

# Vote 30

## Minerals and Energy

	2005/06			2006/07	2007/08
	To be appropriated				
MTEF allocations of which:	R2 117 585 000			R1 065 199 000	R1 119 681 000
	<i>Current payments</i>	<i>Transfers</i>	<i>Capital payments</i>		
	R462 700 000	R1 647 942 000	R6 943 000		
<b>Statutory amounts</b>	-			-	-
Responsible minister	Minister of Minerals and Energy				
Administering department	Department of Minerals and Energy				
Accounting officer	Director-General of Minerals and Energy				

### Aim

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

### Programme purpose and measurable objective

#### Programme 1: Administration

**Purpose:** Provide comprehensive administrative support to the ministry and the department.

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

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

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

#### Programme 3: Mineral Development

**Purpose:** Transform and promote sustainable development in the minerals and mining industry for the benefit of all South Africans.

**Measurable objective:** Promote and regulate the South African minerals industry in order to achieve transformation by increasing the number of participants from the historically disadvantaged groups in mining.

#### Programme 4: Hydrocarbons and Energy Planning

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

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

### **Programme 5: Electricity and Nuclear**

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

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

### **Programme 6: Associated Services**

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

**Measurable objective:** Improve meeting of department's objectives through policies and directives which promote the department's legislative mandates and lead to the creation of an environment which is conducive to investment and a better quality of life.

## **Strategic overview and key policy developments: 2001/02 – 2007/08**

The Department of Minerals and Energy is working at fundamentally transforming and developing both the mining and energy sectors, to ensure that they continue to be sources of economic development for the benefit all South Africans. Until recently, the department has focused on developing policies to support the transformation process. The major challenge now is efficient and effective implementation.

### *The mining sector*

The Mineral and Petroleum Resources Development Act (2004), promulgated in May 2004, gave effect to: the principle of the state's custodianship of national mineral and petroleum resources; equitable access to mineral resources; opportunities for historically disadvantaged citizens; economic growth, employment and socio-economic welfare; and security of tenure. The broad-based socio-economic empowerment charter for the South African mining industry, already adopted by the industry, government and organised labour, is a statutory instrument for promoting transformation in the mining sector. The impact of the charter is becoming apparent in the growing number of broad-based BEE deals and joint ventures. The success of the charter will be monitored using a scorecard that has been adopted by the mining sector.

The Precious Metals and Diamond General Amendment Bill was circulated for comment and approved by Cabinet and is to be debated in Parliament during 2005. The bill was drafted to remove obstacles to promoting domestic beneficiation of precious metals, so that local communities can benefit before the final product is exported.

The comprehensive review of the Mine Health and Safety Inspectorate concluded in 2003 identified a number of areas requiring the department's attention. These include: bringing about a quantum shift in health and safety performance in the gold mines and small and medium scale mines; increasing efforts to prevent mine fires and explosions; reducing the impact of mining activities on the public at source; addressing occupational health issues; and making sure that the

link between tuberculosis (TB) and HIV and Aids is better understood and managed. Over the MTEF period, the department will respond to these to achieve locally acceptable and international competitive mine and health safety standards.

The department's adoption of both the broad-based socio-economic empowerment charter for the South African mining industry and the Growth and Development Summit commitment has given fresh impetus to human resources development. Much work is required to build the organisational capacity of the Mine Health and Safety Inspectorate to make sure that it can effectively deliver on its objectives and improve its demographic profile.

### *Electricity*

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

Initial estimations indicate that new peaking generation capacity will be required in 2010 because of the anticipated increase in the demand for electricity, driven by growth in the industrial, mining, commercial and domestic sectors. To maintain the security of electricity supply, government has realised that a co-ordinated effort between Eskom and the Department of Minerals and Energy will be required, to introduce new generation capacity over the next five years. To this end, the department is planning to invite private sector involvement in the sector through independent power producers (IPP). To ensure the security of supply, government plans to diversify primary energy sources, thus reducing the dependence on coal for electricity generation. A plan for procuring future capacity (after 2008) will be finalised in the first quarter of 2005.

Another strategic area is the restructuring of the electricity distribution industry. Currently, the industry consists of a vertically integrated monopoly (Eskom) alongside a multitude of municipal distributors. This causes significant under-investment, and inefficiencies are apparent. The electricity distribution industry process will result in a number of regional electricity distributors (REDS) being set up. Six REDs have been suggested as the optimal number and the first is likely to be established in 2005 in Cape Town.

### *Petroleum*

The Petroleum Products Amendment Bill, promulgated during 2004, will facilitate the regulation and further development of the liquid fuels sector. It aims to promote the transformation of the liquid fuels industry by empowering historically disadvantaged South Africans through equitable licensing.

The Petroleum Pipeline Bill, passed in June 2004, will become an Act in 2005. The bill embodies, among other things, government's policy on transforming and promoting competition in the liquid fuels industry by inhibiting monopolistic abuse of pipelines and storage facilities. The bill, along with the Electricity Act and the Gas Act, forms one of the pillars of the National Energy Regulator Act, approved by Parliament in 2004.

### *Regulation of the energy sector*

The amalgamation of the regulation of electricity, gas and petroleum pipelines was approved when Parliament approved the National Energy Regulator Act in 2004. In 2005/06, the National Energy Regulator will be established to regulate the entire energy sector.

*African development*

The minerals and energy sectors are also important for the development of Africa, hence the department's participation in the African Mining Partnership (AMP), the SADC minerals and energy forums, and the Western Power Corridor (WESTCO) initiatives.

**Expenditure estimates****Table 30.1: Minerals and Energy**

Programme	Expenditure outcome					Medium-term expenditure estimate		
	Audited	Audited	Preliminary	Adjusted	Revised			
R thousand	2001/02	2002/03	2003/04	2004/05		2005/06	2006/07	2007/08
1. Administration	54 899	71 752	102 006	100 337	100 337	111 364	119 642	126 356
2. Promotion of Mine Safety and Health	69 229	81 255	87 244	100 533	100 533	108 536	117 162	124 004
3. Mineral Development	77 826	89 294	117 510	161 253	161 253	185 156	206 115	217 011
4. Hydrocarbons and Energy Planning	14 510	14 209	16 291	25 871	25 871	34 340	36 577	38 401
5. Electricity and Nuclear	51 917	28 485	40 595	44 980	44 980	56 784	57 010	59 860
6. Associated Services	965 015	1 568 213	1 433 247	1 512 169	1 399 931	1 621 405	528 693	554 049
<b>Total</b>	<b>1 233 396</b>	<b>1 853 208</b>	<b>1 796 893</b>	<b>1 945 143</b>	<b>1 832 905</b>	<b>2 117 585</b>	<b>1 065 199</b>	<b>1 119 681</b>
Change to 2004 Budget estimate				10 649	(101 589)	47 584	(871 617)	(913 976)
<b>Economic classification</b>								
<b>Current payments</b>	<b>218 528</b>	<b>262 824</b>	<b>305 281</b>	<b>405 658</b>	<b>405 658</b>	<b>462 700</b>	<b>502 154</b>	<b>529 717</b>
Compensation of employees	120 043	139 495	176 751	205 702	205 702	241 131	262 603	277 445
Goods and services	98 420	122 837	128 156	199 956	199 956	221 569	239 551	252 272
<i>of which:</i>								
<i>Consultants and contractors</i>	42 610	48 454	49 387	109 862	109 862	129 744	132 920	138 582
<i>Travel and subsistence</i>	23 285	29 220	34 437	46 027	46 027	46 804	52 182	57 744
<i>Communication</i>	5 946	7 432	9 119	8 972	8 972	9 466	10 033	10 536
<i>Inventory</i>	4 736	5 116	6 090	4 898	4 898	5 168	5 477	5 751
<i>Computer Services</i>	2 170	4 547	1 933	7 664	7 664	4 357	4 619	4 850
<i>Training and staff development</i>	3 490	3 088	4 286	5 173	5 173	5 457	5 786	6 073
Financial transactions in assets and liabilities	65	492	374	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>1 010 196</b>	<b>1 582 707</b>	<b>1 469 498</b>	<b>1 533 588</b>	<b>1 421 350</b>	<b>1 647 942</b>	<b>556 829</b>	<b>583 589</b>
Provinces and municipalities	365	225 186	245 704	251 286	139 048	258 636	694	726
Departmental agencies and accounts	72 948	105 980	132 867	143 489	143 489	154 934	166 088	174 392
Public corporations and private enterprises	935 167	1 251 014	1 090 073	1 137 013	1 137 013	1 233 235	388 856	407 220
Non-profit institutions	40	11	22	-	-	-	-	-
Households	1 676	516	832	1 800	1 800	1 137	1 191	1 251
<b>Payments for capital assets</b>	<b>4 672</b>	<b>7 677</b>	<b>22 114</b>	<b>5 897</b>	<b>5 897</b>	<b>6 943</b>	<b>6 216</b>	<b>6 375</b>
Machinery and equipment	4 672	7 677	22 114	5 897	5 897	6 943	6 216	6 375
<b>Total</b>	<b>1 233 396</b>	<b>1 853 208</b>	<b>1 796 893</b>	<b>1 945 143</b>	<b>1 832 905</b>	<b>2 117 585</b>	<b>1 065 199</b>	<b>1 119 681</b>

