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DEPARTMENT OF PUBLIC ENTERPRISES
STRATEGIC PLAN

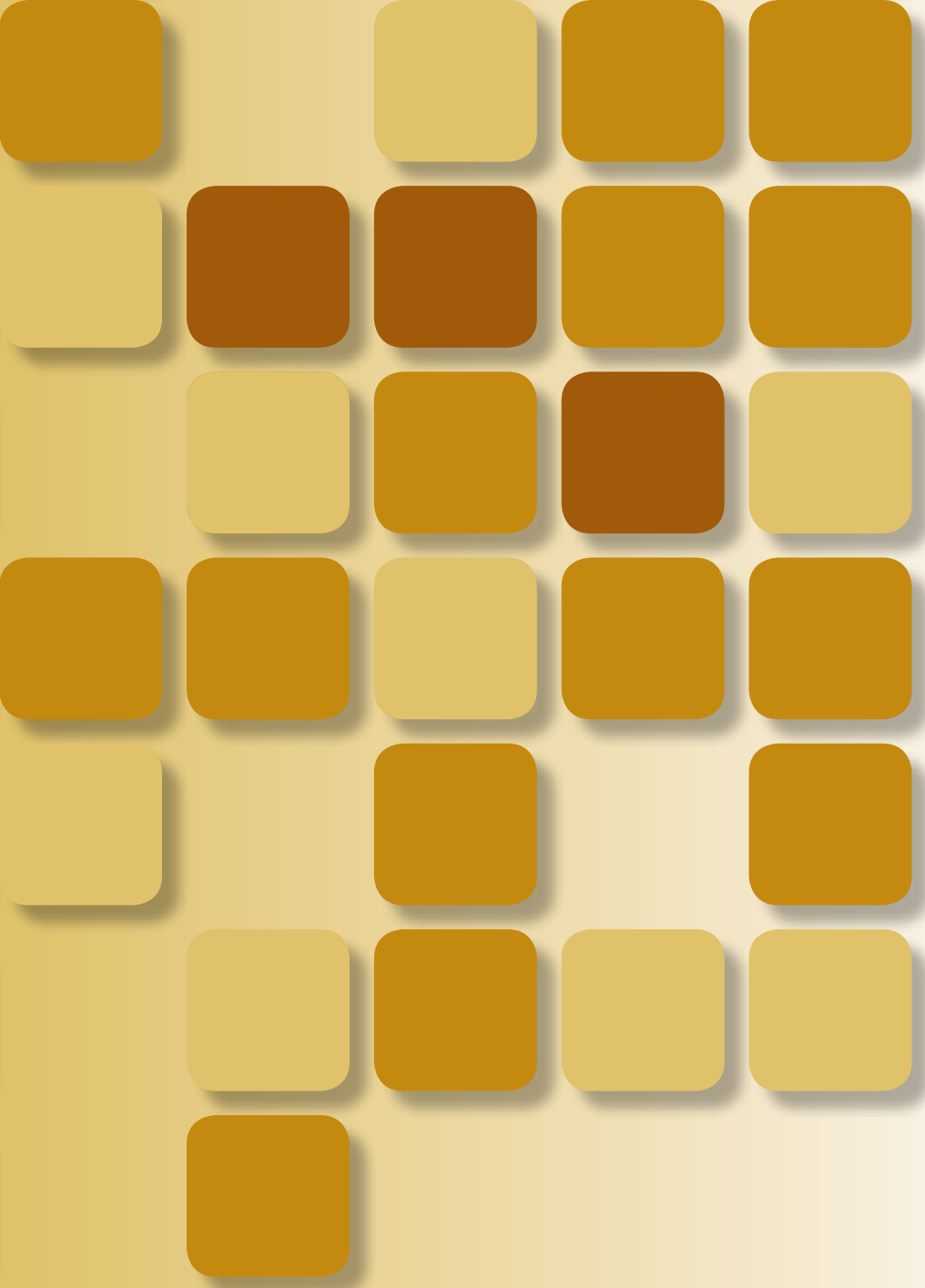
2012/13
2016/17



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA





2012/13

2016/17

DEPARTMENT OF PUBLIC ENTERPRISES STRATEGIC PLAN

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Minister's foreword

Key to what we are trying to do is to create a growth-enhancing environment by reallocating resources to productive sectors of the economy to ensure beneficiation and set up mechanisms to improve price distortions. The State Owned Companies (SOC) are one of the catalysts in pursuit of this goal due to their dualistic role in the economy, that is, in terms of creating the demand for goods and services with a multiplier effect and as well as the creation of downstream industries.

The latter is at the heart of building the industrial capacity of our economy to meet the global demand for goods and be innovative beyond our comparative advantage. Investment in infrastructure and providing related services is a key source of domestic demand and stimulation economic activities as local level.

A vibrant economy is dependent on the extraction of resources, connectivity, movement of goods and people. Infrastructure plays a critical supportive role to these activities. And this is where our Department's vision fits in like a glove.

A considerable threat to South Africa realising this vision stems from our economic integration into the global economy, particularly arising from the systemic financial crisis facing the Eurozone and the whole of global north. Consequently it has become exorbitant to access capital due to scarcity, decline in global demand for goods and services and slow global growth. The role of the SOC investment programmes thus becomes even more critical in sustaining national demand and thus cushioning the country from the worst effects of the global downturn.

The risk is that the downturn will impact SOC revenues and their retained earnings which will threaten the momentum of their investment programmes at precisely the time when they are needed the most. The Department will put considerable energy in managing the situation while capturing the dynamics that the current situation is presenting.

It remains critical that South Africa strengthens its institutional capacity and the ability to align private sector investment activities with those of the State.

This will ensure alignment of capital allocation and development of a collective vision so that we avoid skewed economic development. By their nature, the SOC fulfil multiple objectives in the economy and are well positioned to play a facilitation role, coordination and link their activities with the social dimension of the country.

Another focus in the coming period is for the SOC to build collaborative relationships with key customer communities to enable higher levels of investment and operational efficiency in the SOC and in the economy as a whole. In addition, as key drivers of the industrialisation process, they need to focus on providing their supplier clusters with a secure demand platform to enable investment and vice-versa.

In contrast with the developed world, the growth prospects for Africa over the coming period look extremely robust. The SADC is already an extremely important market for our manufactured goods. The SOC need to play a role in supporting the continental development process through making direct investments and enabling higher levels of economic integration. The Department will be providing oversight to ensure that our approach is coherent and that SOC develop Africa economic strategies that are dovetailed with the trade routes that already exist so that South Africa fully exploits the economic opportunities in Africa through provision of capital as well as intermediate and consumer goods.

We have to take advantage of the resilience demonstrated by the emerging markets during the post-2008 crisis. There has been consensus that infrastructure investments are the best way to sustain jobs and growth in the aftermath of this enduring crisis. However, it is not only the global recession that is serving as a spur for the current bold infrastructure investment plans that the government has announced in South Africa, but it is our own evil triplets of poverty, inequality and unemployment. Regardless of whether there was a recession or not, these infrastructure plans would be undertaken.

Our economy has come very far to this moment when the President, in the State of the Nation Address on 9th February this year, announced the five major

geographically-focussed programmes, as well as projects focusing on health and basic education infrastructure, information and communication technologies and regional integration all of which are aimed at getting South Africa working, growing and moving.

Inadequate investment in both economic and social infrastructure over the past two decades or more has been a major setback to job creation and economic growth and development. From over 10% of the GDP in the mid-seventies, infrastructure investments declined to quite below this level which is regarded as requisite in order to stimulate demand and growth in the economy. By 2010, South Africa's public-sector capital investment stood at 7.4% of GDP, while that of the private sector amounted to 12.2% of the GDP.

As a result, South Africa has missed out on the commodity booms of recent years and has failed to take advantage of infrastructure roll-out to support the development of supplier sectors and thus industrialisation. Opportunities for promoting economic development were missed, while GDP growth achieved over the years was based on debt driven sectors of the economy.

Of course, this challenge cannot be achieved overnight and hence government has developed the comprehensive social and economic infrastructure programme estimated at R3.2 trillion over ten years, with an R845 billion budgeted over the next Medium-Term Expenditure Framework period. The central objective of the programme is to correct market failure by instituting government's intervention in order to maximise the impact of infrastructure investment to economic development.

This bold step and ambitious plan by government is intended to stimulate domestic demand, drive investment, crowd-in private sector investment in targeted areas to achieve a long term vision of a higher value added and equitable access to income through labour absorption, business opportunities, creating a racially inclusive economy and achieving technical progress.

There are already shifts in the organisation and the functioning of the State with regards to the delivery of this massive programme through the establishment of the PICC chaired by the President, the purpose of which is to improve co-ordination with the aim of correcting Government's failures such as operational inefficiencies, regulatory bottlenecks and identify needed technical capacity.

The announcement of such a public sector infrastructure programme is not only about positioning South Africa as an investment destination of choice; but is a bold political statement simultaneously to demonstrate and boost confidence in our economy and ensure economic development through income distribution. The gist of the programme is to ensure an efficient, competitive and responsive economic

infrastructure network which links communities to cities, ports, factor and goods markets and that facilitates access to communication and information through cheaper broadband.

Government is investing on a large-scale to provide water, transport, electricity, telecommunications, housing and other infrastructure. These investments will remove critical bottlenecks and allow the economy and employment to grow more rapidly whilst facilitating intra-regional and international trade. All these areas have a multiplier effect in the economy and present an opportunity for innovation and creation of down-stream linkages in the economy.

In regard to all of these programmes, indeed to ensure delivery, the (SOC) are critical instruments. Given their strategic position, they can play a leadership role in both the customer and supplier community in driving programmes that catalyse socio-economic transformation in these sectors.

We undertake this programme fully cognisant of capital financial constraints and the strains we are going to be taking as government in accessing funding for a programme of this magnitude. We are exploring the introduction of some innovations to ensure that there is both sufficient equity and debt available for the programme without government losing strategic control of these assets. The Government, the Department and its SOC are still in the process of formulating our position in this regard.

Furthermore, the private sector must be challenged to increase its investments in the real economy and become a partner with government in creating jobs and stimulating economic growth and development. South African business sitting on piles of cash they ought to be investing but are not investing. This is no small matter.

In conclusion, I would like to thank the Deputy Minister for his support. I would also like to the Director-General and the staff of the Department for their excellent work over the past year. We are committed to work with greater vigour and excellence to pursue all of the government objectives outlined by the President as well as the plans outlined in this Strategic Plan. Our SOC will continue to pursue excellence and add value to the Government's programme.



