



public enterprises

Department:
public enterprises
REPUBLIC OF SOUTH AFRICA

2ND QUARTER PERFORMANCE REPORT

2006/07

DPE 2nd QUARTER PERFORMANCE REPORT

Sub-programme Output	Project major activities	Measure / Indicator	Target date	Quarter 1 Progress April - June	Quarter 2 Progress July - September	Challenges / Corrective action
ESKOM						
Strategic Key Performance Indicators (SKPIs)	Identify and propose SKPIs;	Shareholder Compact with 6 to 7 SKPIs;	April 2006	The draft compact and SKPIs have been completed in consultation with Eskom.	Completed	
	Benchmarks Comment on the targets proposed by Eskom	Targets for the Shareholder compact		Completed and included in shareholder compact to be signed on 13 July 2006.	Completed	
	Obtain benchmarks for SKPI's	Benchmarks		Obtained some where possible		
Benchmarks	- Obtain benchmarks for SKPIs where possible.	- Benchmarking Model	Nov 2006	Obtained where possible.	Finalised the Terms of Reference. The approach approved by the DG and the Minister	
Performance monitoring	Analyse quarterly reports	Memo to Minister on quarterly performance	April 06	Memo has been submitted and approved by the Director-General and the Minister	Completed	
	Analyse Annual reports	Memo on annual performance, two weeks before AGM		Done for Eskom, SAA , Transnet and Alexkor	Completed	
Performance monitoring	Submit five year performance of Eskom	Report on the five year performance	April 06	Done and memo signed by Minister	Completed	
	Advise on the proposed Dividend policy for Eskom	Memo on the Dividend policy	May 06	Done and signed by the Minister		
Generation (Eskom Build	Monitor Return to Service of the Mothballed Plants	Quarterly Briefing Memo	June 06 Sept 06 Dec 06	Dashboard being developed to monitor progress. High level	In progress	

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Programme)	(Camden, Grootvlei & Komati)		March 07	updates are done through the quarterly reporting process.		
	Monitor the construction of the Open Cycle Gas Turbine (OCGT) plants	Quarterly Briefing Memo	As above		-Section 54 application for Gas 1 project approved by the Minister	
	Monitor the construction of the base load coal-fired plant	Quarterly Briefing Memo-	As above		-Eskom is implementing the plan	
	Expansion plan	Agreed ISEP	-July 2006	Updated ISEP 10 was agreed between the DPE and Eskom	Eskom is implementing the plan	
	Reserve Margin and the Security of Supply	-Approved Reserved Margin Policy	-July 2006	The study was completed and stakeholder engagements is ongoing		
New Gen Independent Power Producers (IPPs)	Facilitate the signing of the Power Purchase Agreement between Eskom and the IPPs	Briefing Memo	March 06	Done	In progress	
	Participate and review the Request for proposal (RfP)	Briefing Memo	March 06	Done		
	Participate in the evaluation of the IPPs	Briefing Memo	October 06	Done		
				In progress. Bidders will submit in October.		
Eskom Finance Company	Finalisation of transaction documents	Finalise term sheet & transaction documents	April 06	Done		
	Regulatory approvals	Establishment of				

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		Special Purpose Vehicles for the securitisation		Done		
Distribution (Establishment of National RED)	Develop the Business Case for the National RED	Briefing Memo on the Business Case	April 06	Done		
	Consultation with the DME, DPLG & NT	Submission of a Cabinet Memo on the Business Case	June 06;	Consultation was done, DME still to submit the Cab memo	Cabinet memo to be tabled before the committee on the 04 Oct 2006. DPE Minister briefed on the Cab memo	
	Establishment of the six Metro REDs	Briefing Memo to the DG & the Minister	Quarterly	In progress		
Regulatory framework and pricing	Multi year Price Determination (MYDP)	Approved MYDP	Sep 2006		To be reviewed after receiving Eskom's submission	
	Developmental Pricing Framework (DPF)	Approved DPF as per review		Reviewed as per new applications	A review of the Developmental Electricity Pricing is underway	
	Cross Subsidy Framework	Approved cross subsidy framework	March 2007	The DME is developing the framework and DPE will make inputs		
PBMR						
	Review Corporate Plan	Reviewed Corporate Plan	April 06	Completed		
	Revise Shareholders' Agreement	Acceptance of SHA by all shareholders	Feb 2007		Shareholders' Agreement currently under review	
	PFMA listing and Shareholders' Compact	Production of a Shareholder compact with KPI's	Sep 06	Issues of incorporation and listing have to be resolved to pave way for the finalisation of the shareholder's compact.	PFMA listing and a Shareholders' Compact to be completed after the conclusion of a new SHA	
	HTR License	Conclusion of a new licensing arrangement	Nov 06		An alternative license (Nukem) has been approved by all	