**Expenditure trends**

Expenditure increased rapidly over the last three years, rising from R1,2 billion in 2001/02 to R1,9 billion in 2004/05, an annual average increase of 14,1 per cent. A further increase is expected in 2005/06. However, in 2006/07 the funds allocated to the National Electrification Programme will instead flow through the Department of Provincial and Local Government, reducing expenditure to R1,1 billion.

The 2005 Budget set out additional allocations of R47,6 million for 2005/06, R52,1 million for 2006/07 and R55,9 million for 2007/08, for the South Africa Nuclear Energy Corporation, the expansion of capacity and the implementation of the Radioactive Waste Management Policy and Strategy.

## Departmental receipts

The main source of the department's revenue over the last three years was the dividends received from the Central Energy Fund and the royalties recovered in terms of the Minerals Act (1991) and Treasury Regulation 7.3.1. Total receipts have decreased from R583,9 million in 2001/02, to R109,6 million in 2004/05. The decrease is due to lower dividends from the Central Energy Fund.

It is expected that the collection of royalties will gradually transfer to SARS from 2005/06, reducing future receipts.

**Table 30.2: Departmental receipts**

R thousand	Receipts outcome			Adjusted appropriation	Medium-term receipts estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04				
Sales of goods and services produced by department	2 339	2 386	3 656	2 054	2 157	2 265	2 378
Sales of scrap, waste and other used current goods	3	2	4	–	–	–	–
Transfers received	10	–	–	–	–	–	–
Fines, penalties and forfeits	40	62	1 832	55	58	58	61
Interest, dividends and rent on land	579 772	403 991	290 438	107 345	112 711	118 347	124 264
Financial transactions in assets and liabilities	1 779	457	1 522	156	159	162	170
<b>Total</b>	<b>583 943</b>	<b>406 898</b>	<b>297 452</b>	<b>109 610</b>	<b>115 085</b>	<b>120 832</b>	<b>126 873</b>

## Programme 1: Administration

*Administration* conducts the overall management of the department and provides administrative support. This includes policy formulation by the minister, deputy minister, director-general and members of the department's senior management, providing financial management, personnel management and administration, and legal and other support services, and developing and implementing internal policies and programmes to help the department realise its objectives.

### Expenditure trends

Expenditure increased rapidly over the last three years, rising from R54,9 million in 2001/02 to R100,3 million in 2004/05, an average annual increase of 22,3 per cent. Over the next three years, the rate of growth is expected to slow to 8 per cent, taking expenditure to an expected R126,4 million.

Table 30.3: Administration

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Minister <sup>1</sup>	727	763	826	755	804	857	900
Deputy Minister <sup>2</sup>	621	653	709	643	622	663	696
Management	6 050	5 922	6 697	9 687	10 259	10 884	11 416
Corporate Services	47 501	64 414	93 774	89 252	99 679	107 238	113 344
<b>Total</b>	<b>54 899</b>	<b>71 752</b>	<b>102 006</b>	<b>100 337</b>	<b>111 364</b>	<b>119 642</b>	<b>126 356</b>
Change to 2004 Budget estimate				7 920	9 548	10 211	11 453

<sup>1</sup> Payable as from 1 April 2004. Salary: R604 289. Car allowance: R151 072.

<sup>2</sup> Payable as from 1 April 2004. Salary: R514 537. Car allowance: R128 634.

## Economic classification

<b>Current payments</b>	<b>51 721</b>	<b>65 362</b>	<b>80 834</b>	<b>92 831</b>	<b>103 480</b>	<b>112 436</b>	<b>118 941</b>
Compensation of employees	22 626	27 087	36 038	42 833	53 416	59 100	62 457
Goods and services	29 030	38 200	44 422	49 998	50 064	53 336	56 484
of which:							
Consultants and contractors	7 631	9 593	8 434	12 968	13 681	14 502	15 227
Travel and subsistence	8 212	11 414	13 620	13 671	14 423	15 288	16 053
Communication	3 103	3 940	5 073	4 225	4 457	4 725	4 961
Inventory	3 468	3 668	4 183	2 757	2 909	3 083	3 237
Computer Services	2 170	4 547	1 923	7 650	4 357	4 619	4 850
Training and staff development	1 357	1 323	3 724	4 118	4 344	4 605	4 835
Financial transactions in assets and liabilities	65	75	374	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>359</b>	<b>572</b>	<b>1 052</b>	<b>1 949</b>	<b>1 313</b>	<b>1 384</b>	<b>1 453</b>
Provinces and municipalities	69	83	108	149	176	193	202
Public corporations and private enterprises	-	-	90	-	-	-	-
Non-profit institutions	-	11	22	-	-	-	-
Households	290	478	832	1 800	1 137	1 191	1 251
<b>Payments for capital assets</b>	<b>2 819</b>	<b>5 818</b>	<b>20 120</b>	<b>5 557</b>	<b>6 571</b>	<b>5 822</b>	<b>5 962</b>
Machinery and equipment	2 819	5 818	20 120	5 557	6 571	5 822	5 962
<b>Total</b>	<b>54 899</b>	<b>71 752</b>	<b>102 006</b>	<b>100 337</b>	<b>111 364</b>	<b>119 642</b>	<b>126 356</b>

## Details of transfers and subsidies:

<b>Public corporations and private enterprises</b>							
Private enterprises							
Other transfers							
Current	-	-	90	-	-	-	-
Lathi-Tha Investment Holdings	-	-	10	-	-	-	-
African Solar Technology	-	-	40	-	-	-	-
Facets of Africa	-	-	40	-	-	-	-
<b>Total public corporations and private enterprises</b>	<b>-</b>	<b>-</b>	<b>90</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-profit institutions</b>							
Current	-	11	22	-	-	-	-
DME Soccer and Netball Club	-	11	20	-	-	-	-
DME Choir	-	-	2	-	-	-	-
<b>Total non-profit institutions</b>	<b>-</b>	<b>11</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Programme 2: Promotion of Mine Safety and Health

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

The programme is divided into two subprogrammes:

- *Governance Policy and Oversight* deals with policy and legislative development
- *Mine Health and Safety Including Regions* is responsible for mine surveying and providing legal engineering expertise and inspection services from the regional offices