Malusi Gigaba
Minister



Director-General's report

It has been over a year since Minister Malusi Gigaba assumed leadership of the Department of Public Enterprises (DPE), supported by Deputy Minister Dikobe Ben Martins, and followed by my appointment. The Minister's decisive leadership, his vision and strategic orientation and his energy, has dynamised the DPE; raised the public profile of the Department and the importance of effective shareholder oversight of State-owned Companies (SOC). Most importantly, it has focused attention on the DPE's and our SOC's role in the expansion of infrastructure that is required by the economy.

The shareholder oversight role of the DPE cannot be static, especially in the current circumstances where investment for accelerated economic growth and sustainable job creation are overriding Government's priorities to which DPE's SOC have a unique contribution to make. In this regard, the Department has revised its vision statement to underscore a shift in emphasis to a pro-investment, pro-growth, and pro-employment approach in the DPE's shareholder oversight role. The new vision statement is: "To drive investment, productivity and transformation in the Department's portfolio of SOC, their customers and their suppliers to unlock growth, drive industrialisation, create jobs and develop skills".

The DPE's shareholder oversight role has become well-established, especially regarding corporate governance practices, and financial and operational monitoring of our SOC, supported by various legal instruments (e.g. Companies Act, PFMA, etc). While there's still much scope for improvement in this regard, the DPE's challenge going forward is to develop the capacity to oversee the massive investment programmes of our SOC, particularly the infrastructure SOC, as well as the strategic and operational repositioning of some of the SOC under the Department. This requires urgent recruitment of additional skills to deepen the strategic and technical capability of the DPE.

Indeed, it needs to be recognized that the DPE has not necessarily developed organisationally and

technically in line with the strategic significance now assumed by State shareholding in key SOC, and their contribution to the economy through efficient infrastructure provision and investments. We face a considerable challenge as the scope of our responsibilities and objectives are expanding, but the fiscus does not support the requisite additional resources for this expanded mandate. Consequently, we will need to be creative to make our existing resources go further, to seek other sources of funding, or to adjust our plans accordingly going forward.

The DPE's role and evolution going forward is coming into sharp relief as Government's infrastructure development plans are concretized through the Presidential Infrastructure Coordinating Commission, as well as potentially from what the Presidential Review Commission on State-Owned Enterprises will recommend about the SOC landscape and the Government as owner/shareholder.

The Strategic Plan outlined here-in and elaborated in a separate Annual Performance Plan, describes the objectives and work the DPE will undertake in the period 2012-2016, guided by the overarching policy and strategic direction and priorities of Government, as enunciated in, for example, the New Growth Path, the draft National Development Plan, and the recent State of the Nation Address by President Jacob Zuma.

I believe embarking upon the period ahead in the strategic context I have outlined above is exceedingly exciting, and equally challenging, and I hope the DPE as a whole shares this outlook.

In conclusion, I would like to thank the Minister and Deputy Minister for their inspiring leadership, and am certain we can count on their continued support and guidance in the period ahead.

A handwritten signature in black ink, appearing to read 'Matona', enclosed within a large, stylized circular flourish.

Tshediso Matona
Director-General

1. Vision

The Department of Public Enterprises provides shareholder oversight of nine state owned companies, namely Alexkor, Broadband Infraco, Denel, Eskom, the Pebble Bed Modular Reactor (PBMR), South African Forestry Company (SAFCOL), South African Airways (SAA), South African Express Airways (SAX) and Transnet.

Revised vision statement and strategic plan for 2011/12 to 2014/15

The Department has revised its vision statement to reflect the impact of the SOC investment and operational activities on economic growth and development. The new vision statement is “to drive investment, productivity and transformation in the Department’s portfolio of SOC, their customers and suppliers so as to unlock growth, drive industrialisation, create jobs and develop skills.”

In order to implement this vision, five key changes have been made to the shareholder oversight process:

- The SOC need to change their investment planning framework from one based on what their balance sheet can afford to one based on what investments are required to unlock growth in their customers and to create a stable demand platform for their suppliers.
- New sources of funding for the expanded investment plans need to be mobilised, potentially including our development finance institutions, pension funds and the big SOC customers.
- The SOC need to procure from their suppliers in a way that promotes investment in national industrial capabilities through providing medium term demand information and entering into longer term relationships with key suppliers.
- The Department needs to provide the Minister with relevant support for bi-monthly meetings with SOC top management to monitor progress in the implementation of key efficiency enhancing initiatives.
- Coordination between the Department, the SOC and all levels of government needs to be improved to ensure that SOC capabilities are fully leveraged: that implementation is accelerated and that the impact of the programmes is optimised.

These changes require that the Department builds new capabilities; that the responsibilities of existing units be expanded and that the organogram is restructured to provide for these skills. This requires the following:

- The SOC-facing teams need to develop a comprehensive understanding of how the SOC investment and operational plans impact on the growth of customers and suppliers so as to ensure that the SOC planning cycle incorporates our growth and productivity objectives.
- A new Programme called “Strategic Partnerships” has been established to identify strategic initiatives where these external funds can be mobilised and to structure the projects and associated funding and governance arrangements to facilitate this process. In addition, the unit will also need to identify and oversee “fleet procurements” to enable the development of industrial capabilities in SOC suppliers.
- For the SOC to be instruments of the developmental State requires that the Department keeps track of over-arching national policy objectives and then, when relevant, ensure that the SOC develop qualitatively new capabilities to deliver on these objectives.
- The Joint Project Facility unit will become the Economic Impact and Policy Alignment Unit which will build the capability to monitor our national economic policy processes to determine in which areas our SOC can make new strategic contributions, to implement programmes that will align the SOC capabilities with our national objectives and to put relevant reporting mechanisms in place, for both the shareholder and all SOC stakeholders.

Given the limited resources available to build these additional capabilities, the Department will have to implement this expanded scope in an iterative and phased manner, and where possible raise funds for ring-fenced projects from specialised facilities such as the Employment Creation Fund and other donor funds.

2. Mission Statement

The SOC are strategic instruments of industrial policy and core players in the New Growth Path. The Department aims to provide decisive strategic direction to the SOC, so that their businesses are aligned with the national growth strategies arising out of the New Growth Path. It will do this by ensuring that their planning and performance, and investments and activities, are in line with Government Medium Term Strategic Framework and the Minister's Service Delivery Agreement.

3. Values

- Bold – we must dare to be brave
- Professional – we must deliver work that reflects a professional level of care and skill
- Caring – this must be expressed in how we watch over and support DPE people
- Integrity – we must do the right thing irrespective of implications
- Fun – we must create an environment where people look forward to coming to work
- Passion – we are out to make the South African economy competitive – this requires high passion.

Batho Pele principles guide our engagements with our clients and other stakeholders.

4. Legislative and other mandates

DPE exercises shareholder oversight of nine SOC. All the SOC are incorporated as companies in accordance with the provisions of the Companies Act, 2008. Except for Denel, all the SOC are established in terms of their own enabling legislation which sets out the purpose, mandate and objectives for which they were founded. DPE is both the founder and the administrator/custodian of all legislation relating to the establishment of SOC.

In terms of section 63(2) of the Public Finance Management Act 1 of 1999, as amended (the PFMA), the Minister of Public Enterprises has, inter alia, the responsibility of ensuring that the SOC comply with the PFMA legislation and policies of the Department.

The Companies Act and other legislation also impose numerous duties and responsibilities upon the Department.

4.1. Policy mandates

As a shareholder representative on behalf of Government, the Department does not have the mandate for developing policies. However, some of the powers and duties of the Department are intertwined with those of other Government departments who are key role players in the SOC regulatory environment. In the main, these departments include without limitation:

(a) The Department of Energy, which is responsible for:

- The development of the energy policy in the country (IRP, Renewables);
- Enacted legislation establishing NERSA and other energy related Acts; and
- Appointing members to NERSA Board.

(b) The Regulatory Authority (NERSA), which:

- Regulates petroleum pipelines, gas and electricity;
- Issues licences;
- Gives effect to policy through regulations, decision-making;
- Executes its mandate in terms of the enabling legislation;
- Possesses functions and powers as per the enabling legislation.

(c) The Department of Transport, which is responsible for:

- The development of various transport policies to ensure an integrated efficient transport system. This is achieved by creating a framework of sustainable policies, regulations and implementable transport models (air, road, rail etc);
- Enacting various transport related legislation;
- Establishing various regulatory bodies and appointment of Board members thereof.

(d) The Department of Communications:

- Is responsible for the regulation of the telecommunication industry in South Africa supported by the Independent Communications Authority of South Africa (ICASA).
- In order to ensure effective implementation of the Government's telecommunications policy, the Minister of Communications is empowered to issue policy directions to ICASA which, in addition to its licensing authority, is also allowed to make regulations and adjudicate over disputes arising in the telecommunication industry.

(e) The Department of Mineral Resources which:

- Is responsible for the regulation of the mining industry at State level through the Mineral and Petroleum Resources Development Act, 2002. In addition to prospecting for exploitation, processing and utilisation of minerals in South Africa, the Department of Mineral Resources is also responsible for issuing of mining licences, giving effect to its mandate through regulations and adjudicating over disputes and appeals within the mining industry.

In addition, the DPE and its SOC are also required to align with various other economic policies such as the New Growth Path, the Industrial Policy Action Plan and various sector charters, as well as with the provisions of the Companies Act, [No.71 of 2008], corporate governance principles and provisions of other legislation such as the Competition Act, [No.89 of 1998], the Insolvency Act, [No. 24 of 1936] and the Promotion of Access to Information Act, [No. 2 of 2000] amongst others.

4.2. Planned Policy Initiatives

The Department is not responsible for designing the sector policies in which the SOC operate, but rather has the role of aligning the SOC with the requirements of sector policy. Consequently, the Department has no significant planned policy initiatives.

5. Situational Analysis

South Africa is facing the considerable challenge of growing the economy in a manner that decreases the extremely high level of unemployment and inequality.

There are significant threats to the South African economy stemming from the systemic financial crisis facing the Eurozone and the United States of America in particular. It is consequently critical that the pace of infrastructure investment programme is not just maintained, but accelerated, in order to sustain economic activity in South Africa and create new investment opportunities for the private sector.

However, new sources of capital for the accelerated investment programme will be required because funding based on the SOC balance sheet has reached its limit and the fiscus is constrained to provide additional capital. Consequently, the Department will need to explore raising capital for the SOC investment programme from development finance institutions, pension funds, large SOC customers amongst others.

As defined in the Industrial Policy Action Plan and the New Growth Path, South Africa has the considerable challenge of building its manufacturing capacity, particularly in the area of machinery and equipment, as part of the industrialisation process. The SOC need to be positioned to support this process through providing competitive infrastructure to this sector, contributing to the development of relevant skills and through procuring the build programmes in a manner that promotes investment in these sectors.

