24 587             | -                        | 24 587           | 31 205                           | -          | 31 205        | 31 777        | 33 960        |
| Other   | -                   | -             | 1 988               | 2 903              | -                        | 2 903            | 1 262                            | -          | 1 262         | 2 329         | 2 224         |
| Transfer payments                                       | -                   | 26            | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| Subsidies to business enterprises                       | -                   | 26            | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| Other levels of government                              | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| social security funds                                   | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| universities and technikons                             | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| extra-budgetary institutions                            | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| provincial government                                   | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| local government  | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| Households and non-profit institutions                  | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| Foreign countries and international credit institutions | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| Other   | 29 574              | 17 607        | 172 030             | 26 713             | 193 501                  | 220 214          | 27 188                           | -          | 27 188        | 29 531        | 31 338        |
| Capital   | 10                  | 4 513         | 3 963               | 1 074              | 300                      | 1 374            | -                                | 550        | 550           | 545           | 568           |
| Transfer payments                                       | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| Other levels of government                              | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| Other capital transfers                                 | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| Movable capital   | 10                  | 4 199         | 3 963               | 1 074              | 300                      | 1 374            | -                                | 535        | 535           | 530           | 552           |
| Motor vehicles (transport)                              | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| Equipment - Computers                                   | -                   | 3 952         | 2 092               | 508                | -                        | 508              | -                                | 245        | 245           | 233           | 230           |
| Equipment - Other office equipment                      | 10                  | 247           | 1 710               | 407                | 300                      | 707              | -                                | 275        | 275           | 281           | 305           |
| Other   | -                   | -             | 161                 | 159                | -                        | 159              | -                                | 15         | 15            | 16            | 17            |
| Fixed capital   | -                   | 314           | -                   | -                  | -                        | -                | -                                | 15         | 15            | 15            | 16            |
| Land  | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| Buildings   | -                   | 314           | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| Infrastructure  | -                   | -             | -                   | -                  | -                        | -                | -                                | -          | -             | -             | -             |
| Other   | -                   | -             | -                   | -                  | -                        | -                | -                                | 15         | 15            | 15            | 16            |
| <b>Total</b>  | <b>36 249</b>       | <b>34 312</b> | <b>196 415</b>      | <b>55 277</b>      | <b>193 801</b>           | <b>249 078</b>   | <b>59 655</b>                    | <b>550</b> | <b>60 205</b> | <b>64 182</b> | <b>68 090</b> |

Table 9.8: Summary of expenditure trends and estimates per standard item

|                                   | Expenditure outcome |         |                     | Main appropriation |         |         | Additional appropriation |         |         | Adjusted appropriation |         |         | Revised estimate |         |         | Medium-term expenditure estimate |        |         |         |         |  |
|-----------------------------------|---------------------|---------|---------------------|--------------------|---------|---------|--------------------------|---------|---------|------------------------|---------|---------|------------------|---------|---------|----------------------------------|--------|---------|---------|---------|--|
|                                   | Audited             | Audited | Preliminary outcome | 2001/02            |         |         | 2002/03                  |         |         | 2003/04                |         |         | 2004/05          |         |         | 2005/06                          |        |         |         |         |  |
|                                   | 1999/00             | 2000/01 | 2001/02             | 2000/01            | 2001/02 | 2002/03 | 2001/02                  | 2002/03 | 2003/04 | 2001/02                | 2002/03 | 2003/04 | 2004/05          | 2005/06 | Current | Capital                          | Total  | 2003/04 | 2004/05 | 2005/06 |  |
| R thousand                        |                     |         |                     |                    |         |         |                          |         |         |                        |         |         |                  |         |         |                                  |        |         |         |         |  |
| Personnel                         | 6 665               | 12 166  | 20 422              | 27 490             | -       | 27 490  | 26 565                   | 26 565  | 32 467  | -                      | 32 467  | 34 106  | 36 184           | 32 467  | -       | 32 467                           | 32 467 | 34 106  | 36 184  | 36 184  |  |
| Administrative                    | 4 357               | 9 397   | 11 514              | 11 267             | -       | 11 267  | 11 267                   | 11 267  | 13 715  | -                      | 13 715  | 16 784  | 18 741           | 13 715  | -       | 13 715                           | 13 715 | 16 784  | 18 741  | 18 741  |  |
| Inventories                       | 549                 | 1 078   | 1 092               | 2 563              | -       | 2 563   | 2 313                    | 2 313   | 2 271   | -                      | 2 271   | 2 446   | 2 063            | 2 271   | -       | 2 271                            | 2 271  | 2 446   | 2 063   | 2 063   |  |
| Equipment                         | 2 150               | 4 199   | 6 372               | 1 432              | 300     | 1 732   | 1 482                    | 1 482   | 878     | 535                    | 1 413   | 1 128   | 1 428            | 878     | 535     | 1 413                            | 1 413  | 1 128   | 1 428   | 1 428   |  |
| Land and buildings                | -                   | 314     | -                   | -                  | -       | -       | -                        | -       | -       | -                      | 15      | 16      | 17               | -       | 15      | 15                               | 15     | 16      | 16      | 17      |  |
| Professional and special services | 22 451              | 5 429   | 157 015             | 12 003             | 193 501 | 205 504 | 189 041                  | 189 041 | 10 309  | -                      | 10 309  | 9 687   | 9 641            | 10 309  | -       | 10 309                           | 10 309 | 9 687   | 9 641   | 9 641   |  |
| Transfer payments                 | -                   | 26      | -                   | -                  | -       | -       | -                        | -       | -       | -                      | -       | -       | -                | -       | -       | -                                | -      | -       | -       | -       |  |
| Miscellaneous                     | 77                  | 1 703   | -                   | 522                | -       | 522     | 522                      | 522     | 15      | -                      | 15      | 15      | 16               | 15      | -       | 15                               | 15     | 15      | 15      | 16      |  |
| Total                             | 36 249              | 34 312  | 196 415             | 55 277             | 193 801 | 249 078 | 231 190                  | 231 190 | 59 655  | 550                    | 60 205  | 64 182  | 68 090           | 59 655  | 550     | 60 205                           | 60 205 | 64 182  | 68 090  | 68 090  |  |