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

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Governance Policy and Oversight	26 339	33 413	36 665	42 723	45 741	50 636	54 200
Mine Health and Safety Including Regions	42 890	47 842	50 579	57 810	62 795	66 526	69 804
<b>Total</b>	<b>69 229</b>	<b>81 255</b>	<b>87 244</b>	<b>100 533</b>	<b>108 536</b>	<b>117 162</b>	<b>124 004</b>
Change to 2004 Budget estimate				900	168	411	1 415
<b>Economic classification</b>							
<b>Current payments</b>	<b>68 037</b>	<b>80 099</b>	<b>82 113</b>	<b>96 201</b>	<b>103 768</b>	<b>112 101</b>	<b>118 691</b>
Compensation of employees	49 944	55 435	64 287	70 539	81 553	88 186	93 394
Goods and services	18 093	24 664	17 826	25 662	22 215	23 915	25 297
<i>of which:</i>							
Consultants and contractors	5 210	9 449	6 743	6 037	5 420	5 745	6 032
Travel and subsistence	6 717	7 913	8 252	13 316	11 007	11 667	12 251
Communication	811	1 041	1 026	1 306	1 378	1 460	1 534
<b>Transfers and subsidies to:</b>	<b>504</b>	<b>183</b>	<b>4 419</b>	<b>3 992</b>	<b>4 396</b>	<b>4 667</b>	<b>4 900</b>
Provinces and municipalities	152	170	181	176	197	215	226
Departmental agencies and accounts	–	–	4 238	3 816	4 199	4 452	4 674
Households	352	13	–	–	–	–	–
<b>Payments for capital assets</b>	<b>688</b>	<b>973</b>	<b>712</b>	<b>340</b>	<b>372</b>	<b>394</b>	<b>413</b>
Machinery and equipment	688	973	712	340	372	394	413
<b>Total</b>	<b>69 229</b>	<b>81 255</b>	<b>87 244</b>	<b>100 533</b>	<b>108 536</b>	<b>117 162</b>	<b>124 004</b>
<b>Details of transfers and subsidies:</b>							
<b>Departmental agencies and accounts</b>							
<b>Current</b>	–	–	<b>4 238</b>	<b>3 816</b>	<b>4 199</b>	<b>4 452</b>	<b>4 674</b>
Mine Health and Safety Council	–	–	4 238	3 816	4 199	4 452	4 674
<b>Total departmental agencies and accounts</b>	<b>–</b>	<b>–</b>	<b>4 238</b>	<b>3 816</b>	<b>4 199</b>	<b>4 452</b>	<b>4 674</b>

### Expenditure trends

Expenditure has increased rapidly, rising from R69,2 million in 2001/02 to R100,5 million in 2004/05, an annual average increase of 13,2 per cent. Over the next three years, growth is expected to slow to an annual average rate of 7,2 per cent, taking expenditure to an expected R124 million in 2007/08. The bulk of this increase has gone towards compensation of employees.

## Service delivery objectives and indicators

### Recent outputs

The mining industry's safety performance improved in 2004. During 2004, a fatality rate of 0,56 deaths per thousand employees was recorded compared to 0,65 deaths per thousand employees in 2003. Regrettably, these rates correspond to 246 deaths in 2004 and 270 deaths in 2003. The reportable injury rates have also improved from 10,3 per thousand employees in 2003 to 9,6 in 2004. These rates correspond to 4 254 injuries in 2004 and 4 301 injuries in 2003. This reflects a 1,1 per cent decrease in the injury rate. Significant headway was made in completing inquiries into the following major mine accidents:

- Beatrix Gold Mine flammable gas explosion in May 2000
- Beatrix Gold Mine flammable gas explosion in May 2001.

In 2003/04, the Mine Health and Safety Inspectorate did 14 635 inspections to monitor mines with effective occupational health and safety management systems, and made plans to address concerns and hot spots. This represents 95 per cent of the planned inspections against a target of 80 per cent.

Statistical data show that noise-induced hearing loss is the most prevalent ailment in mining. As soon as the mining industry gives its commitment to reducing the prevalence of the phenomenon (anticipated to be during 2005/06) an audit will be performed to assess compliance with health and safety regulations.

By March 2004, 4 049 learnerships were enrolled for training in mining, against the Growth and Development Summit target of 7 430, set in June 2003. This is very close to the target of sector skills plan of 5 000 learners by 2005.

### Selected medium-term outputs targets

#### Promotion of Mine Safety and Health

<b>Measurable objective:</b> Reduce mining-related deaths, injuries and ill health through formulating national policy and legislation and providing advice and systems to monitor and audit compliance with safety and health standards by the mining sector.			
<b>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>Target 2008</b>
Governance Policy and Oversight	Issuing of licences to applicants for mining rights	Length of time for issuing rights to applicants for the right to mine	Within 2 weeks
	Promotional activities that improve the profile and image of the minerals sector	Mine Health and Safety Summit Mine Health and Safety Institute newsletters Safety awards programmes	September 2007 Monthly newsletter Annual safety awards
Mine Health and Safety Including Regions	Cleaner, healthier and safer sectors	Percentage decrease in occupational health and safety casualty rates Percentage of mines managing occupational health risks	Gold sector: 5% decrease per year Other: 2% decrease per year 70% of mines with active occupational health risk management plans by 2005/06

## Programme 3: Mineral Development

The aim of *Mineral Development* is to promote, transform and regulate the minerals resource industry, to achieve equitable and sustainable development.

There are four subprogrammes:

- *Management*



- *Mineral Resource Management* manages and controls mineral resource utilisation to contribute to the sustainable socio-economic development of the country in terms of the Mineral and Petroleum Resources Development Act (2002)
- *Mineral Policy and Investment* promotes the development of a competitive industry, a wider basket of mineral development opportunities and beneficiation
- *Mineral Development and Administration* implements legislation and mineral policies and monitors economic, social and environmental compliance.

Table 30.5: Mineral Development

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Management	3 080	3 908	6 506	5 563	7 160	7 554	7 923
Mineral Resource Management	25 782	26 765	41 118	83 278	94 157	106 574	111 902
Mineral Policy and Investment	17 382	23 330	30 753	33 344	41 050	45 576	48 449
Mineral Development and Administration	31 582	35 291	39 133	39 068	42 789	46 411	48 737
<b>Total</b>	<b>77 826</b>	<b>89 294</b>	<b>117 510</b>	<b>161 253</b>	<b>185 156</b>	<b>206 115</b>	<b>217 011</b>
Change to 2004 Budget estimate				1 445	1 026	3 116	3 862

## Economic classification

<b>Current payments</b>	<b>70 718</b>	<b>80 128</b>	<b>100 510</b>	<b>145 846</b>	<b>164 410</b>	<b>184 117</b>	<b>193 912</b>
Compensation of employees	38 061	44 702	58 344	64 568	72 814	79 837	84 335
Goods and services	32 657	35 426	42 166	81 278	91 596	104 280	109 577
<i>of which:</i>							
<i>Consultants and contractors</i>	21 824	20 895	27 132	63 284	74 015	77 855	81 748
<i>Travel and subsistence</i>	4 979	7 056	8 149	9 034	9 960	11 414	12 969
<i>Communication</i>	1 906	2 343	2 816	2 942	3 104	3 290	3 455
<b>Transfers and subsidies to:</b>	<b>6 288</b>	<b>8 633</b>	<b>16 270</b>	<b>15 407</b>	<b>20 746</b>	<b>21 998</b>	<b>23 099</b>
Provinces and municipalities	114	133	170	157	181	199	210
Departmental agencies and accounts	–	3 400	–	–	–	–	–
Public corporations and private enterprises	5 100	5 100	16 100	15 250	20 565	21 799	22 889
Non-profit institutions	40	–	–	–	–	–	–
Households	1 034	–	–	–	–	–	–
<b>Payments for capital assets</b>	<b>820</b>	<b>533</b>	<b>730</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Machinery and equipment	820	533	730	–	–	–	–
<b>Total</b>	<b>77 826</b>	<b>89 294</b>	<b>117 510</b>	<b>161 253</b>	<b>185 156</b>	<b>206 115</b>	<b>217 011</b>

## Details of transfers and subsidies:

<b>Departmental agencies and accounts</b>							
<b>Current</b>	–	<b>3 400</b>	–	–	–	–	–
SA Diamond Board	–	3 400	–	–	–	–	–
<b>Total departmental agencies and accounts</b>	–	<b>3 400</b>	–	–	–	–	–

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Subsidies on production</b>							
<b>Current</b>	5 100	4 100	15 100	15 250	20 565	21 799	22 889
Industrial Development Corporation of SA (Small Scale Mining)	5 100	4 100	15 100	15 250	20 565	21 799	22 889
<b>Private enterprises</b>							
<b>Subsidies on production</b>							
<b>Current</b>	-	1 000	1 000	-	-	-	-
Council for Mineral Technology Research (Mintek)	-	1 000	1 000	-	-	-	-
<b>Total public corporations and private enterprises</b>	<b>5 100</b>	<b>5 100</b>	<b>16 100</b>	<b>15 250</b>	<b>20 565</b>	<b>21 799</b>	<b>22 889</b>

### Expenditure trends

Expenditure increased rapidly over the last three years, rising from R77,8 million in 2001/02 to R161,3 million in 2004/05, an annual average increase of 27,5 per cent. The growth rate should slow over the next three years to 10,4 per cent, with expenditure reaching an expected R217,0 million in 2007/08.