South Africa is facing a shortage of key infrastructure capacities in both electricity and port and rail logistics because of many years of under-investment. While the investment programmes will correct this shortage in the medium term, it is critical that appropriate steps are put in place to increase the productivity of operations on existing infrastructure assets so that economic activity will not be overly compromised.

The DPE needs to engage with the above challenges whilst maintaining rigorous shareholder management oversight to monitor the financial sustainability of the SOC. However, whilst the scope of the DPE's work has expanded, the budget resources available to the DPE are diminishing. Consequently, the DPE will need to implement creative means of sourcing resources to enable the delivery of the expanded scope of activities.

Part A : Strategic overview

5.1 Performance Environment

In relation to Government's 12 Outcomes, the Department of Public Enterprises is contributing directly to Outcome 6, namely: "An efficient, competitive and responsive economic infrastructure network" and DPE's contribution is specifically with respect to Output 2 (Ensure reliable generation, distribution and transmission of electricity) and Output 3 (To ensure the maintenance and strategic expansion of our road and rail network, and the operational efficiency, capacity and competitiveness of our sea ports) dealing with energy and transport, respectively. The relevant focus areas are:

- Improving the delivery and maintenance of infrastructure and monitoring the rollout of the Transnet and Eskom build programmes.
- Achieving policy and regulatory clarity in sectors in which the SOC operate.
- Improving operational efficiencies of the SOC, particularly in relation to the reliable delivery of rail and ports services and the reliable generation, distribution and transmission of electricity.
- Developing operational indicators for each of the required sub-outputs identified as part of the delivery agreement and where necessary key performance areas agreed with the SOC.

The details are reflected in the programmes below.

5.2 Organisational Environment

During the year 2010/11 the Department underwent a transition of leadership at the political and management level with the appointment of the Minister and Deputy Minister in November 2010, and the Director-General in January 2011. In the context of DPE's mandate and strategic role, the key focus is to ensure that the internal environment remains stable and conducive for sustainable high performance.

In light of this, the Department undertook an organisational review process with the aim of addressing specific challenges impacting on the capability of the Department. These challenges related to the following:

- Changed role of the DPE.
- Growing workloads as a result of the changed role of the DPE.
- Internal fragmentation, lack of co-ordination and capacity and focus limited to only basic monitoring and evaluation.
- Divergent workloads and responsibilities between Units responsible for different core functions.

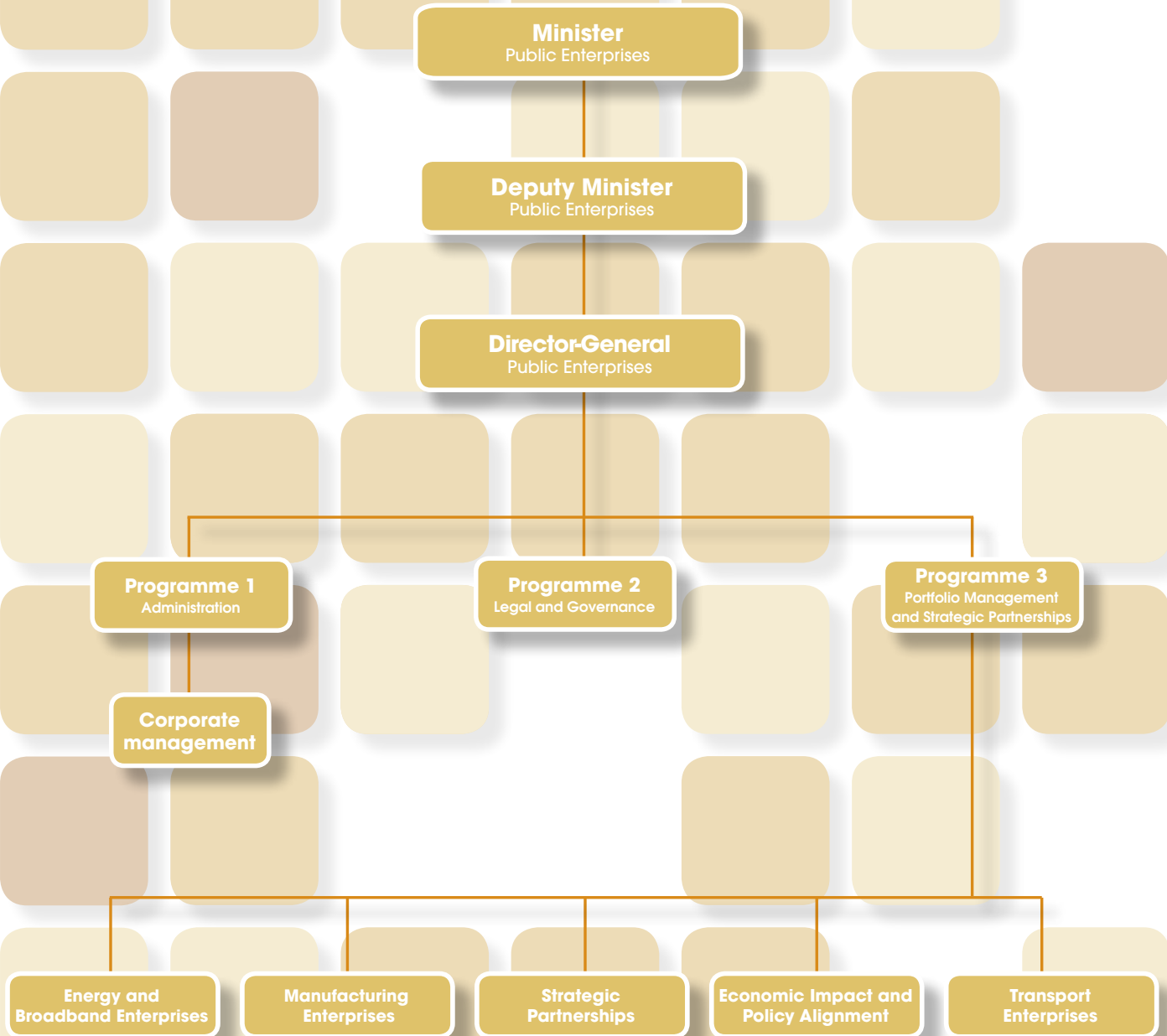
The organizational review process focused on the following:

- Development of a new organizational model and functional structure in line with the strategic objectives set for the Department's new Medium Term Expenditure Framework.
- Identification of new posts in areas where there are functional gaps or unmanageable workloads or to manage internal co-ordination processes. Emphasis was placed on the creation of minimum numbers of posts (critical posts) to ensure that there would be sufficient capacity to provide a minimum level of support to the Minister representing the State as shareholder in the SOC.

5.3 Description of the strategic planning process

The Minister is responsible for the overall determination of the policy imperatives that are to be taken into account in the strategic planning process informed by government priorities. This is usually facilitated through a Ministerial address during departmental planning sessions. The Director-General convenes strategic planning sessions for the department and takes overall responsibility and accountability for the content and quality of the Departmental strategic plan. The timing of the planning sessions is informed by the overall government planning cycle.

dpe
organisational structure





6. Strategic Outcome Oriented Goals of DPE

Problem Statement	Strategic Outcome oriented goals	Goal statement	Indicators	Outputs	Indicators	Outputs
			Transport		Energy and Broadband	
Lack of infrastructure investments constraining economic growth	Adequate infrastructure that responds to the economic needs of the country	Ensure appropriate infrastructure investments are undertaken cost effectively and timeously	Capex rollout monitored annually and quarterly	Quarterly assessment report of progress with the Transnet build programme	Eskom Capex rollout monitored annually and quarterly	Quarterly assessment report of progress with the Eskom build programme
			implements over 95% of annual Capex commitments	Independent assessment of Transnet Capex projects milestones	Implement over 95% of annual Eskom Capex commitments	Independent assessment of Eskom Capex projects milestones
Uncompetitive environment and regulatory constraints resulting in high entry barriers and monopolistic environment	Clear framework for economic regulation and competition in the sector	Implement and monitor introduction of competition and compliance with regulatory frameworks	Approval of Transnet's concession model for branchlines	At least 3 private operators on branchlines by Dec 2012	Establishment of an independent system operator as per Cabinet decision to fast track IPP procurement	Conclusion of Renewable Energy Procurement Programme and Department of Energy Peaker Project power purchase agreements (PPA)
			Competitive process in terminal operator in Ngqura commenced (RFP published)	Licensed operator at Ngqura container terminal by 2014		
Operational inefficiencies in SOC which lower the levels of the utility service and increase the cost of the service	High levels of productivity and operational efficiencies supported by appropriately skilled labour force and innovations in technology	Incentivizing improvements in SOC operational efficiencies and increasing capacity in scarce skills through the Shareholder Compact targets	Productivity levels (crane moves in container terminals, wagons turnaround)	35 crane moves achieved in DCT BY 2014	Reduction in levels of unplanned Eskom power plant outages	Level of unplanned outages to be reduced and sustained below 2 500 MW over the long term
			Ship turnaround time	Ship turnaround time reduced to 38 hours by 2014	Increase in plant availability levels	Increase in plant availability levels to above 86% in the long term
			Increase in training in pipeline for scarce skills	250mt moved on rail by 2014 Technicians- 300 Engineers- 120 Artisans - 540 Sector specific - 1800	Increase in training in pipeline for scarce skills	Targeted increase in training pipeline from 4 000 to 10 000 individuals over the next 3 years
Poor maintenance of assets leading to accelerated asset degradation	Adequate maintenance levels leading to sustained life cycle of assets and high standards of maintenance	Ensure SOC institutional capacity to undertake maintenance; enforcement of maintenance instruments and desired standards	Improved assets sustainability	Annual, quarterly reports on assets reliability	Improved assets sustainability	Annual, quarterly reports on assets reliability
			Increased reliability of assets	Fault/million km reduced to an average of ≤24	Increased reliability of assets	Improvement of maintenance levels to >6% with aspiration of 10% in the long term (5 years)
Poor broadband penetration and expensive wholesale broadband prices	Increased investment in network rollout and point of presence (POP) to increase connectivity as per license obligations	Interrogation and approval of Broadband Infraco capital expenditure plan as per Corporate Plan	N/A	N/A	Approval of Broadband Infraco capital expenditure rollout as per the Corporate Plan and specific PFMA requirements	Establishment of new POPs including in underserved areas

Part B : Strategic objectives per programme

7. Strategic objectives per programme

7.1 Programme 1:Administration

Purpose

Provides strategic management, direction and administrative support to the Department, which enables the Department to meet its strategic objectives.

Programme Overview:

The programme includes the Ministry, the Office of the Director-General and Support Services.

The programme is currently made up of the following sub-programmes: Ministry, Management which includes the Director General and Corporate Management, Corporate Services, Chief Financial Officer, Human Resources, Communications, Strategic Planning, Monitoring and Evaluation, Inter-Governmental and Stakeholder Relations, Internal Audit and Office Accommodation.