Table 9.9: Summary of personnel numbers and costs<sup>1</sup>

| Personnel numbers                               | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 |
|---|---------|---------|---------|---------|---------|
| 1 Administration                                | 33      | 56      | 66      | 76      | 75      |
| 2 Restructuring of State-Owned Enterprises      | 7       | 24      | 37      | 36      | 35      |
| 3 Performance Monitoring and Strategic Analysis | -       | 7       | 21      | 25      | 31      |
| Total   | 40      | 87      | 124     | 137     | 141     |
| Total personnel cost (R thousand)               | 6 665   | 12 166  | 20 422  | 27 490  | 32 467  |
| Unit cost (R thousand)                          | 166.6   | 139.8   | 164.7   | 200.7   | 230.3   |

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

Table 9.10: Summary of expenditure on training

| R thousand                                      | Expenditure outcome |              |              |              |                     |           | Medium-term expenditure estimate |         |         |
|---|---------------------|--------------|--------------|--------------|---------------------|-----------|----------------------------------|---------|---------|
|   | Audited             |              | Audited      |              | Preliminary outcome |           | Adjusted appropriation           |         |         |
|   | 1999/00             | 2000/01      | 2000/01      | 2001/02      | 2001/02             | 2002/03   | 2003/04                          | 2004/05 | 2005/06 |
| 1 Administration                                | 20                  | 1 150        | 1 597        | 311          | 15                  | 20        | 25                               |         |         |
| 2 Restructuring of State-Owned Enterprises      | 66                  | -            | 118          | 320          | 9                   | 11        | 14                               |         |         |
| 3 Performance Monitoring and Strategic Analysis | 295                 | -            | 405          | 447          | 16                  | 14        | 15                               |         |         |
| <b>Total</b>                                    | <b>381</b>          | <b>1 150</b> | <b>2 120</b> | <b>1 077</b> | <b>40</b>           | <b>45</b> | <b>54</b>                        |         |         |

Table 9.11: Summary of information and communications technology expenditure

| R thousand                                      | Expenditure outcome    |              |                                  | Medium-term expenditure estimate |              |  |
|---|------------------------|--------------|----------------------------------|----------------------------------|--------------|--|
|   | Adjusted appropriation |              | Medium-term expenditure estimate |                                  |              |  |
|   | 2001/02                | 2002/03      | 2003/04                          | 2004/05                          | 2005/06      |  |
| 1 Administration                                | 1 615                  | 1 595        | 1 004                            | 1 130                            | 1 198        |  |
| Technology                                      | 1 087                  | 642          | 315                              | 380                              | 403          |  |
| IT services                                     | 528                    | 953          | 689                              | 750                              | 795          |  |
| 2 Restructuring of State-Owned Enterprises      | 152                    | 10           | 11                               | 11                               | 12           |  |
| Technology                                      | 142                    | -            | -                                | -                                | -            |  |
| IT services                                     | 10                     | 10           | 11                               | 11                               | 12           |  |
| 3 Performance Monitoring and Strategic Analysis | 182                    | 366          | 330                              | 356                              | 377          |  |
| Technology                                      | 157                    | 341          | 300                              | 320                              | 339          |  |
| IT services                                     | 25                     | 25           | 30                               | 36                               | 38           |  |
| <b>Total</b>                                    | <b>1 949</b>           | <b>1 971</b> | <b>1 345</b>                     | <b>1 497</b>                     | <b>1 587</b> |  |