Expenditure has increased partly because of the need for additional human resource capacity to implement the Mineral and Petroleum Resources Development Act (2002). Expenditure on goods and services is expected to rise from R32,7 million in 2001/02 to the estimated amount of R109,6 million in 2007/08, with the bulk of the increase going towards the employment of consultants and contractors.

Transfers and subsidies are expected to increase over the next three years. Almost all of these go to public corporations and private enterprises and will help enable the department to develop sustainable initiatives for poverty reduction and job-creation as part of its integrated sustainable rural development programme.

### Service delivery objectives and indicators

#### Recent outputs

##### *New legislation*

The Mineral and Petroleum Resources Development Act (2002) (MPRDA) was promulgated in May 2004, and regulations and guidelines were developed.

The Mining Titles Registration Amendment Act (designed to bring the registration regime in line with the MPRDA) was promulgated at the same time as the MPRDA. Phase 1 of the mineral resource management system (an electronic licence administration system that captures and records all applications when they are lodged) was completed and installed in the nine regional offices of the department.

*Other regulatory instruments*

The empowerment charter for the South African mining industry was developed and completed in October 2002. It is a statutory instrument to promote transformation in the minerals and petroleum industries. An outcome of this, although difficult to measure, is an increase in small scale black mining enterprises.

*The environment*

The department's responsibilities for environmental management are set out in schedule 2 of the National Environment Management Act (1998). This has been supplemented by section 46 of the MPRDA, which empowers the minister to remedy environmental damage. The department has begun identifying abandoned mines and cataloguing them all into a database, in order to assess and address the state's accumulated environmental liabilities. This process should be complete by 2006/07.

**Selected medium-term outputs targets****Mineral Development**

<b>Measurable objective:</b> Promote and regulate the South African minerals industry in order to achieve transformation by increasing the number of participants from the historically disadvantaged groups in mining.			
<b>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>Target (by 2008)</b>
Mineral Resource Management	Community upliftment programmes and portable skills	Number of projects implemented	Implementation according to findings and budget allocation
	Sound environmental management practices	Number of mines rehabilitated	41 mines rehabilitated
Mineral Policy and Investment	Increase in the number of new entrants	Number of exhibitions to attract people	13 exhibitions by 2008
		Publication and distribution of reports and directories	84 directories and reports
Mineral Development and Administration	A representative mining industry at all levels	Percentage of licences granted to disadvantaged South Africans	15% of licences granted on state-owned mining rights to disadvantaged South Africans (The state has mining rights and these will be transferred to disadvantaged individuals.)
		Number of inspections conducted by chief inspector of mines and orders issued	50% of planned inspections conducted
	Partnerships between small and major players	Number of new SMMEs	5 new SMMEs per year
	Sustainable SMMEs	Number of existing SMMEs	10 SMMEs by the end of 2005/06, annual increase of 5 in the next 2 years

**Programme 4: Hydrocarbons and Energy Planning**

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

The programme's activities are organised into three subprogrammes:

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

**Table 30.6: Hydrocarbons and Energy Planning**

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
Hydrocarbons and Energy Planning Management	1 757	1 806	2 471	3 597	3 697	3 926	4 121
Energy Planning	6 099	6 104	6 536	11 280	19 101	20 412	21 429
Hydrocarbons	6 654	6 299	7 284	10 994	11 542	12 239	12 851
<b>Total</b>	<b>14 510</b>	<b>14 209</b>	<b>16 291</b>	<b>25 871</b>	<b>34 340</b>	<b>36 577</b>	<b>38 401</b>
Change to 2004 Budget estimate				1 491	653	679	708
<b>Economic classification</b>							
<b>Current payments</b>	<b>14 320</b>	<b>14 004</b>	<b>16 065</b>	<b>25 838</b>	<b>34 301</b>	<b>36 536</b>	<b>38 360</b>
Compensation of employees	5 424	7 081	8 694	13 081	15 730	16 822	17 660
Goods and services	8 896	6 923	7 371	12 757	18 571	19 714	20 700
<i>of which:</i>							
Consultants and contractors	5 797	4 028	2 916	8 302	13 442	13 420	13 108
Travel and subsistence	1 997	1 336	2 092	3 209	3 814	4 900	6 129
<b>Transfers and subsidies to:</b>	<b>17</b>	<b>46</b>	<b>126</b>	<b>33</b>	<b>39</b>	<b>41</b>	<b>41</b>
Provinces and municipalities	17	21	126	33	39	41	41
Households	–	25	–	–	–	–	–
<b>Payments for capital assets</b>	<b>173</b>	<b>159</b>	<b>100</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Machinery and equipment	173	159	100	–	–	–	–
<b>Total</b>	<b>14 510</b>	<b>14 209</b>	<b>16 291</b>	<b>25 871</b>	<b>34 340</b>	<b>36 577</b>	<b>38 401</b>

### Expenditure trends

Expenditure is expected to increase significantly in 2005/06, rising from R25,9 million in 2004/05 to R34,3 million in 2005/06, and to then rise further to R38,4 million in 2007/08. Much of this increase is in goods and services, and in particular for the employment of consultants and contractors.

### Service delivery objectives and indicators

#### Recent outputs

During 2004, the Petroleum Products Amendment Act was passed.

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

The department performs annual empowerment audits to check progress with the liquid fuel industry empowerment charter. Considerable progress has been made in determining new liquid fuel specifications, for implementation in 2006 when lead will be removed from petrol.

Following the approval of the White Paper on Renewable Energy, in 2005/06 the department will have developed strategies and an action plan to guide its implementation during 2005/06.

## Selected medium-term output targets

### Hydrocarbons and Energy Planning

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

Subprogramme	Output	Measure/Indicator	Target
Hydrocarbons and Energy Planning Management	Promote efficiency strategies and plans through multilateral commitments	Number of international interactions and contributions (like NEPAD)	Number of multilateral agreements concluded
Energy Planning	Increased energy efficiency, and increased access to affordable modern energy for low income households	Number of integrated energy centres established	7 centres by end of 2005/6, and another 5 over the next 2 years (Total of 12 by 2007/08)
		Number of new connections to modern energy	937 500 connections by 2008
Hydrocarbons	Decreased coal fire emissions and improved health Decreased vehicle emissions and improved health conditions Deracialisation and gender equity in the petroleum sector Increased procurement by oil companies from BEE companies	Percentage decrease in air pollution in targeted areas Implement Euro standard liquid fuels Percentage compliance with the charter Percentage procurement by oil companies from BEE companies	10% reduction in air pollution 9% decrease in vehicle emissions by March 2008 30% compliance by March 2008 9% by March 2008

## Programme 5: Electricity and Nuclear

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

The programme comprises the following subprogrammes:

- *Electricity and Nuclear Management*
- *Electricity* develops, implements and monitors electricity policy and programmes in relation to the Integrated National Electrification Programme.
- *Nuclear* aims to improve governance of the nuclear sector with specific reference to nuclear safety, nuclear non-proliferation and nuclear technology.