Office of the Director-General is responsible for Corporate Management.

Corporate Services is responsible for:

Security and Facilities Management - To provide a safe and secure environment and internal administration and facilities services to internal customers.

Information Management and Technology - IT infrastructure and support, Records Management and Library Services.

Office of the Chief Financial Officer is responsible for Financial Management Services to ensure compliance with the Public Finance Management Act, 1999 (Act No 1 of 1999) and Treasury Regulations and efficient and effective supply chain management services.

Human Resources is responsible for assisting line management to implement operational excellence and developing the Human Capital potential in the Department.

Communications is responsible for repositioning the DPE as an activist shareholder; make the DPE brand relevant and meaningful to ordinary South Africans; impact media relations and media communication; and improve employee engagement.

Strategic Planning, Monitoring and Evaluation is responsible for co-ordination, management and oversight of outcomes based performance reporting of the Department; implementation of performance monitoring and evaluation processes for individual programmes and business units as a mechanism for measuring delivery of our strategic objectives; and reporting to various stakeholders.

Inter-Governmental and Stakeholder Relations is responsible for coordination, support and provision of advice to the Minister, Deputy Minister, Director-General and the Department on matters related to the Intergovernmental, International and Stakeholder Relations.

Internal Audit is responsible for the preparation of a three year strategic and a one year internal audit plan based on its assessment of key risks for the Department, in consultation with and for approval by the Audit Committee.

Office Accommodation is for the devolution of funds from the Department of Public Works for the DPE premises.

Part B : Strategic objectives per programme (cont.)

7.1.1 Strategic Objectives for Administration

Strategic objective	Objective statement	Baseline
Office of the Director-General		
To provide strategic direction and leadership to the Department	Conduct strategic planning and review sessions during the course of the financial year, in line with the Annual Planning and Reporting Framework, Calendar of the Department and Government	Annual Planning and Reporting Framework and Calendar in place
To provide support services to enable the department to deliver on its organizational objectives in an environment where the human capital within DPE is both motivated and empowered	Provide strategic advice, guidance as well as content and administrative support to enable the Achievement of Departmental objectives	Mechanisms in place to render the required support. Structure of the Office of the Director-General to be reviewed in line with new vision and capacitated accordingly within budgetary constraints
To improve the quality of planning, performance monitoring and evaluation relating to the achievement of outcomes	Implementation, adherence and improvement of appropriate policies, processes, procedures, time-lines and co-ordination and management of outcomes-based reporting	Policies, processes, procedures in place in respect of the planning and monitoring and evaluation function
Corporate Services		
Information Management and Technology	Provide stable and secure IT environment to enable delivery of objectives	Minimum 95% up time and adherence to security procedures
	Electronic and physical records management	Electronic and physical records management system in place
	Library services	Library established and assistance provided to staff in respect of publications, information and research
Office of the Chief Financial Officer		
Sound financial management policies and practices	To provide adequate financial management services to the department in order to ensure that it can deliver on its mandate within the voted funds as well as compliance with the requirements of the PFMA and Treasury Regulations	Financial management policies and practices in place. Unqualified audit reports received since 2005
Efficient and effective Supply Chain Management (SCM) function	To ensure transparency and compliance with all SCM prescripts as well as ensuring value for money and timeous provision of goods and services to department	Adherence to supply chain management regulations, policies and procedures
Efficient and effective asset management	Implement best practice asset management principles	Asset register up to date
Human Resources		
Development of staff and succession planning	To ensure an internal pipeline of employable staff that ensures business continuity	Work in progress to develop staff and a succession planning mechanism. Development initiatives to benefit employees in place
High performance culture	Continuous performance improvement to ensure delivery of the Department's strategic goals	Effective management of the performance management system in place
Recruitment and Selection	Effective Talent management and attraction and retention of key skills	Recruitment policy and procedures in place. Continuous nurturing, development, motivation and retention of staff



Part B : Strategic objectives per programme (cont.)

7.1.1 Strategic Objectives for Administration (cont.)

Strategic objective	Objective statement	Baseline
Communications		
Provide strategic communication to support the Executive leadership and the Department	Increased external coverage (print media, broadcast, social media etc) of Ministry leadership and the Department. Increased external awareness on the Departmental mandate on SOC	Communication strategy developed and implementation underway
Provide internal communication services, based on departmental mandate to ensure awareness, understanding and acceptance of strategic and operational priorities of the department	Manage internal communication processes and channels within the department to improve the flow of information and the effectiveness of communication	Development of Internal Communication Plan underway
Provide strategic stakeholder support on matters that are important to the department	Establish stakeholder forums to encourage collaboration between the Department and respective SOC	Mechanisms in place to provide stakeholder support
Adhere to Government's communication protocol, policy guidelines, and align with the strategic priorities contained in the Government Communication Strategy (GCS)	Consistent and clear messaging on Government's intent with SOC and its key ownership /shareholder issues	Currently compliant with the Government Communication strategy. Department communication strategy aligned with GCS guidelines
Inter-Governmental and Stakeholder Relations		
To foster closer relations and co-operation between DPE and other departments to advance DPE mandate and objectives	<ul style="list-style-type: none"> • Ensure participation of DPE in the FOSAD Cluster • Facilitate and coordinate all matters related to International Relations • Facilitate engagements with strategic stakeholders 	<ul style="list-style-type: none"> • DPE currently participates in the Cluster meetings • Draft International Relations Strategy in place • Implementation of strategy is underway • Development of Stakeholder Strategy currently underway
Strategic Planning, Monitoring and Evaluation		
Co-ordination, management and oversight of outcomes based performance reporting; performance monitoring and evaluation and reporting to stakeholders	Ensure development, adherence to and improvement of relevant policies, processes and systems for planning, monitoring and evaluation within Government and DPE as a mechanism for measuring delivery of our strategic objectives	Compliance with Framework for Annual Performance Plans and Strategic Plans, DPE Logical Planning, Monitoring and Evaluation Framework, PFMA, currently underway. Adherence in some instances hereto, have been inconsistent
Internal Audit		
Provide independent and objective assurance and Internal Audit services to the Department	Assurance and consulting services in relation to the adequacy and effectiveness of internal controls, risk management and governance processes	Execution of audit assignments in line with the approved risk based three year IA strategic plan and one year operational plan
Office Accommodation		
To ensure the provision of suitable office accommodation for the Department	To ensure a lease agreement is in place and signed by DPW for the DPE offices	Current lease agreement in place for the period 1 June 2011 to 31 May 2012

7.1.2 Resource considerations

Expenditure trends

The spending focus will be on administrative costs as no transfers to the SOC over the MTEF period are included in this programme.

Expenditure is expected to grow from R101,5 million to R116,4 million over the MTEF period, at an average annual rate of 4.7 per cent. The increase is attributable to annual salary increments as well as inflation related adjustments to the baseline for goods and services.

7.1.3 DPE Strategic Risk Management

The Department has implemented an integrated Enterprise Risk Management (ERM) process, not only to ensure compliance with the PFMA and

Treasury Regulations, but also to enhance the Department's ability to effectively manage uncertainty regarding delivery of strategic objectives. ERM is a comprehensive, systematic approach for assisting the Department to identify events, and measure, prioritise and respond to the risks challenging its most critical objectives and related projects, initiatives and day-to-day operating practices. Risk management processes have been implemented at all levels of the Department and an effective risk governance process is in place, including regular reporting to senior management levels and the Audit Committee.

The table on following page reflects the top ten strategic risks identified in DPE:

Part B : Strategic objectives per programme (cont.)

7.1.3 DPE Strategic Risk Management

Risk	Mitigation action
1. The infrastructure investment programme might not be delivering the desired targets in terms of addressing capacity constraints (planned progress and completion; budgeted costs; private sector participation; local spend; skills development; job creation; etc)	Increased focus on infrastructure investment research and analysis on the impact on the economy; increased reporting requirements on project progress
2. Ability to provide shareholder support for SOC to access capital from external sources and leverage status as sovereign shareholder	Facilitation role to ensure SOC access capital at appropriate cost and terms, including Government Guarantees and letters of comfort where appropriate
3. Board and senior management competence and ability to interpret SOC mandate and apply its resources in meeting its mandate in an effective; efficient and economical manner	Ongoing refinement of the shareholder management model. Active involvement of the shareholder around the exercise of its key levers of interest (governance; board appointments; strategy and performance monitoring). Monitoring of performance and trends; capital investment and capital structure as well as the detection; mitigation and monitoring of cross-cutting shareholder risks on an ongoing basis
4. Compliance with relevant laws, regulations, directives, protocol, contractual provisions, etc. Anti-competitive behaviour	Ongoing review of regulatory compliance through SOC Corporate Plans and quarterly reporting processes
5. Greater SOC productivity and asset effectiveness to increase revenue and profit and achieve operational excellence with optimum economic impact of SOC activities on their respective sectors and the broader economy. Ability to determine whether SOC performance is on track with the corporate plans; whether strategic objectives have been met and to highlight any emerging risks	Annual setting of performance targets in Shareholder Compact and ongoing monitoring to determine if SOC is on track with meeting targets, whether strategic objectives are being met and to highlight any emerging risks
6. Understanding stakeholder expectations in relation to the SOC environment and Governments strategic objectives. Understanding and incorporation of stakeholders requirements for incident management relationship/engagement	Ongoing, planned engagement with all relevant stakeholders. Review of stakeholder relations management plan
7. Providing leadership to DPE in ensuring effective and efficient teamwork and delivery on a shared vision	Review of internal communications strategy; conducting a climate survey and implementing findings
8. Ability to formulate strategic intent of each SOC after robust stakeholder engagement process. Ability to communicate strategic intent to SOC aligned with a set of outcomes and crucial output measures based on the Strategic Priorities identified in the MTSF Effective and efficient public and private sector allocation of resources	Annual review of the SOC Strategic Intent Statement and the inclusion of appropriate and measurable key performance measures and indicators to be achieved by the SOC in delivering the desired outcomes and objectives in the Shareholder Compact. Assuring alignment between Shareholder Compacts and Corporate Plans
9. Impact of uncontrollable economic factors (foreign exchange rates; inflation; interest rates) on SOC revenues; debt and costs	Monitor financial and economic indicators and review trends arising from these factors to understand their implications on SOC performance. Incident analysis process (gathering and sharing of information with SOC)
10. Having the required number of staff with relevant skills to enable DPE to fully deliver on its mandate. Critical skills include financial analysts, economists, industry specialists, legal and transaction specialists, planning analysts for sector investments	Ongoing analysis of required skills; recruitment of skilled employees and outsourcing (where necessary)
11. Exposing the fiscus to supplying and guaranteeing unplanned or additional funding due to insufficient retained earnings/equity in the SOC balance sheet to fund new investments and growth	Setting improved performance targets in the Shareholder Compact. Ongoing review of SOC funding models and increased focus on the establishment of strategic partnerships that will ensure private sector participation in the funding of infrastructure investment

7.2 Programme 2

Legal and Governance

Purpose: Provides legal services and corporate governance systems, as well as facilitates the implementation of all legal aspects of transactions that are strategically important to the Department and SOC, and ensures alignment with Government's strategic intent.