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					shareholders except IDC. IDC approval imminent	
Monitoring progress in the construction	Demonstration Power Plant	Construction of the Demonstration Power Plant (DPP) at Koeberg	Start date 2008 End Q2 2011 Handover 2013	EIA process currently on track. Site access will only be possible after completion of this process.	Start and commissioning times currently being reviewed in new PMP. No major changes expected from dates provided here.	
	Pilot Fuel Plan	Construction of a Pilot Fuel Plant at Pelindaba	Start Q2 2007 End Q2 2009	EIA process currently on track. Site access will only be possible after completion of this process.	Start and commissioning times currently being reviewed in new PMP. No major changes expected from dates provided here.	
ALEXKOR						
Strategy of Alexkor	Review of medium term Business Strategy for Alexkor	Memo to the Minister	April 06	Strategy reviewed for Corporate Plan memo	Completed	
Alexkor separation	Separation of Non mining activity from the mining activity	Separated entities	December 2006	Attorneys have been instructed to commence with the transfer of assets into a separate ABT	The project has been placed on hold due to lack of funds	Still awaiting allocation from National Treasury
Shareholder Compact with Alexkor including SKPI's and targets	Internal consultations within DPE and Alexkor Board. -Develop draft compact in line with the SMM Identify SKPI's & targets	Signed Compacts SKPI's identified & targets	April 2006	The draft compact and draft KPIs developed. Consultation with Alexkor on compact and KPIs to commence SKPIs and targets identified and agreed to with management. Process of benchmark identification started.	Completed	
Board of Directors Management	Compile Board database and develop appointment framework	Database & Appointment Framework	April 2006	Service provider has been identified. There are procedural issues to be resolved with the tender process.		

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	Conduct Board induction programme & toolkit	Induction programme & toolkit	June 2006	ToRs for the SOE Induction toolkit awaiting approval. To further obtain current SOE induction toolkits and develop the generic one across all SOE.		
	Develop Board evaluation procedures	Board evaluation procedures	August 2006	Currently SOE have own board evaluation procedures. DPE to develop one in consultation with SOE.		
	Compile Cabinet memo on new NEDs	Cabinet memo on NED's	By AGM in Nov 2006	There are vacancies in the Alexkor Board, which need to be urgently filled. LGT is in the process of filling all vacancies across all SOE.		
Memoranda and Articles of Association	Determine minimum requirements	Minimum requirements into Memoranda and Articles	April 2006	The review of all SOE Articles of Association is to be undertaken by LGT as part of the SMM project.		
	Incorporate the minimum requirement into Memoranda and Articles	Memoranda and Articles	AGM of SOEs (Nov 2006)	This has not commenced due to competing SMM priorities.		
Performance Monitoring	Assess the monthly performance of Alexkor	Monthly report	One week after submission	Unaudited year-end results submitted and approved by Minister. The April and May performance submitted.		

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	Identify key risks and mitigating strategy	Conduct semi annual visits to interrogate the financial performance Risk report	May 06	Done together with the analysis of Corporate plans		
	Conduct Annual Review of Alexkor performance	Prepare memo to the Minister	April 06	Audited results will be submitted to the Board on 24/07/07 and the review will be carried out two weeks after submission by Alexkor.	Completed	
Review the exploration programme of Alexkor	Review the exploration programme and related recap requirement	Report on Exploration programme	Aug 06	Memo on recap submitted, once approved the programme of action will be identified	Request submitted to National Treasury	
	Review the long term sustainability of the mining activities	Assessment report of Alexkor's future sustainability	July 06			
	Conduct the annual review of Alexkor performance	Prepare memo for the Minister				
SKPI's	Identify strategic KPI's	Memo on the seven SKP's to the Minister	March 06	Draft sKPIs have been developed.	Completed	
INFRACO						
	Full Service Network for National Long Distance Connectivity.	Conclusion of Sale and Purchase Agreement	Nov 2006	The task team from Eskom and Transnet developing the workplan	FSN assets incorporated under Eskom Dormant Company	Infraco/Neotel IP core network interface issues and the commissioning of the FSN to be resolved
		Project Implementation	Dec 2006			
	Infraco Performance Analysis	Business plan Analysis (Strategic & financial risk analysis)	Oct 2006		Identified Risk factors	