**Table 30.7: Electricity and Nuclear**

Subprogramme	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome			2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05				
Electricity and Nuclear Management	1 768	1 806	2 472	3 556	4 218	4 476	4 700	
Electricity	43 759	13 741	27 285	35 289	35 185	37 290	39 154	
Nuclear	6 390	12 938	10 838	6 135	17 381	15 244	16 006	
<b>Total</b>	<b>51 917</b>	<b>28 485</b>	<b>40 595</b>	<b>44 980</b>	<b>56 784</b>	<b>57 010</b>	<b>59 860</b>	
Change to 2004 Budget estimate				(4 263)	2 759	(253)	(266)	

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
<b>Economic classification</b>							
<b>Current payments</b>	<b>13 732</b>	<b>23 231</b>	<b>25 759</b>	<b>44 942</b>	<b>56 741</b>	<b>56 964</b>	<b>59 813</b>
Compensation of employees	3 988	5 190	9 388	14 681	17 618	18 658	19 599
Goods and services	9 744	17 624	16 371	30 261	39 123	38 306	40 214
<i>of which:</i>							
Consultants and contractors	2 148	4 489	4 162	19 271	23 186	21 398	22 467
Travel and subsistence	1 380	1 501	2 324	6 797	7 600	8 913	10 342
Financial transactions in assets and liabilities	–	417	–	–	–	–	–
<b>Transfers and subsidies to:</b>	<b>38 013</b>	<b>5 060</b>	<b>14 384</b>	<b>38</b>	<b>43</b>	<b>46</b>	<b>47</b>
Provinces and municipalities	13	16	28	38	43	46	47
Public corporations and private enterprises	38 000	5 044	14 356	–	–	–	–
<b>Payments for capital assets</b>	<b>172</b>	<b>194</b>	<b>452</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Machinery and equipment	172	194	452	–	–	–	–
<b>Total</b>	<b>51 917</b>	<b>28 485</b>	<b>40 595</b>	<b>44 980</b>	<b>56 784</b>	<b>57 010</b>	<b>59 860</b>

**Details of transfers and subsidies:**

<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Subsidies on production</b>							
<b>Current</b>	<b>38 000</b>	<b>4 000</b>	<b>12 400</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Eskom	21 000	–	12 400	–	–	–	–
Development Bank of South Africa (DBSA)	17 000	4 000	–	–	–	–	–
<b>Private enterprises</b>							
<b>Other transfers</b>							
<b>Current</b>	<b>–</b>	<b>1 044</b>	<b>1 956</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
KwaZulu Energy Services	–	206	–	–	–	–	–
Nuon Rap Utility	–	444	–	–	–	–	–
Solar Vision	–	394	–	–	–	–	–
Eskom Enterprises (TSI Division) - EBSST	–	–	1 956	–	–	–	–
<b>Total public corporations and private enterprises</b>	<b>38 000</b>	<b>5 044</b>	<b>14 356</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

**Expenditure trends**

Expenditure over the last three years has shown no consistent trend, being driven by one-off transfers, including for electricity projects such as the Electricity Basic Services Support Tariff (EBSST) pilot projects, the Business Planning Unit, the EDI Holdings Company and free basic electricity projects. Expenditure is expected to increase significantly in 2005/06, and then more slowly in 2006/07 and 2007/08.

Part of the increase in the compensation of employees standard line is due to the BPU being moved from Eskom, where it was funded through transfers, to within the department.

The 2005 Budget set out an additional allocation of R3 million for 2005/06 for the implementation of the Radioactive Waste Management Policy and Strategy.

## Service delivery objectives and indicators

### Recent outputs

#### *Universal access to electricity*

Since April 2002, the *Electricity* subprogramme within *Electricity and Nuclear* has been responsible for planning, funding and monitoring the Integrated National Electrification Programme (INEP) in which Eskom and licensed municipalities have been taking over co-ordination of this programme from the Development Bank of South Africa and the National Electricity Regulator. This programme plays a pivotal role in the development of communities and improving quality of life. With the current levels of government funding for the electrification of households and schools, achieving universal access by 2010 is a challenge. A backlog of approximately 7 per cent was reported in the department's 2003/04 annual report. (Of the 228 606 households targeted, 212 875 households were electrified.) This is mainly due to limitations in government, which include the inability of municipalities to conclude funding agreements and service level agreements. Because the municipal infrastructure grant funding arrangement has been instituted, the funding function of the INEP will be transferred from the Department of Minerals and Energy by 2006/07 to the Department of Provincial and Local Government, where it will form part of the municipal infrastructure grant. This leaves the DME with the planning and monitoring responsibilities for INEP.

#### *Regional electricity distributors*

The EDI Holdings Company, established in 2003, has begun with its planning for creating six regional electricity distributors (REDs) and identifying critical success factors to ensure that they are financially viable. The first RED will be in Cape Town. In preparation, the City of Cape Town is currently undertaking an investigation into the provision of electricity services through an external mechanism in terms of Section 78(3) of the Municipal Systems Act. A report is scheduled to be presented to a Council meeting at the end of January 2005. Ethekewini municipality is expected to pass a council resolution for setting up another RED in January 2005. Recruitment of management for the Ethekewini RED should begin in February 2005, and the complete ring-fencing to prepare for setting up the other four REDs will be done by September 2005.

In December 2003, Cabinet approved a new power plant to be built by the private sector. This will be a peaking plant (meaning that it will only operate for short periods in order to meet the energy needs during peak demand). A feasibility study conducted by the department and an intergovernmental task team in 2004 indicated a need for two plants of 500MW each, to be located in Durban and Port Elizabeth. Both areas have grown and are demanding more power. The study indicated that another new plant will be needed by 2010 (approximately 3 000MW). The first energy from the two power plants is expected in 2008.

#### *Restructuring of the electricity supply industry*

Government decided that all state-owned enterprises will be strengthened to ensure that SADC and NEPAD objectives are met over the 2005 MTEF period. The electricity supply industry will therefore no longer be restructured and the multi-market model will not be implemented in the short term. However, 30 per cent of all new generation capacity required will come from independent power producers (IPPs). Eskom is expected to build 70 per cent of the power needs in the next 20 years with the balance being built by IPPs, which will finance, build, operate and maintain these power plants. Eskom will purchase power from the IPPs under a long-term power purchase agreement. The arrangement will give private enterprises opportunities to invest in new generation capacity to help Eskom generate sufficient capacity to meet the increased electricity demand.

*The nuclear sector*

The department has continued with drafting and implementing policies and regulations in line with its responsibility to ensure improved governance of the nuclear sector. During 2004, regulations have been published on public safety information, development around nuclear installations, and safety standards and regulatory practices.

Global developments have led to a review by the department and the nuclear industry in 2004 aimed at ensuring the improved security of nuclear material and installations. The prevailing international nuclear non-proliferation regime means that South Africa's monitoring and detection capabilities will have to be constantly improved to make sure that South African nuclear material and technology is not diverted from peaceful use.

The long-term management of radioactive waste continues to be a challenge. Structures need to be set up to support the radioactive waste management policy. This is expected to be completed by 2007/08.

**Selected medium-term output targets****Electricity and Nuclear**

<b>Measurable objective:</b> Ensure a well managed, efficient, safe and cost-effective electricity and nuclear industry through policy, legislation and regulations and achieve increased access to electricity and globally competitive electricity prices.			
<b>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>Target</b>
Electricity and Nuclear Management	Provide free basic electricity to beneficiaries	Percentage of qualifying beneficiaries with access to free basic electricity	100% by March 2008
Electricity	Poverty alleviation (social)	Extent of reduction in electricity connection backlogs	615 000 households, 3 000 schools and 150 clinics by 2008
	Internationally competitive prices	Policy document on electricity prices	80% complete by March 2008
	Regional Electricity Distributors (REDs)	Number of REDs established	6 REDs by March 2008
Nuclear	Disaster management plan	Develop a nuclear disaster management plan	By end 2005/06
	Radioactive waste policy and strategy	Structures for implementing the policy and strategy established	Completed by 2007/08
	Nuclear security	Revised design basis	Completed by 2005/06

**Programme 6: Associated Services**

Through its subprogrammes, *Associated Services* funds the following statutory bodies. The programme is responsible for all transfer payments to the public entities and the management of these funds.

- *Mineral Technology Research* contributes to the Council for Mineral Technology (Mintek)
- The South African Nuclear Energy Corporation (NECSA), which falls under the *Nuclear Energy* subprogramme, maintains, develops and utilises nuclear and related technology in terms of the Nuclear Energy Act (1999)
- The *National Nuclear Regulator* subprogramme provides for the protection of persons, property and the environment against nuclear damage in terms of the National Nuclear Regulator Act (1999)
- *Geoscience* provides for a contribution to the Council for Geoscience
- *The Electricity Distribution Industry Holdings Company* restructures the electricity distribution industry and invests in financially viable independent regional electricity distribution



companies. (*Associated Services* is also responsible for restructuring the electricity distribution industry)

- The *Integrated National Electrification Programme* aims to provide universal access to basic electricity services to households over time, and to electrify all schools and health clinics that are without electricity. Transfer payments are made to licensed electricity distributors (municipalities licensed as electricity distributors, as well as Eskom) for undertaking electrification projects
- *Assistance to Mines* assists marginal mines with the costs of pumping water which originates from defunct gold mines.