The sub-programmes in this programme are as follows:

Management comprises the office of the deputy director-general which provides strategic leadership and management of the programme personnel. The sub-programme has a staff complement of 2 and 82.07 per cent of the budget is used for compensation of employees.

Legal - internal legal services and oversight support to SOC. The unit provides legal services, including transaction and contract management support to the Department as well as work specifically related to the commercial activities of the sector teams in respect of the SOC within their oversight. The sub-programme has a staff complement of 12 and 62.5 per cent of the budget is used for compensation of

employees whilst the balance of the budget is used on goods and services which includes, expert legal advice and normal operational expenditure.

Governance – develops, manages and effects effective corporate governance and shareholder management systems for the Department and its portfolio of SOC. This includes:

- Risk Management - identifies, reports and monitors both the operational and shareholder risks including but not limited to SOC specific and cross cutting risks.
- Compliance - Ensures that the Department establishes and implements systems and processes to ensure the department and its SOC comply with legislative, regulatory and supervisory requirements in line with international best practice.
- Secretariat - has the overarching responsibility of recording and tracking the Department's operational and strategic activities to achieve coordination and compliance with regard to the execution of decisions/resolutions.

Part B : Strategic objectives per programme (cont.)

7.2.1 Strategic Objectives for Legal and Governance

Strategic objective	Objective statement	Baseline
Communications		
Ensure effective shareholder oversight of all the SOC by providing legal services which includes transaction and contract management support to the Department	Provide internal legal services and oversight support to the SOC as well as developing, managing and effecting corporate governance and shareholder management services on an ongoing basis	Due to the nature of the function, the services provided by the unit are ongoing and are provided as and when required.
Ensure that the Department and its portfolio of SOC comply with legal, regulatory, risk and compliance requirements	Facilitate effective monitoring of corporate governance and compliance indicators within the Department as well as the SOC which are monitored via the Isibuko Dashboard on a quarterly basis. Monitor and assess the legislative impacts on SOC and alerting them to changes and possible risks where detected	Substantial compliance achieved across the Department

7.2.2 Resource considerations

Expenditure trends

Expenditure increased from R 17,3 million in 2008/09 to R 23,7 million in 2011/12, at an average annual rate of 11.1 per cent. Over the medium term, expenditure is expected to increase to R 32,9 million, at an average annual rate of 11.6 per cent. The increase in both periods is driven by the centralisation of

the legal services from the sector units, as well as the shifting of the Risk and Compliance and Secretariat functions from Programme 1, as part of the realignment of the Department for efficiency and cost saving purposes.



Part B : Strategic objectives per programme (cont.)

7.3 PROGRAMME 3

Portfolio Management and Strategic Partnerships

Purpose: to align the corporate strategies of the State Owned Companies with Government's strategic intent, as well as monitoring and benchmarking their financial and operational performance and capital investment plans. To align shareholder oversight with overarching government economic, social and environmental policies as well as building of focused strategic partnerships between the State Owned Companies, strategic customers, suppliers and financial institutions.

The sub-programmes in this programme are as follows:

- **Energy and Broadband Enterprises** – Includes Eskom, Pebble Bed Modular Reactor (PBMR) and Broadband Infraco.
- **Manufacturing Enterprises** - Includes Denel, Alexkor and South African Forestry Company Limited (SAFCOL).
- **Transport Enterprises** - Includes South African Airways (SAA), South African Express (SAX) and Transnet Limited.
- **Economic Impact and Policy Alignment** – aligns SOC with overarching government economic, social and environmental policies.
- **Strategic Partnerships** – Aims to ensure SOC commercial sustainability and attainment of desired strategic outcomes and objectives by SOC.

7.3.1 Energy and Broadband

- Management - the office of the deputy director general which provides strategic leadership and management of the programme personnel.
- **Eskom and Pebble Bed Modular Reactor** - shareholder management and oversight of the Eskom business, including the generation, transmission and distribution of electricity, with particular emphasis on ensuring security of supply. Also provides strategic financial and transactional analysis of Eskom businesses as well as monitoring of its capital investment programme. Additionally, provides oversight of the implementation of the Pebble Bed Modular Reactor (PBMR) care and maintenance programme to preserve intellectual property and assets.
- **Broadband Infraco** - shareholder management and oversight of Broadband Infraco and monitoring of the implementation of its investment programme, as well as strategic financial and transactional analysis including interfacing with investors and strategic stakeholders across the sector.

Part B : Strategic objectives per programme (cont.)

7.3.1.1 Strategic objectives for Energy and Broadband

Strategic objective	Objective statement	Baseline
Effective shareholder oversight of Eskom and Broadband Infraco	<ul style="list-style-type: none"> • Analysis and assessment of the Corporate Plan • Analysis of the Annual Report • Negotiation and approval of Shareholder Compact • Strategic Intent Statement in preparation for Annual General Meeting • Assessment of SOC Board • Assessment of quarterly reports • Preparation of quarterly investor briefs • Assessment of PFMA Applications 	Shareholder Management Model in place and reviewed annually
Support Eskom in ensuring security of electricity supply	Examine and benchmark Eskom's maintenance and operational practices, distribution efficiency and the reserve margin through the assessment of the Generation, Distribution and Transmission systems performance indicators as reported in the quarterly report	Continued monitoring, evaluation and engagement with Eskom on system security and the new build programme to alleviate the constraint
Reduce dependence on the fiscus by monitoring cost escalations, delivery schedule (time) and workmanship quality for the build programme and developing innovative funding mechanisms	Developing a framework for monitoring the rollout of the build programme with emphasis on creating value-add benefits to the local, provincial and national economy	Independent technical evaluation of Eskom's build programme and risk to delivery with appropriate mitigation plan to be implemented. Funding secured for the approved build programme up to 2017
	Assist Eskom in developing a long term funding plan as well as engaging with other financial institutions such as Development Finance Institutions and Multilaterals	
Implementation of the PBMR care and maintenance programme	Maintain state owned assets by monitoring progress against the implementation of the care and maintenance programme by PBMR	Programme is largely complete with the final handover phase to the Eskom host in progress
Support increased access to broadband	Monitor Broadband Infraco's price reports annually as well as its compliance to increase the number of access points to broadband in major cities and under-served areas through rolling out the national long distance infrastructure as per its license obligations	A sustained increase from the historically low levels of affordable broadband access, specifically in under-served areas
	Ensure that the West Coast submarine cable system is ready for service in 2012 by monitoring Broadband Infraco's participation in the West Coast submarine cable system consortium on a quarterly basis	

Part B : Strategic objectives per programme (cont.)

7.3.2 Manufacturing Enterprises:

- Management - the office of the deputy director-general, which provides strategic leadership and management of the programme personnel.
- Denel – shareholder management and oversight of Denel's financial performance and strategy implementation.
- Alexkor – shareholder management and oversight of Alexkor, including re-directing Alexkor's commercial focus and sustainability, and overseeing the implementation of the Richtersveld Deed of Settlement.
- SAFCOL - shareholder management and oversight, including forestry management, timber harvesting, timber processing and related activities, both domestically and internationally, as well as oversight of the entity's restructuring.

7.3.2.1 Strategic objectives for Manufacturing Enterprises

Strategic objective	Objective statement	Baseline
Effective shareholder oversight of Denel, Alexkor and SAFCOL	<ul style="list-style-type: none"> • Analysis and assessment of the Annual Report and Corporate Plan • Negotiation and approval of Shareholder Compact • Shareholder Strategic Intent Statement in preparation for Annual General Meeting • Assessment of SOC Board • Assessment of quarterly reports • Preparation of quarterly investor briefs • Assessment of PFMA Applications 	Shareholder Management Model in place and reviewed annually
Definition of Denel's future role and strategic mandate with associated Turnaround Plan	Definition of Denel's future role and strategic mandate by: <ul style="list-style-type: none"> • Alignment across Government on Denel strategic mandate • Optimisation of Denel alignment with Department of Defence strategic requirements 	Tenets for future Denel business model identified: preserving core competencies; diversification into civil sector; dual-use technologies; consolidation and collaborative programmes. Independent study undertaken on scope for application of tenets to future Denel strategy
	Development of turnaround plan that pursues financial recovery and stability through improvements in its operational and financial performance to secure its long term viability and reduce dependence on the fiscus	
	Development of appropriate funding model/mix to support Denel growth and sustainability	
Denel/defence industry support framework	Development of Denel/defence industry stakeholder framework which identifies defence industry enablers that require intervention in relation to respective stakeholders and support mechanisms for Denel's business sustainability	Active engagement in defence industry strategy review forum
	Review/assessment of impact of current strategic equity partnerships on Denel sustainability and development of policy guideline on private sector participation in Denel	
Review of the progress of the 2008 Denel End State Cabinet recommendations	Status update to Cabinet on the progress of the 2008 Denel End State Cabinet recommendations	Continuous monitoring, evaluation and engagement on implementation of 2008 Denel End State Cabinet recommendations
	Review/assessment of benefits/lessons learnt from Rooivalk programme and how these can be applied to other major Denel programmes	



Part B : Strategic objectives per programme (cont.)