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		Risk results and litigation process outlined	Oct 2006			
	International Connectivity	Infraco/VSNL to conduct a survey study on traffic demand	June 2007		VSNL International made a presentation	
		Scenario planning to evaluate the most cost effective way for South Africa	June 2007			
		Project Implementation	June 2008			
SAFCOL						
Determination of the future role for SAFCOL in forestry development	<p>1. Research and Data gathering on saw-log supply and demand, the structure of the industry and development opportunities in the sector.</p> <p>2. Mobilisation of government departments and other stakeholders.</p> <p>3. Analysis and scenario identification.</p> <p>4. Recommendations</p>	<p>1. Research reports finalised</p> <p>2. Establishment of interdepartmental task-team (DPE, DWAF, DTI). Workshops with stakeholders.</p> <p>3. Identification of possible scenarios for SAFCOL</p> <p>4. Mandate and role for SAFCOL</p>	<p>1. Sept 2006</p> <p>2. August 2006</p> <p>3. October 2006</p> <p>4. December 2006</p>	<p>1. Initial research on saw log data and industry structure carried out. Cabinet Memo on KLF finalised. Project Plan Developed and Terms of Reference finalised.</p> <p>2. Interdepartmental Task Team comprising DPE, DWAF and DTI set-up - initial meetings convened.</p>	<p>1. Completed.</p> <p>2. Consultations with task team ongoing.</p> <p>3. Initial thinking on scenarios done, and initial scenarios identified</p>	

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Transfer of SAFCOL 25% shareholding in privatised packages to workers, communities and NEF.	1. CSS to advise on transfer strategy. 2. LGT to recommend optimal transactional structure for 10%, either to the NEF or communities. 3. 9% for the ESSOP to be effected by SAFCOL	Share transfers complete	1. March 2006 2. March 2006 3. June 2006	1. CSS provided input on transfer strategy. LGS to report	Consultations with National Treasury and DTI done. Meetings scheduled with DWAF and DLA. Project done by LGS and CSS.	
Shareholder Compact with SAFCOL including SKPI's and targets	1. Consultations between, CSS and SAFCOL Board. 2. Develop draft compact in line with the SMM	Signing of Compacts	1 and 2. March 2006	1. KPIs developed, and will be discussed with SAFCOL Board and Management 2. The target is to have the SAFCOL compact signed at the upcoming AGM in September 2006. The draft compact has been developed after internal DPE consultation. Once the Minister has approved the draft compact it is to form the basis of onward discussions with the Eskom Board.	The Minister has signed the draft compact. Meeting to be arranged to finalise compact in consultation with SAFCOL Board	Availability of stakeholders Securing meeting with SAFCOL. Arrangement of Meeting with SAFCOL
Corporate plans	Analysis of corporate plans and compliance with Treasury Regulation 29	Memorandum with recommendation to Minister	1. March 2006 2. Quarterly reviews	1. Completed		

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Performance Monitoring	1. Quarterly Review 2. Annual Review (analysis of annual reports)	1. Monitor progress /performance against KPIs 2. Annual review of performance	1. 1 month after every quarter 2. August 2006	Quarterly financial report not received Annual review to be done in August after receiving the reports	Quarter 2 financial report not yet received- and not yet due. Completed	
Board of Directors Management	1. Board database and appointment framework 2. Board induction toolkit 3. Board evaluation procedures 4. Cabinet memoranda on new NEDs & approval by Minister	Confirmed/newly appointed Board Effective induction for Board members Evaluation of Board effectiveness	1. April 2006 2. June 2006 3. August 2006 4. By AGM in November 2006	1. There are vacancies in the SAFCOL Board, which need to be urgently filled. LGS is in the process of filling all vacancies across all SOEs, including SAFCOL. 2. ToRs for the SOE Induction toolkit awaiting approval.	Cab Memo on Board appointments Approved. Board appointed.	
Minimum requirements for Memoranda and Articles of Association	1. Determine minimum requirements 2. Drafting of revised Memoranda and Articles	1. Incorporate minimum requirements into Memoranda and Articles 2. Amended Memoranda and Articles	1. April 2006 2. AGM of SOEs (Aug 2006)	1. The review of all SOE Articles of Association is to be undertaken by LGS as part of the SMM project. This has not commenced due to competing SMM priorities.		
Monitoring IFRS implementation	1. Coordinate and monitor impact of IFRS 2. Update from SAFCOL in terms of implementation 3. Memo to the Minister on readiness of SOE's in implementation of the	SOE compliance to IFRS.	August 2006	1. SAFCOL started implementing IFRS in 2006 financials. Compliance will then be monitored from this year's annual financial statements.	IFRS not conducted in quarterly reporting	