**Table 30.8: Associated Services**

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Council for Mineral Technology Research	76 872	76 410	82 439	88 632	108 880	118 664	124 569
NECSA Activities	129 054	139 863	140 233	148 647	157 566	167 020	175 371
NECSA Decommissioning Projects	16 191	19 536	19 550	20 500	21 730	23 034	24 185
NECSA Strategic Loans	35 011	265 548	1 407	10 754	–	–	–
NECSA Security	–	–	–	–	9 000	9 000	9 000
NECSA SAFARI Reactor Conversion	–	–	–	–	12 000	12 000	12 000
National Nuclear Regulator	7 002	7 282	7 610	8 067	5 417	5 742	6 029
Council for Geoscience	65 946	66 384	72 019	77 606	86 078	93 100	97 755
Electricity Distribution Industry Holdings Company	–	–	49 000	54 000	59 240	62 794	65 934
National Portion (Eskom)	600 000	739 513	795 549	742 829	783 469	–	–
Conditional Grants to Local Governments	–	224 763	245 091	250 733	258 000	–	–
Non-grid Electrification Service Providers	–	–	–	77 000	84 800	–	–
Assistance to Mines	34 939	28 914	20 349	33 401	35 225	37 339	39 206
<b>Total</b>	<b>965 015</b>	<b>1 568 213</b>	<b>1 433 247</b>	<b>1 512 169</b>	<b>1 621 405</b>	<b>528 693</b>	<b>554 049</b>
Change to 2004 Budget estimate				3 156	33 430	(885 781)	(931 149)
<b>Economic classification</b>							
<b>Transfers and subsidies to:</b>	<b>965 015</b>	<b>1 568 213</b>	<b>1 433 247</b>	<b>1 512 169</b>	<b>1 621 405</b>	<b>528 693</b>	<b>554 049</b>
Provinces and municipalities	–	224 763	245 091	250 733	258 000	–	–
Departmental agencies and accounts	72 948	102 580	128 629	139 673	150 735	161 636	169 718
Public corporations and private enterprises	892 067	1 240 870	1 059 527	1 121 763	1 212 670	367 057	384 331
<b>Total</b>	<b>965 015</b>	<b>1 568 213</b>	<b>1 433 247</b>	<b>1 512 169</b>	<b>1 621 405</b>	<b>528 693</b>	<b>554 049</b>
<b>Details of transfers and subsidies:</b>							
<b>Provinces and municipalities</b>							
<b>Municipalities</b>							
<b>Municipal bank accounts</b>							
<b>Current</b>	–	<b>224 763</b>	<b>245 091</b>	<b>250 733</b>	<b>258 000</b>	–	–
Integrated National Electrification Programme	–	224 763	245 091	250 733	258 000	–	–
<b>Total provinces and municipalities</b>	–	<b>224 763</b>	<b>245 091</b>	<b>250 733</b>	<b>258 000</b>	–	–

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
<b>Departmental agencies and accounts</b>							
<b>Current</b>	<b>64 848</b>	<b>94 080</b>	<b>119 849</b>	<b>126 424</b>	<b>140 222</b>	<b>150 856</b>	<b>158 399</b>
National Nuclear Regulator	6 502	6 782	7 110	7 567	4 887	5 180	5 439
Electricity Distribution Industry Holdings Company	–	–	49 000	49 988	58 518	62 393	65 513
Council for Geoscience	58 346	58 384	63 739	68 869	76 817	83 283	87 447
Council for Geoscience (Assistance to Mines)	–	28 914	–	–	–	–	–
<b>Capital</b>	<b>8 100</b>	<b>8 500</b>	<b>8 780</b>	<b>13 249</b>	<b>10 513</b>	<b>10 780</b>	<b>11 319</b>
National Nuclear Regulator	500	500	500	500	530	562	590
Council for Geoscience	7 600	8 000	8 280	8 737	9 261	9 817	10 308
Electricity Distribution Industry Holdings Company	–	–	–	4 012	722	401	421
<b>Total departmental agencies and accounts</b>	<b>72 948</b>	<b>102 580</b>	<b>128 629</b>	<b>139 673</b>	<b>150 735</b>	<b>161 636</b>	<b>169 718</b>
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Subsidies on production</b>							
<b>Current</b>	<b>167 248</b>	<b>179 463</b>	<b>159 040</b>	<b>163 205</b>	<b>193 247</b>	<b>203 582</b>	<b>212 711</b>
NECSA - Activities	125 717	129 313	139 583	143 497	152 107	161 233	169 295
NECSA - Decommissioning Projects	8 898	18 036	18 050	19 000	20 140	21 349	22 416
NECSA - Strategic Loans	32 633	32 114	1 407	708	–	–	–
NECSA - Security	–	–	–	–	9 000	9 000	9 000
NECSA - SAFARI Reactor Conversion	–	–	–	–	12 000	12 000	12 000
<b>Capital</b>	<b>613 008</b>	<b>984 997</b>	<b>797 699</b>	<b>759 525</b>	<b>790 518</b>	<b>7 472</b>	<b>7 845</b>
NECSA - Activities	3 337	10 550	650	5 150	5 459	5 787	6 076
NECSA - Decommissioning Projects	7 293	1 500	1 500	1 500	1 590	1 685	1 769
NECSA - Strategic Loans	2 378	233 434	–	10 046	–	–	–
ESKOM (National Electrification Programme)	600 000	739 513	795 549	742 829	783 469	–	–
<b>Private enterprises</b>							
<b>Subsidies on production</b>							
<b>Current</b>	<b>103 811</b>	<b>68 410</b>	<b>93 788</b>	<b>112 033</b>	<b>133 505</b>	<b>144 767</b>	<b>151 977</b>
Assistance to Mines	34 939	–	20 349	33 401	35 225	37 339	39 206
Council for Mineral Technology Research	68 872	68 410	73 439	78 632	98 280	107 428	112 771
<b>Capital</b>	<b>8 000</b>	<b>8 000</b>	<b>9 000</b>	<b>10 000</b>	<b>10 600</b>	<b>11 236</b>	<b>11 798</b>
Council for Mineral Technology Research	8 000	8 000	9 000	10 000	10 600	11 236	11 798
<b>Other transfers</b>							
<b>Capital</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>77 000</b>	<b>84 800</b>	<b>–</b>	<b>–</b>
Non-grid electrification service providers	–	–	–	77 000	84 800	–	–
<b>Total public corporations and private enterprises</b>	<b>892 067</b>	<b>1 240 870</b>	<b>1 059 527</b>	<b>1 121 763</b>	<b>1 212 670</b>	<b>367 057</b>	<b>384 331</b>

## Expenditure trends

This programme comprises all the public entities and other institutions for which the department provides transfers and subsidies.

Following the movement of the Integrated National Electrification Programme (INEP) to the department from Eskom, expenditure on *Associated Services* jumped from R965 million in

2001/02 to R1,6 billion in 2002/03. The transfer of the same programme to the Department of Provincial and Local Government to form part of the municipal infrastructure grant (MIG) is the cause of the steep reduction in expenditure to R528,7 million in 2006/07.

Transfers to the Council for Mineral Technology, the Council for Geoscience and the Electricity Distribution Industry Holdings Company are expected to increase steadily over the next three years.

Transfers to NECSA are expected to increase, and in the 2005 Budget NECSA received additional funding of R21 million for each of the next three years for security at the Pelindaba site (R9 million) and the SAFARI Reactor fuel conversion programme (R12 million).

## **Public entities reporting to the Minister**

### **The National Electricity Regulator**

The role of the National Electricity Regulator (NER), established in accordance with the Electricity Act (1987) as amended, is to regulate the electricity industry to meet the requirements of existing and future customers. Its key functions are to approve the prices at which electricity is sold, and to set standards for the quality of supply and service, and monitor these. It has licensed all generators, transmitters and distributors of electricity in South Africa and approves their electricity prices on an annual basis, and arbitrates in a range of disputes between licensees and their customers.