7.3.2.1 Strategic objectives for Manufacturing Enterprises (cont.)

Strategic objective	Objective statement	Baseline
Denel Aerostructures business sustainability	Assessment of revised Denel Aerostructures business plan and impact of revised work package contract terms on the viability of Denel Aerostructures business (financial, operational, technical, programme management) and development of appropriate funding and other support requirements	Framework for the resolution of DSA developed, involving internal restructuring and renegotiation of work package contract for commercial sustainability
Re-direction of Alexkor's commercial focus and sustainability	Development of evaluation framework for new mining ventures and downstream beneficiation initiatives to guide the investment decisions (sampling, resource estimation, mine planning and treatment, and financial and economic modelling and capital constraints)	Alexkor strategy developed to ensure the company's long term viability, enabling it to effectively address its environmental rehabilitation and other liabilities whilst contributing to the socio-economic development of the region. MTEF funding application submitted for identified potential new mining ventures
	Development of appropriate funding model/mix to support Alexkor's new mining ventures and downstream beneficiation initiatives and sustainability	
Alexkor Board Review	Review of Alexkor Board and appointment of a full complement of members with the requisite skills, experience and expertise to drive the company's strategy	Alexkor Board skills matrix based on new Alexkor strategy developed
Oversight of Richtersveld Deed of Settlement implementation	Monitoring performance of the Pooling and Sharing Joint Venture between Alexkor and the Richtersveld Mining Company (prospecting plan, work programme, mining plan)	Continuous monitoring, evaluation and engagement on implementation of Richtersveld Deed of Settlement.
	Monitoring the Alexander Bay Township infrastructure upgrade and transfer of outstanding assets to the Richtersveld Community	
Definition of role and institutional form for SAFCOL	Define the role and institutional form for SAFCOL to strengthen its contributions to rural development and the forestry industry	<ul style="list-style-type: none"> Initial consultations with other stakeholders (DAFF, DTI and EDD) have been held. A service provider has been appointed to assist with the strategy and will commence work in the first quarter of 2012
Maximising current processing assets.	Maximise value of the processing assets through Brownfield investments and refurbishments of current sawmills. Assessment and decision on the viability of the existing custom cut processing plants and Timbadola sawmill	Principle approval of Brownfield investments by SAFCOL
Transfer of Minority Shares	Transfer minority shares to the Department of Rural Development and Land Reform (DRDLR) through Cabinet approval	Draft proposals on transfer developed and agreement with DRDLR outstanding
KLF Land Claims Settlement Model	Develop a settlement model to fast track Komatiland Forests (KLF) land claims that will ensure meaningful benefits to the successful land claimants	Task team consisting of DPE, DAFF, DRDLR and SAFCOL in place to design and implement settlement model
Enhanced Developmental Contribution	Aim towards reducing socio-infrastructure backlogs in Mpumalanga, Limpopo and KZN by promoting the use of timber framed structures in the housing, education and health areas	Pilot projects on timber frame structures to promote the use thereof, within communities where SAFCOL operates



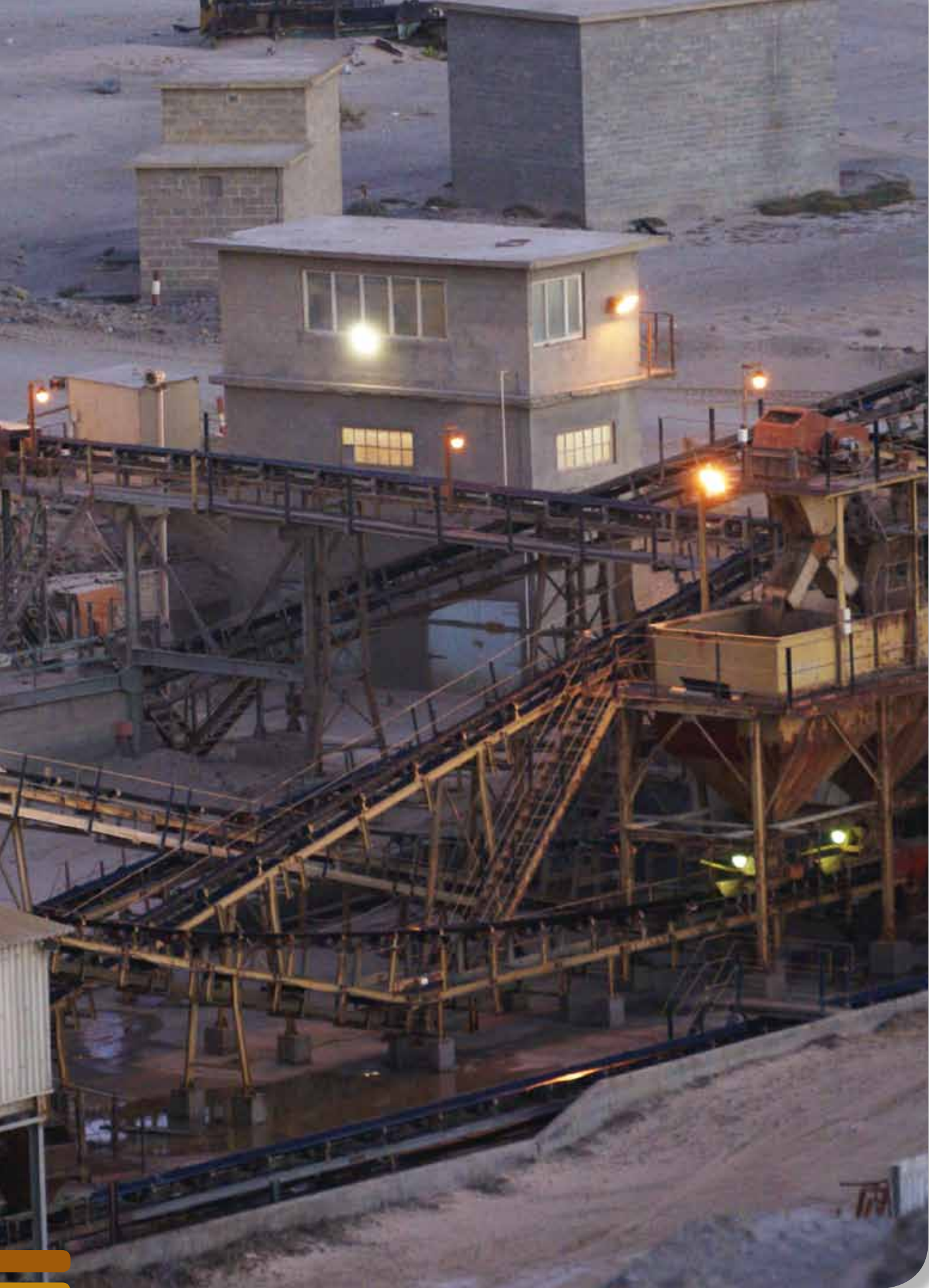
Part B : Strategic objectives per programme (cont.)

7.3.3. Transport Enterprises:

- Management - the office of the deputy director-general which provides strategic leadership and management of the programme personnel.
- Transnet - shareholder management and oversight of Transnet which includes the capital expansion programme and the effective operation of Transnet and its business units.
- SAA and SAX – shareholder management and oversight of SAA and SAX, as well as monitoring SAA's transformation into a commercially successful national carrier capable of contributing to the development of trade and tourism domestically and in the rest of Africa, and overseeing the establishment of SAX as a regional carrier with a focus on the African market.

7.3.3.1 Strategic Objectives for Transport Enterprises

Strategic objective	Objective statement	Baseline
Effective shareholder oversight of SAA, SAX and Transnet	<ul style="list-style-type: none"> • Analysis and assessment of the Annual Report and Corporate Plan • Negotiation and approval of Shareholder Compact • Shareholder Strategic Intent Statement in preparation for Annual General Meeting • Assessment of SOC Board • Assessment of quarterly reports • Preparation of quarterly investor briefs • Assessment of PFMA Applications 	Shareholder Management Model in place and reviewed annually
Ensure the contribution of Transnet to achieving an efficient, competitive and responsive infrastructure (output 3 of outcome 6) – As per Minister's performance agreement	Undertaking a detailed diagnosis of challenges facing Transnet Freight Rail and developing an integrated government response to growing rail market share by the end of the first quarter of 2012/13	Rail market share @ 177mt in 2008/09. Total volumes in 2010/11 @ 182.1mt
	Developing a framework for private sector investment in rail by the end of the first quarter of 2012/13 to assist with the provision of requisite infrastructure where such investments are unaffordable on the Transnet balance sheet	A Private Sector Participation Framework with guiding policy statement to be implemented
	Overseeing the introduction of multiple private operators on the branch line network within the first quarter of 2012/13 to revitalise the network as a feeder to the core network and to realise socioeconomic benefits	Current private operators under lease arrangement with TFR (e.g. Rovos Rail), the process to introduce private operators on the branch lines network currently underway
	Facilitating the introduction of competition for the management of container terminals through the licensing of an operator for Ngqura container terminal by 2014. Competitive bidding process to resume immediately	Transnet Port Terminals (TPT) awarded an interim license for 3 years whilst the National Ports Authority commences the competitive process to license an operator in terms of the Ports Act
	Creating performance incentives for incremental improvements in ports productivity and rail operational efficiencies through the inclusion relevant Key Performance Indicators in the Transnet Shareholder Compact. In this regard Transnet is expected to achieve 35 crane moves at the Durban Container Terminal by 2014 from the current 20 crane moves	<ul style="list-style-type: none"> • Continuous improvements in crane moves • Container crane move per hour at the Durban Container Terminal 2010/11: <ul style="list-style-type: none"> - Pier 1 – 26 moves per hour - Pier 2 – 23 moves per hour



Part B : Strategic objectives per programme (cont.)

7.3.3.1 Strategic Objectives for Transport Enterprises (cont.)

Strategic objective	Objective statement	Baseline
Develop National Corridor Performance Measurement (NCPM) tools and indicators	Ensure the global competitiveness of the South African freight logistics industry by implementing national corridor performance measurement tools and indicators to quantify the operational efficiency of freight corridors. Full implementation of the NCPM system to be achieved in 2012/13	NCPM implemented on three corridors (export coal, export iron ore and export manganese). System implementation on the Natal and Cape corridors in progress
Improve investment in transport infrastructure	Accelerated investment in fit-for-purpose transport infrastructure and monitoring thereof. Optimise the economic impact of infrastructure investments on the economy by monitoring the rollout of Transnet's capital expenditure programme	<ul style="list-style-type: none"> Total investment of R86.8bn over the past five years, funded on the strength of Transnet's balance sheet. Current capex budget of R110 billion to be increased over the medium term Rollout of the Transnet capital expenditure programme assessed on a quarterly basis
Development of a long term integrated transport infrastructure network plan	Provide strategic direction to Transnet investments in ports and rail infrastructure by developing a strategic long term integrated transport infrastructure network plan over the MTEF period. The network design study including funding options to be completed by the end of 2012/13, and full development of the plan completed by 2014	Draft terms of reference in place. Project funding allocation requested in the MTEF
Strengthen financial and liquidity position of SAA and SAX to ensure sustainability of the airlines	Support SAA and SAX to achieve sustainable levels of profitability and liquidity by overseeing the implementation of initiatives relating to the R1.6 billion guarantee to SAA, assessing the required levels of capitalisation of SAA and SAX and undertaking a comprehensive review of the SAA business model	Implementation of conditions for the R1.6bn guarantee in process. SAA has progressively reduced government support for Air Traffic Liability. Project to review SAA business model initiated
Further development and implementation of the African Aviation Strategy	Enhancing the brand of South African Airways in the region to achieve government's airlift objectives by facilitating approval of the government strategy for SAA in Cabinet including key success factors to achieve a stronger SAA brand by June 2012	African Aviation strategy partly implemented and being expanded to enable an integrated African expansion strategy by SAA and SAX
	Support SAA to establish SAA Technical (SAAT) as a regional Maintenance, Repair and Operations (MRO) centre of excellence by facilitating the approval of the business case in Cabinet and enabling legislation if necessary, in the second quarter of 2012/13	Business plan for SAAT as a regional MRO completed



7.3.4 Economic Impact and Policy Alignment

This sub-programme has evolved from the function of a consulting facility (previously in Programme 6: Joint Project Facility), to become a policy analysis and advisory facility, comprising

- Management - the office of the deputy director-general which provides strategic leadership and management of the programme personnel.
- Environmental Policy Alignment - oversees alignment and implementation of SOC strategically important developments (SIDs) with special focus on the Eskom and Transnet Build Programmes. Oversight of State Owned Companies (SOC) alignment with Climate Change Policy and with 'Green Economy' strategies.
- Economic Policy Alignment - will focus on appropriate macro-economic modeling and research to enhance the links between industrial policy, macro-economic policy and the role of the (SOC). Economic modeling will be outsourced to relevant institutions to determine the impact of SOC investment and operations on the economy, including the impact on customers and suppliers.