Table 9.12: Summary of donor support

| R thousand | ODA Programme/Project Name                        | Donor     | Cash or Kind | Outcome |         |         |         | Medium-term expenditure estimate |         |         |   |
|------------|---|-----------|--------------|---------|---------|---------|---------|----------------------------------|---------|---------|---|
|            |   |           |              | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04                          | 2004/05 | 2005/06 |   |
|            | Support to DPE                                    | DFID - SA | Kind         | -       | -       | 228     | -       | -                                | -       | -       | - |
|            | Communication Specialist                          |           |              | -       | -       | -       | 296     | -                                | -       | -       | - |
|            | Communication Training                            |           |              | -       | -       | -       | 296     | -                                | -       | -       | - |
|            | Website Redesign                                  |           |              | -       | -       | -       | 111     | -                                | -       | -       | - |
|            | Training  |           |              | -       | -       | -       | 111     | -                                | -       | -       | - |
|            | Design of a Programme of Support to RSOE          |           |              | -       | -       | -       | 331     | -                                | -       | -       | - |
|            | Social Policy input to the Design of Prog Support |           |              | -       | -       | -       | 33      | -                                | -       | -       | - |
|            | Environmental Appraisal                           |           |              | -       | -       | -       | 22      | -                                | -       | -       | - |
|            | Mashabela & Co - Communication Advisory           | USAID     | Kind         | 1 127   | -       | -       | -       | -                                | -       | -       | - |
|            | PR Consultants                                    |           |              | -       | -       | -       | 250     | -                                | -       | -       | - |
|            | Communications Co: Sasani                         |           |              | -       | -       | -       | 107     | -                                | -       | -       | - |
|            | Estimates: Major Communication Proj               |           |              | -       | -       | -       | 2 486   | -                                | -       | -       | - |
|            | ODI Fellow  | DFID - SA | Kind         | -       | -       | 267     | 783     | -                                | -       | -       | - |
|            | Energy Sector Specialist                          |           |              | -       | -       | 932     | 3 560   | -                                | -       | -       | - |
|            | Ports Specialist                                  |           |              | -       | -       | 426     | -       | -                                | -       | -       | - |
|            | Ports Concessioning Models                        |           |              | -       | -       | -       | 581     | -                                | -       | -       | - |
|            | Training  | USAID     | Kind         | 96      | 1 697   | 52      | 68      | -                                | -       | -       | - |
|            | Project Management System                         |           |              | -       | 361     | -       | -       | -                                | -       | -       | - |
|            | Ports Study                                       |           |              | -       | 135     | 78      | -       | -                                | -       | -       | - |
|            | Preliminary study of Ports restructuring          |           |              | -       | -       | 200     | -       | -                                | -       | -       | - |
|            | Economic Impact Study: Ports                      |           |              | -       | -       | -       | 2 200   | -                                | -       | -       | - |
|            | Training  | USAID     | Kind         | -       | -       | 3 777   | 3 795   | -                                | -       | -       | - |
|            | Training  | DFID - SA | Kind         | -       | -       | 58      | -       | -                                | -       | -       | - |
|            | Corporate Governance Phases 1 & 2                 |           |              | -       | -       | 116     | -       | -                                | -       | -       | - |
|            | Corporate Governance Phases 1 Extension           |           |              | -       | -       | -       | 297     | -                                | -       | -       | - |

Table 9.12: Summary of donor support (continued)

| ODA Programme/Project Name  | Donor     | Cash or Kind | Outcome |         |         |         |         | 2002/03 | Medium-term expenditure estimate |   |  |
|---|-----------|--------------|---------|---------|---------|---------|---------|---------|----------------------------------|---|--|
|   |           |              | 1999/00 | 2000/01 | 2001/02 | 2003/04 | 2004/05 |         | 2005/06                          |   |  |
| Corporate Governance ( Development of shareholder compact & plans | USAID     | Kind         | -       | 775     | -       | -       | -       | -       | -                                | - |  |
| Audit of SOEs   | -         | -            | -       | 2 510   | -       | -       | -       | -       | -                                | - |  |
| Training SOEs Directors   | -         | -            | -       | -       | 179     | 96      | -       | -       | -                                | - |  |
| Database enhancements   | -         | -            | -       | 149     | -       | -       | -       | -       | -                                | - |  |
| Training  | -         | -            | -       | 95      | -       | 66      | -       | -       | -                                | - |  |
| Training  | USAID     | Kind         | -       | 36      | 60      | 66      | -       | -       | -                                | - |  |
| ESOPs Study   | -         | -            | -       | -       | -       | 434     | -       | -       | -                                | - |  |
| Employment Impact Study   | -         | -            | -       | -       | -       | 221     | -       | -       | -                                | - |  |
|   | DFID - SA | Kind         | -       | -       | -       | -       | 4 133   | -       | -                                | - |  |
|   |           |              | 1 223   | 5 756   | 6 372   | 16 210  | 4 133   | -       | -                                | - |  |