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	IFRS					
Identification of key business and financial risks within SAFCOL	1. Scoping of key risks that the Department should monitor 2. Incorporation into the Risk Management Framework and the Risk Register	Input document on SAFCOL risks	During 2006/07	1. The Risk Management Framework and the Risk Register is still being developed.	No key risks identified	
DENEL						
Denel's recapitalisation	Denel's recapitalisation – final recap package	Adequate recapitalisation financial structure	1. March 2006 2. May 2006	Arranged presentation to NT by Denel on Corporate Plan. Letter drafted by ARM and sent to Minister of Finance from Minister.	Presentation to NT's Guarantee Certification Committee made. Concurrence received from Minister of Finance for guarantee of R800 million	
Oversight of implementation of Denel's business strategy	Business alliance negotiations 1. Assist with identifying potential alliance partners. 2. Monitor progress on business agreements 3. Provide advice on PFMA approvals 4. Monitor establishment of NewCos and assist with PFMA approvals 5. Monitoring of strategy implementation	1. to 3. Successful partnerships with •SAAB •EADS •Aerosud •SAA Tech •General Dynamics •Zeiss/Flir 4. NewCos established 5. Monitoring of progress and input into ARM Quarterly report reviews	1. to 4. Finalisation of first business agreement and establishment of NewCos by March 2006? 5. During 2006/07	1 to 3. CSS provided input into transaction agreements with Saab. Transaction finalised by Denel, Saab and Minister. Indemnity from National Treasury outstanding. 4. Application for Aerostructures Newco received – in process of assessing. Other applications from Denel outstanding. 5. Denel Corporate Plan assessed. 6. The bulk of non-core assets have been disposed of and Section 54 applications have	Awaiting outstanding transactional documents for Denel/Saab transaction. Denel signed term sheet with second strategic global partner.	

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				been finalised by LGS. Does LGS have anything to add?		
Oversight of implementation of Denel's business strategy (contd.)	Approval of sale of non-core assets 1. Monitor progress of disposals 2. Analyse proposed transactions and measure against strategic imperatives 3. Provide recommendations on PFMA approvals 4. Assist Denel where required	Sale of all non-core assets.	Disposal of all non-core assets March 2006	The bulk of non-core assets have been disposed of and Section 54 applications have been finalised by LGS.	Bonaero Park sold to PIC. SPP disposed of. Cosource transaction approved. Sale of JIA vacant land underway. Sale of further unutilised land underway (Pretoria and the Western Cape) underway.	
Defence sector strategy	Task Team to 1. Scope industry make-up and capabilities 3. Workshop research outputs 4. Finalise sector strategy document	Sector strategy report	June 2006	Behind schedule	Terms of reference approved and tender advertised.	
Defence Fund	Establish an export financing/guarantee mechanism for defence exporters	Increase in export sales	31 March 2007	Terms of reference finalised	Team of local and international experts appointed and work has commenced	
Acquisition policy, the 10 year defence Capex plan and NIP and DIP policy alignment	Task Team to implement: 1. Short-term interventions to support Denel. 2. Medium term interventions to	Tangible increase in local defence spend, the publication of a 10 year defence Capex plan and increase participation by the SADRI in off-set opportunities	1. March 2006 2. By end of Quarter 2 2006/07 3. By quarter four 2006/07 4. March 2008	Acquisition process alignment taking place. Report by Team Team, due on 24 July 2006, to be assessed.	DoD will be revising acquisition policy in October 2006. Report by task team due on 24 October 2006.	