- Transformation, Skills and Youth Development - will focus on the provision of scarce and critical skills by the SOC in support of the National Skills Agenda and the New Growth Path as well as optimizing the SOC skills training facilities through National Skills Funding, amongst others. Transformation and Youth Development areas will form new areas for incorporation into SOC Shareholder Compacts. This includes overseeing the alignment and implementation of SOC transformation agenda in support of national policies and the New Growth Path Framework, with focus on: job creation; youth development, and development of targeted groups (i.e. women, people with disabilities, co-operatives, etc); Broad-Based Black Economic Empowerment (B-BBEE), Employment Equity (EE) and disposal of non-core property.

The activities and outputs of this sub-programme will entail systematic co-ordination and partnerships with relevant government departments with primary mandates in the above areas eg. Departments of Trade and Industry, Economic Development, Environmental Affairs as well with other stakeholders.

7.3.4.1 Strategic Objectives for Economic Impact and Policy Alignment

Strategic objective	Objective statement	Baseline
Oversee processes to conduct macro-economic modelling, research and impact evaluation and ensure SOC contribute to New Growth Path (NGP)	Establish partnerships with relevant institutions to ensure appropriate macro-economic modeling and research to enhance the links between industrial policy, macro-economic policy and the role of the SOC	Work previously undertaken within the former Joint Project Facility and sector teams
Supervise processes to enhance and advance alignment between national industrial policy, macro-economic policy and the role of SOC and monitor implementation	Establish framework to ensure alignment of SOC activities to economic policies and develop tools to monitor implementation by March 2013. Research alternative policies. Develop a DPE position on macro-economic policy. Implementation and monitoring	The initial thought piece completed and Competitive Supplier Development Programme in place to guide alignment to broad national policies and accords
Oversee alignment and the provision of scarce and critical skills by SOC and their suppliers in support of the National Skills Agenda and the New Growth Path	Ensure SOC scarce and critical skills provisioning are aligned to the National Skills Agenda and NGP and indicators are included in Shareholder Compacts on an annual basis	Skills indicators defined in SOC Shareholder Compacts and dashboard to monitor skills implementation in place
Facilitate partnerships for artisan and technician development to optimise SOC training facilities by increasing the number of artisan learners for the national pool	Enhance partnerships with key stakeholders including DHET to ensure optimal utilisation of SOC training facilities in support of the National Skills Accord	Partnership with DHET and other key stakeholders established, commitments to optimise SOC training facilities in place but lack of additional funds often affect achievement of objective
Oversee processes to ensure that SOC comply with the environmental laws and climate change mitigation measures, while supporting SOC business needs	Develop strategic framework to ensure the alignment and implementation of SOC transformation agenda in support of national policies and NGP Framework with focus on: job creation; youth development and development of targeted groups; B-BBEE and EE	Draft framework developed with initial targets in respect of job creation, youth and transformation
Oversee processes to ensure that SOC comply with environmental laws and climate change mitigation measures, while supporting SOC business needs	Monitoring of EIA for SIDs on dashboard and appropriate interventions to resolve delays. Facilitation of SOC Fund. Ensure alignment and implementation of the DPE Climate Change Policy Framework for SOC in support of national policies and green economy. Participate on relevant government led fora on water, waste and air quality	EIA streamlined for SIDs. SOC fund in place to build capacity within DEA to address SOC EIAs. DPE Climate Change Policy Framework for SOC completed

Part B : Strategic objectives per programme (cont.)

7.3.5 Strategic Partnerships

Management - the office of the deputy director-general which provides strategic leadership and management of the programme personnel.

Project Oversight - definition of catalytic investments to be driven by DPE and oversight of project implementation from pre-feasibility to completion, including the design of relevant compacts.

Funding Mechanisms - development of innovative funding structures and design of associated compacts with relevant partners.

Supplier Relationships - development of over-arching procurement leverage policies, oversight of fleet procurement design and implementation, including panel reviews and development and implementation of capability building programmes and institutions.

7.3.5.1 Strategic Objectives for Strategic Partnerships

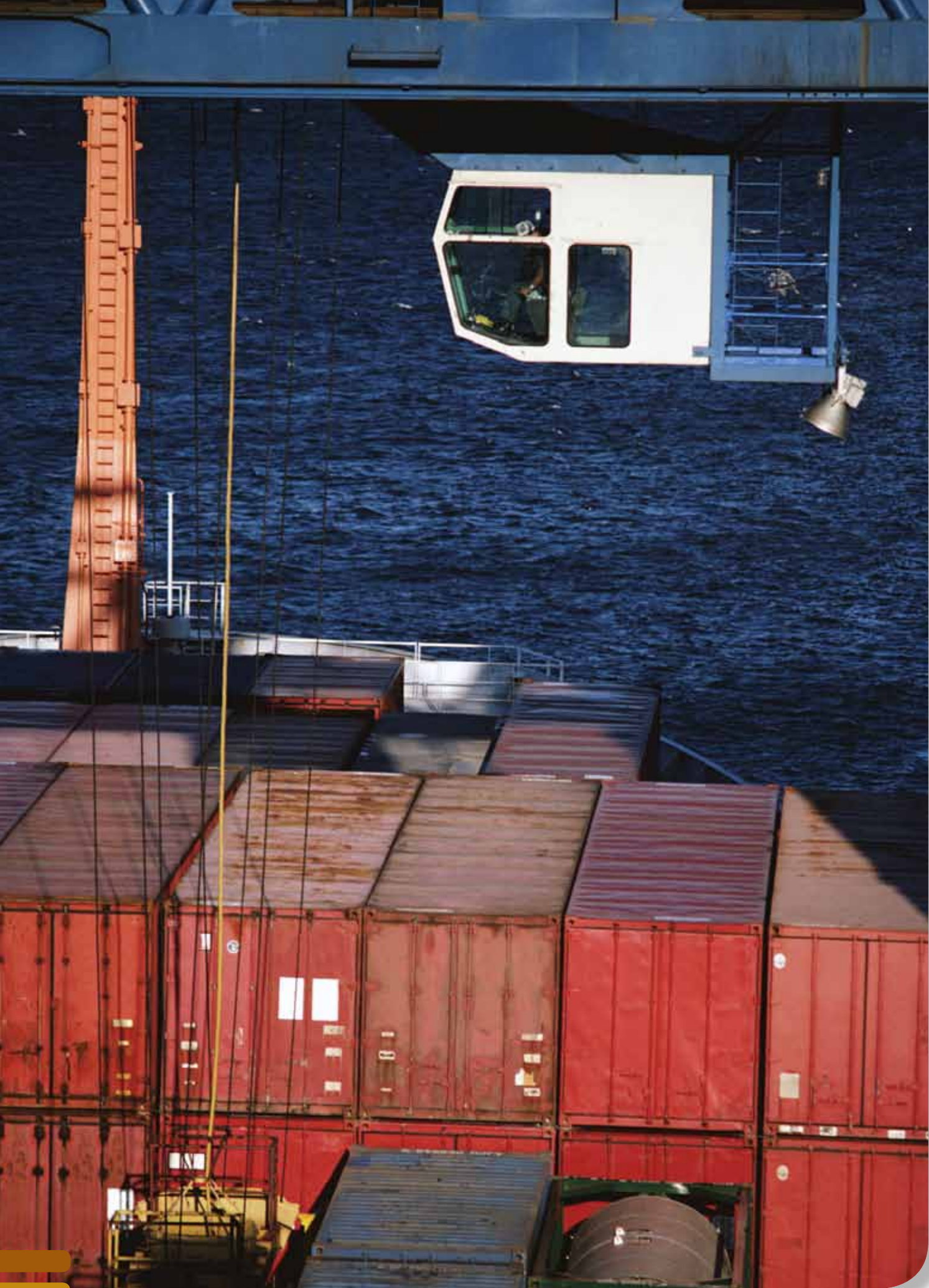
Strategic objective	Objective statement	Baseline
Identification and oversight of major investment projects that go beyond SOC balance sheet capacity	Definition of catalytic investments to be driven by DPE and oversight of project implementation from pre-feasibility to completion, including the design of relevant compacts	New sub-programme. Unit to be capacitated within current funding constraints
Secure funding for major investment projects that go beyond SOC balance sheet capacity	Development of innovative funding structures and design of associated compacts with relevant partners	New sub-programme. Unit to be capacitated within current funding constraints
Leveraging SOC procurement programmes to drive industrialisation and create jobs	Development of over-arching procurement leverage policies, oversight of fleet procurement design and implementation, including panel reviews and development and implementation of capability building programmes and institutions	Work underway in the following areas in respect of procurement leverage: <ul style="list-style-type: none"> Competitive Supplier Development Programme in place in SOC Supplier Development Policy adopted by SOC (Eskom and Transnet) Functional demand requirement database implemented by UNIDO. Transnet locomotive fleet procurement pre-feasibility study completed Business case developed for the establishment of a Centre of Excellence

7.3.6 Departmental Resource Considerations

Expenditure trends

Expenditure decreased from R3,18 billion in 2008/09 to R228,2 million in 2011/12, at an average annual rate of 58,4 per cent. Over the medium term, expenditure is expected to decrease to R73,8 million, at an average annual rate of 31,4 per cent. The decrease in both periods is due to a reduction of transfer payments to the SOC, particularly the

Pebble Bed Modular Reactor Project, as it has been placed into care and maintenance, and Broadband Infracore as the entity will not be receiving further funding from the fiscus, in addition to the reduction of transfers to Denel for indemnity claims between 2008/09 and 2011/12.



Part B : Strategic objectives per programme (cont.)