The NER approves electricity price increases applied for by Eskom and the municipalities and conducts compliance monitoring inspections at randomly selected suppliers as well as continuing to implement customer education and community outreach programmes. The regulator has also been involved in developing the independent power producer (IPP) policy and licensing framework to include renewable energy IPPs.

Going forward, the regulator will be developing, together with the department, a strategy to make sure that new power generation investments are made in order to meet the growing demand. One of its challenges is to continue improving regulatory functions to ensure certainty of prices. This will require modifying the current regulatory framework to make it possible to approve electricity tariffs for a longer time horizon rather than annually, as is the current practice. In accepting the broader regulatory functions of gas and petroleum pipelines, the regulator has started with the preliminary work before the establishment of the new regulator in 2005/06 – the National Energy Regulator.

The regulator is currently funded through a levy approved by the Minister of Minerals and Energy on electricity generators. Inevitably, this levy is then passed on to all electricity consumers. The levies are adjusted each year to ensure that the NER is fully funded.

The revenue of the NER increases from R67,9 million in 2004/05 to R90,3 million in 2007/08, representing an average annual increase of 10,0 per cent mainly attributable to the additional regulatory functions for the gas and petroleum pipelines portfolios. The one-off R4,6 million transfer to the NER in 2004/05 was made to accommodate costs associated with setting up the new energy regulator. The increasing trend in goods and services expenditure from 2002/03 to 2003/04 is due to the increase in staff numbers and employing consulting services to fulfil the NER's mandate and to provide support in the restructuring of the industry.

**Table 30.9: Financial summary for the National Electricity Regulator**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2004/05	2005/06	2006/07
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
<b>INCOME STATEMENT SUMMARY</b>							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>31 146</b>	<b>53 370</b>	<b>64 896</b>	<b>63 256</b>	<b>74 530</b>	<b>82 107</b>	<b>90 286</b>
Interest	763	1 373	1 259	1 000	1 500	1 210	1 220
Other non-tax revenue	30 383	51 997	63 637	62 256	73 030	80 897	89 066
<b>Transfers received</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 600</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total revenue</b>	<b>31 146</b>	<b>53 370</b>	<b>64 896</b>	<b>67 856</b>	<b>74 530</b>	<b>82 107</b>	<b>90 286</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>32 319</b>	<b>39 750</b>	<b>52 901</b>	<b>64 083</b>	<b>70 413</b>	<b>80 208</b>	<b>87 485</b>
Compensation of employees	13 261	16 687	25 433	31 139	36 062	40 198	45 227
Goods and services	17 814	20 445	24 644	29 995	31 000	35 788	37 555
Depreciation	542	1 216	2 683	2 949	3 351	4 222	4 703
Interest	702	1 402	141	-	-	-	-
<b>Total expenses</b>	<b>32 319</b>	<b>39 750</b>	<b>52 901</b>	<b>64 083</b>	<b>70 413</b>	<b>80 208</b>	<b>87 485</b>
<b>Surplus / (Deficit)</b>	<b>(1 173)</b>	<b>13 620</b>	<b>11 995</b>	<b>3 773</b>	<b>4 117</b>	<b>1 899</b>	<b>2 801</b>

*Data provided by the National Electricity Regulator*

### The South African Nuclear Energy Corporation

The vision of the South African Nuclear Energy Corporation (Pty) Ltd (NECSA) is to pursue excellence in nuclear technology for sustained social and economic development. Government policy and legislation provide the framework within which NECSA operates. The Nuclear Energy Act (1999) mandates NECSA to develop and use nuclear technology as part of the national system of innovation, and to serve the state's nuclear institutional obligations.

Nuclear technology products form the basis for all commercial nuclear activities such as the sale of radioisotope products and radiation services. NECSA's main units include:

- Nuclear Technology - responsible for maintaining, developing, and applying nuclear and radiation science and technology
- Nuclear Services - responsible for nuclear institutional and related obligations in terms of the Nuclear Energy Act (1999)
- Facilities Management - responsible for the management and physical protection of the Pelindaba site
- Nuclear Technology Products - a commercial global supplier of radiopharmaceuticals, radiochemicals, radioactive sources, irradiation services and radiation technology products
- High Technology Products - responsible for the commercial exploitation of non-nuclear products and services, including fluorine-based chemical products and services; and manufacturing and providing specialised engineering products, systems and services.

The corporation was restructured during 2003/04 and reduced its management units from seven to six along nuclear and non-nuclear as well as commercial and non-commercial activities. Technical specialists of the corporation also assisted other countries and organisations with specific

applications of nuclear technology, which included increased industrial isotope applications and expanded international use of a reactor monitoring system.

As part of the corporation's growth strategy, it will implement a programme for converting its SAFARI-1 reactor to use low enriched uranium. Furthermore, NECSA researchers are developing specialised projects that will facilitate the development of nuclear fuel for the Pebble Bed Modular Reactor (PBMR) to meet future power demands. The commercial entities intend to expand production facilities to become more commercially viable through focused business planning and implementation.

Revenue is expected to increase from R474,2 million in 2004/05 to R560,7 million in 2007/08, representing an annual average increase of 5,7 per cent. Additional amounts of R21 million, included in the transfers received amount, for each of the MTEF years, were allocated for the SAFARI-1 conversion project and the security upgrade of NECSA. The non-tax revenue consists of the sale of radioisotope products and radiation services.

The slow growth in compensation of employees is in line with the corporation's growth strategy of attracting suitably skilled people into technical jobs. The increase in long-term investments is due to the provision the corporation has to make for post-retirement medical benefits, decontamination and waste disposal and the after-reactor management cycle. The receivables increase of the corporation is due to increased trade and consequently an increase in trade receivables.

**Table 30.10: Financial summary for the Nuclear Energy Corporation of South Africa (NECSA)**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
<b>INCOME STATEMENT SUMMARY</b>							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>317 687</b>	<b>704 980</b>	<b>399 645</b>	<b>294 294</b>	<b>323 818</b>	<b>335 789</b>	<b>340 178</b>
Sales	308 569	409 313	360 186	278 165	303 167	315 138	319 527
Interest	9 118	25 800	8 378	16 129	20 651	20 651	20 651
Other non-tax revenue	–	269 867	31 081	–	–	–	–
<b>Transfers received</b>	<b>180 256</b>	<b>191 513</b>	<b>160 017</b>	<b>179 901</b>	<b>200 296</b>	<b>211 054</b>	<b>220 557</b>
<b>Sale of capital assets</b>	<b>2 449</b>	<b>1 231</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total revenue</b>	<b>500 392</b>	<b>897 724</b>	<b>559 662</b>	<b>474 195</b>	<b>524 114</b>	<b>546 843</b>	<b>560 735</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>511 551</b>	<b>655 732</b>	<b>611 015</b>	<b>535 494</b>	<b>553 923</b>	<b>590 442</b>	<b>598 107</b>
Compensation of employees	221 338	271 533	288 227	296 582	324 940	329 821	340 930
Goods and services	229 894	335 814	285 001	206 072	209 187	241 231	239 619
Depreciation	27 816	28 678	34 351	32 132	18 756	18 350	16 518
Interest	32 503	19 707	3 436	708	1 040	1 040	1 040
<b>Total expenses</b>	<b>511 551</b>	<b>655 732</b>	<b>611 015</b>	<b>535 494</b>	<b>553 923</b>	<b>590 442</b>	<b>598 107</b>
<b>Surplus / (Deficit)</b>	<b>(11 159)</b>	<b>241 992</b>	<b>(51 353)</b>	<b>(61 299)</b>	<b>(29 809)</b>	<b>(43 599)</b>	<b>(37 372)</b>

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2005/06	2006/07	2007/08
R thousand	2001/02	2002/03	2003/04	2004/05			
<b>BALANCE SHEET SUMMARY</b>							
Carrying value of assets	188 961	197 944	182 289	142 145	137 336	126 240	115 713
<i>of which: Acquisition of assets</i>	17 994	8 136	31 656	8 024	13 647	6 918	5 655
Long-term investments	57 507	26 118	32 618	261 475	272 651	218 680	167 537
Inventory	50 487	54 098	55 445	47 642	46 405	46 638	45 933
Receivables and prepayments	72 136	87 945	75 592	61 234	65 586	67 327	66 692
Cash and cash equivalents	18 800	71 679	32 109	55 295	21 000	42 000	63 000
<b>Total assets</b>	<b>387 891</b>	<b>437 784</b>	<b>378 053</b>	<b>567 791</b>	<b>542 978</b>	<b>500 885</b>	<b>458 875</b>
Capital and reserves	(2 926)	231 398	(78 247)	120 654	90 845	47 246	9 874
Borrowings	243 428	11 143	13 247	26 247	26 247	26 247	26 247
Post retirement benefits	24 009	34 867	283 508	289 503	289 503	289 503	289 503
Trade and other payables	86 089	137 523	134 064	82 194	86 458	87 915	88 892
Provisions	37 291	22 853	25 481	49 193	49 925	49 974	44 359
<b>Total equity and liabilities</b>	<b>387 891</b>	<b>437 784</b>	<b>378 053</b>	<b>567 791</b>	<b>542 978</b>	<b>500 885</b>	<b>458 875</b>

Data provided by the Nuclear Energy Corporation of South Africa.