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	support the SADRI 3. Long-term interventions to support the SADRI					
Reclassify Armscor to focus solely on acquisitions agency	Task Team to: 1. Finalise corporate governance issues 2. Transfer non-acquisition functions to relevant organisations 3. Monitor implementation of a reclassified Armscor	Functions transferred Armscor reclassified	1. March 2006 2. June 2006 3. During quarters two and three 2006/07	Task Team has identified functions and budgets that need to move out of Armscor. LGS provided input into corporate governance structure – DoD to implement. Report by Team Team, due on 24 July 2006, to be assessed.	Minister of Defence has written to Minister of Finance – listing of Armscor as a Schedule 3A public entity. Report by task team due on 24 October 2006.	
Establish the Defence Evaluation and Research Institute (DERI)	Task Team to: 1. Establish management structure, reporting lines and common budget for interim institute 2. Establish interim DERI 3. Monitor progress on interim DERI 4. Establish fully operational DERI	Interim DERI established New DERI established	1. March 2006 2. June 2006 3. 2006/07 financial year 4. March 2007	Functions and budgets that need to be transferred into DERI have been identified. Cab memo to be finalised by 24 July 2006. Report by Team Team, due on 24 July 2006, to be assessed.	Draft Cabinet memorandum for establishment of DERI completed by the task team. Report by task team due on 24 October 2006.	
Shareholder Compact with Denel including SKPI's and targets	1. Consultations with DWAF and Denel Board. 2. Develop draft compact in line with the SMM	Signing of Compacts	March 2006	The target is to have the Denel compact signed at the upcoming AGM in September 2006. The draft compact has been developed after	In process of reaching agreement with the Denel Board of Directors	

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				internal DPE consultation.		
Corporate plans	Analysis of corporate plans and compliance with Treasury Regulation 29	Memorandum with recommendation to Minister	March 2006	Corporate plans received and review completed end of May Revised Corporate plans received in June and the review to be completed end of July	Internal memorandum on revised Denel 2006/07 Corporate Plan finalised	
Performance Monitoring	1. Quarterly Review 2. Annual Review (analysis of annual reports)	1. Monitor progress/performance against SKPIs 2. Annual review of performance	1. 1 month after every quarter 2. August 2006	April and May monthly reviews received . Review to be completed end of July	Memorandum on review of Denel 2006/07 Quarter 1 report finalised.	
Board of Directors Management	Board database and appointment framework	Confirmed/newly appointed Board	April 2006	Service provider has been identified. There are procedural issues to be resolved with the tender process.	LGT to provide input	
	Board induction toolkit	Effective induction for Board members	June 2006	ToRs for the SOE Induction toolkit awaiting approval.		
	Board evaluation procedures	Evaluation of Board effectiveness	August 2006	Board evaluation programme to be developed in consultation with SOE.		
	Cabinet memoranda on new NEDs & approval by Minister		By AGM in November 2006	There are vacancies in the Safcol Board, which need to be urgently filled. LGS is in the process of filling all vacancies across all SOE, including Safcol.		
Minimum	1. Determine minimum	1. Incorporate minimum	1. April 2006	The review of all SOE	LGT to provide input	

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requirements for Memoranda and Articles of Association	requirements 2. Drafting of revised Memoranda and Articles	requirements into Memoranda and Articles 2. Amended Memoranda and Articles	2. AGM of SOE (Nov 2006)	Articles of Association is to be undertaken by LGS as part of the SMM project. This has not commenced due to competing SMM priorities.		
Monitoring IFRS implementation	1. Coordinate and monitor impact of IFRS 2. Update from Denel in terms of implementation 3. Memo to the Minister on readiness of SOE in implementation of the IFRS	SOE compliance to IFRS.	March 2006 On-going monitoring	2005/06 financial statements being aligned with IFRS. Financial statements to be finalized by end of August	Denel has completed alignment of 2005/06 financial statements with IFRS.	
March 2006 On-going monitoring	Scoping of key risks that the Department should monitor Incorporation into the Risk Management Framework and the Risk Register	Input document on Denel risks	March 2006 During 2006/07		Risk management team to input	
TRANSNET						
	Performance Measurement	• Enforce Quarterly Reporting • KPIs (for Shareholder Compact)	March 2006		SKPIs incorporated in shareholder compact.	
	Disposal of Metrorail	• Contributions to Share Sale Agreement	February 2006	Metrorail transferred to the SARCC under the auspices of the Department of Transport	Transfer completed. Quantification of employee in progress.	