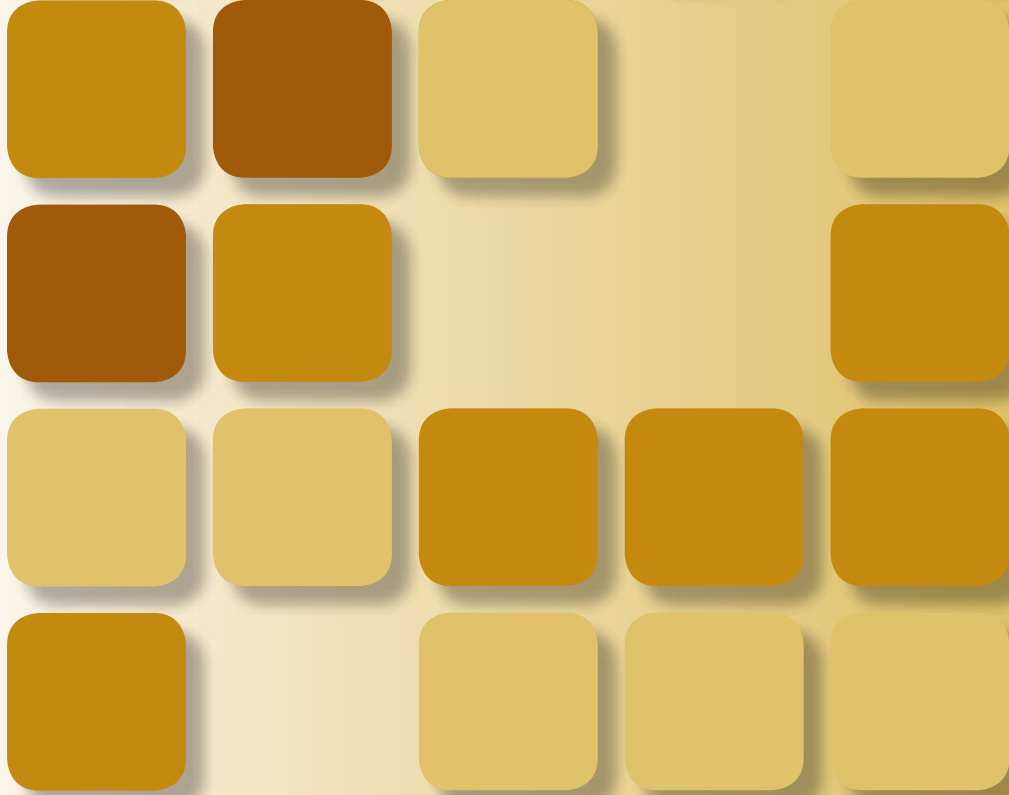
8. State Owned Companies Reporting to the Department of Public Enterprises

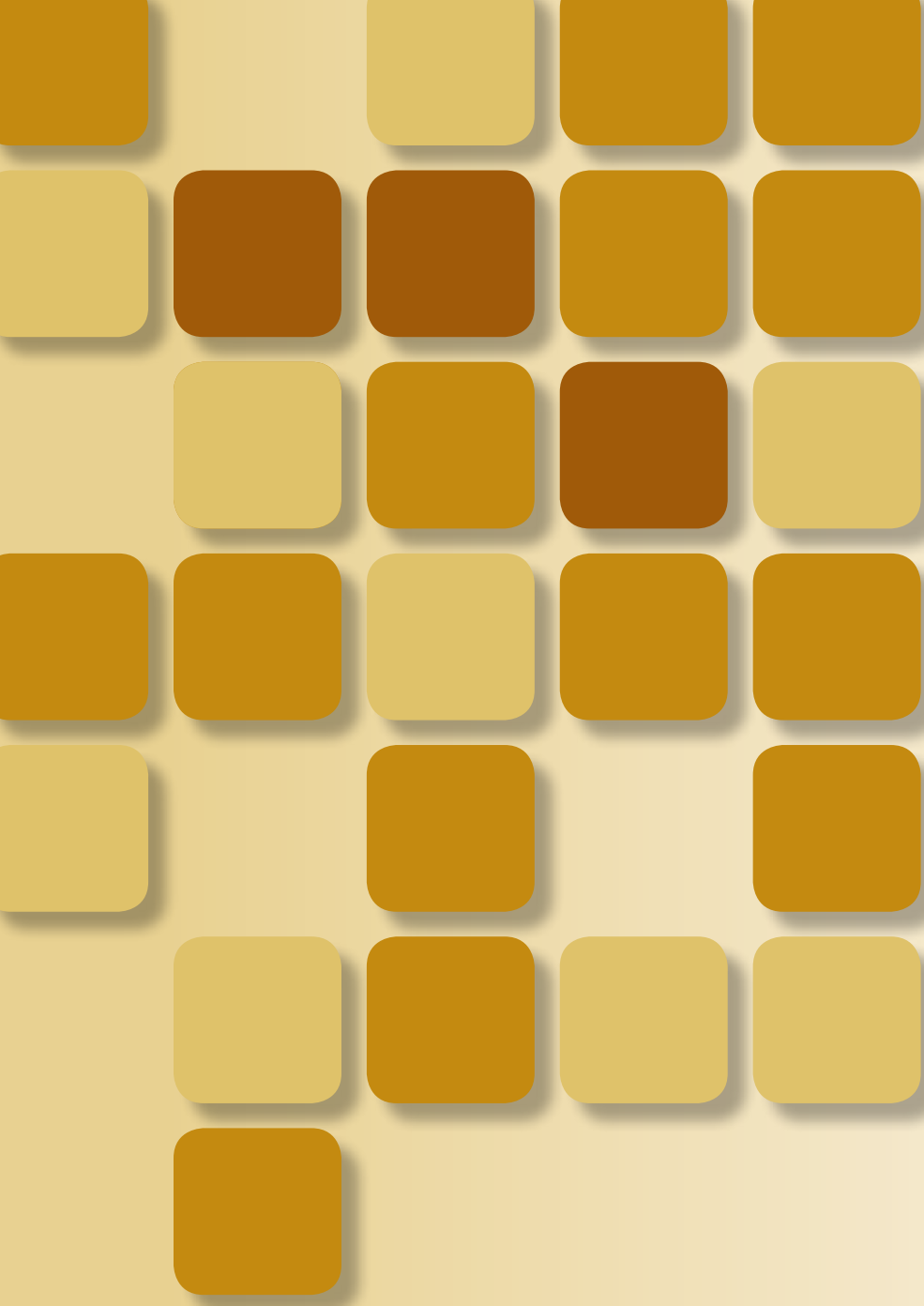
Entity	Mandate/Objectives	Enabling Legislation
Alexkor SOC Limited	The primary mandate of Alexkor is the exploitation of diamond resources on a commercially viable basis and to contribute towards the socio-economic upliftment of the regions in which it operates	Alexkor Limited Act 116 of 1992 (as amended)
Broadband Infraco SOC Limited	Provides affordable access to long-distance telecommunications network infrastructure and broadband telecommunications connectivity services in South Africa	Broadband Infraco Act 33 of 2007
Denel SOC Limited	Denel's Key role is to: <ul style="list-style-type: none"> • Supply strategic defence capabilities and technology to the SANDF on a commercially viable basis, • Act as a catalyst for advanced manufacturing in the broader economy, and • Export products to improve revenue 	No founding legislation
Eskom Holdings SOC Limited	Generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors	Eskom Conversion Act 13 of 2011
South African Airways SOC Limited	The national airline carrier delivering sustainable profits and growth through world-class service to customers internally and externally	South African Airways Act 5 of 2007
South African Forestry Company SOC Limited	Dedicated to growing South African business in the forestry and forest products industry	Management of State Forests Act 128 of 1992
Transnet SOC Limited	A focused freight transport company, delivering integrated efficient, safe, reliable and cost-effective services to promote economic growth in South Africa	Legal succession to the South African Transport Services Act 9 of 1989 (as amended)
South African Express SOC Limited	A regional airline which operates predominantly on routes that are secondary in South Africa and the region	South African Express Act 34 of 2007

Glossary

Acronyms used in the Department of Public Enterprise

AFDB	African Development Bank	IPP	Independent Power Producers
AGM	Annual General Meeting	IRP	Integrated Resource Plan
BB-BEE	Broad Based Black Economic Empowerment	ISMO	Independent System and Market Operator
CAPEX	Capital Expenditure	JPF	Joint Project Facility
CFO	Chief Financial Officer	JV	Joint Venture
CIPM	Chief Investment Portfolio Management	KLF	Komatiland Forests
CS	Corporate Services	KPI	Key Performance Indicator
CSDP	Competitive Supplier Development Programme	MISS	Minimum Information Security Standards
DAFF	Department of Agriculture, Forestry and Fisheries	MOU	Memorandum of Understanding
DCT	Durban Container Terminal	MTEF	Medium-Term Expenditure Framework
DEA	Department of Environmental Affairs	MYPD	Multi- Year Price Determination
DG	Deputy Director-General	NCPM	National Corridor Performance Measurement
DHET	Department of Higher Education and Training	NEDLAC	National Economic Development and Labour Council
DM	Deputy Minister	NERSA	National Energy Regulator
DMR	Department of Mineral Resources	NT	National Treasury
DOC	Department of Communications	PAIA	Promotion of Access to Information Act
DOD	Department of Defence	PBMR	Pebble Bed Modular Reactor
DOE	Department of Energy	PFMA	Public Finance Management Act
DOT	Department of Transport	PLO	Presidential Public Liaison Office
DPE	Department of Public Enterprises	PPP	Public-Private Partnerships
DRDLR	Department of Rural Development & Land Reform	PSJV	Pooling and Sharing Joint Venture
DTI	Department of Trade and Industry	PSP	Private Sector Participation
EDI	Electricity Distribution Industry	R&D	Research and development
EE	Economic Equity	RMC	Richtersveld Mining Company
EIA	Environmental Impact Assessments	SAA	South African Airways
EMP	Environmental Management Plan	SAAT	South African Airways Technical
ExCo	Executive Committee	SAFCOL	South African Forestry Corporation Ltd
FET	Further Education and Training	SAQA	South African qualification authority
FOSAD	Foundations of Security Analysis and Design	SAX	South African Express
FSN	Full Services Network	SCM	Supply Chain Management
HR	Human Resources	SLA	Service Level Agreement
ICASA	Independent Communications Authority of South Africa -	SOC	State Owned Company
ICT	Information and Communication Technology	SSA	State Security Agency
IGR	Inter-Governmental Relations	TNPA	Transnet National Ports Authority
IP	Intellectual Property	TOR	Terms of Reference
IPO	Initial Public Offering	TFR	Transnet Freight Rail
		WACS	West Coast Submarine Cable





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