## Mineral Technology Research

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

Mintek played a major role in establishing South Africa's uranium and ferrochromium industries and in developing technology for recovering platinum-group metals from the UG2 reef in the Bushveld complex. More recent technological developments have included bioleaching techniques for gold and base metals, DC Arc smelting for ilmenite, magnesium metal and ferronickel production, and unique software and hardware for metallurgical process control.

South Africa's leading gold producers are undertaking a major collaborative venture to explore new industrial uses for gold, and studies are in progress for several large 'national interest' projects based on minerals beneficiation. Mintek also played a significant role in setting up the African Mining Partnership.

Mintek will focus on its marketing activities by consolidating on successes in the overseas markets over the medium term. The council intends improving and commercialising its existing technology in the gold industry while increasing cost-effectiveness of metal production by innovative process design of platinum producers.

Mintek's unique control systems for the control of floatation, milling and furnaces are already installed at more than 100 industrial plants worldwide and active research is under way to extend control to other metallurgical operations such as leaching and thickening. Copper heap bioleaching technology is currently being piloted on site in Iran and if successful, this technology could lead to a step change in the processing of low grade copper sulphide ores. Mintek plans to start leveraging off the knowledge gained from its research into new uses of gold and to expand this into other metals like platinum as well as into broader nano-based technologies.

The council's main source of income is derived from commercial activities (sales of its deep-mining research, technology developments and patents, and the royalties it receives on existing research) expanded laboratory facilities and increases in client charges. Government's contribution to Mintek over the MTEF period will increase from R88,6 million in 2004/05 to R124,6 million in 2007/08 an annual average growth rate of 12,0 per cent.

**Table 30.11: Financial summary for the Council for Mineral Technology (MINTEK)**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
<b>INCOME STATEMENT SUMMARY</b>							
<b>Revenue</b>							
<b>Tax revenue</b>							
<b>Non-tax revenue</b>	<b>87 621</b>	<b>127 738</b>	<b>131 630</b>	<b>168 000</b>	<b>183 000</b>	<b>197 480</b>	<b>213 118</b>
Sale of goods and services other than capital assets	65 376	103 301	107 854	145 000	162 000	174 960	188 957
Other non-tax revenue	22 245	16 978	23 776	23 000	21 000	22 520	24 161
<b>Transfers received</b>	<b>108 211</b>	<b>87 681</b>	<b>96 545</b>	<b>88 632</b>	<b>108 880</b>	<b>118 664</b>	<b>124 569</b>
<b>Total revenue</b>	<b>195 832</b>	<b>207 960</b>	<b>228 175</b>	<b>256 632</b>	<b>291 880</b>	<b>316 144</b>	<b>337 687</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>174 779</b>	<b>214 129</b>	<b>220 179</b>	<b>241 932</b>	<b>276 648</b>	<b>297 923</b>	<b>320 307</b>
Compensation of employees	100 830	121 407	129 719	137 317	148 602	160 500	173 331
Goods and services	60 617	79 427	81 203	91 615	112 846	122 223	131 776
Depreciation	7 176	7 494	8 206	10 000	12 000	12 000	12 000
Interest and dividends	6 156	5 801	1 051	3 000	3 200	3 200	3 200
<b>Total expenses</b>	<b>174 779</b>	<b>214 129</b>	<b>220 179</b>	<b>241 932</b>	<b>276 648</b>	<b>297 923</b>	<b>320 307</b>
<b>Surplus / (Deficit)</b>	<b>21 053</b>	<b>(6 169)</b>	<b>7 996</b>	<b>14 700</b>	<b>15 232</b>	<b>18 221</b>	<b>17 380</b>

*Data provided by the Council for Mineral Technology*

### The National Nuclear Regulator

The purpose of the National Nuclear Regulator, established in accordance with the National Nuclear Regulator Act (1999), is to provide for the protection of persons, property and the environment against nuclear damage, through the establishment of safety standards and regulatory practices.

The regulator exercises safety regulatory control over the entire life cycle of nuclear installations and vessels propelled by or containing radioactive material. The regulator also fulfils national obligations related to international instruments concerning nuclear safety and ensures that provisions for nuclear emergency planning are in place.

The regulator will receive R5,4 million, R5,7 million and R6,0 million over the MTEF period to carry out its mandate.

### Council for Geoscience

The Council for Geoscience (CGS), established in accordance with the Geoscience Act (1993) is responsible for:

- systematic geoscientific mapping of South Africa, and interpreting and compiling data, maps and map explanations
- geological research to improve the understanding of geological processes

- collecting and compiling all geoscience data for South Africa in the National Geoscience Archives
- maintaining the National Borehole Core depository, the National Geoscience Library, the National Geoscience Museum and National Seismic Network
- providing geoscience knowledge services to the Department of Minerals and Energy and the private sector.

The work at the CGS has culminated in a number of scientific highlights of national and regional importance over the past two years. Some of the more significant outputs were the publication of the new 1:5,000,000-scale metallogenic map of Africa and the Minerals Handbook of Mozambique. Both these publications will contribute significantly to developing mineral resources on the African continent.

The CGS continued with its standard mapping programmes which provide state of the art geoscience knowledge to the public of South Africa, through the publication of 14 maps, 16 map explanations, 160 reports, four memoirs and five bulletins during the past two years. Twenty-one airborne high-density geophysical surveys were also completed.

The CGS will, during the next two years, continue with this basic mapping and is committed, through its three-year strategic plan, to producing at least 25 publications and 15 maps per year for the following two years.

In addition to its normal statutory programme, the CGS, in partnership with the department, will continue with a programme aimed at identifying mineral development opportunities in the poorer areas of South Africa.

The CGS will continue to partner with other geoscientists in South Africa to investigate and find solutions for the ingress of water into the goldmines of the Witwatersrand Basin. This will also entail the closure of surface openings into abandoned mining cavities and the solving of water pollution associated with the past mining activities.

The CGS will initiate projects over the next three years that will attract investment into South Africa's exploration sector. Some of the important projects will include assessing resources of selected commodities and internationally promoting South Africa's mineral potential largely through exhibitions.

Additional investigations by the CGS to provide information on a mineral occurrence at a higher level, will enable small scale mining initiatives to develop such resources.

The council will receive transfers of R86,1 million, R93,1 million and R97,8 over the MTEF period. The allocation represents an average annual increase of 8,0 per cent.



Table 30.12: Financial summary for the Council for Geoscience (CGS)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited				
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
<b>INCOME STATEMENT SUMMARY</b>							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>31 812</b>	<b>41 306</b>	<b>35 597</b>	<b>37 500</b>	<b>34 000</b>	<b>39 000</b>	<b>42 000</b>
Sale of goods and services other than capital assets	23 718	29 783	25 411	26 000	25 000	27 500	30 000
Interest	8 094	11 523	10 186	11 500	9 000	11 500	12 000
<b>Transfers received</b>	<b>65 946</b>	<b>76 384</b>	<b>72 019</b>	<b>77 606</b>	<b>86 078</b>	<b>93 099</b>	<b>97 754</b>
<b>Sale of capital assets</b>	<b>139</b>	<b>381</b>	<b>76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total revenue</b>	<b>97 897</b>	<b>118 071</b>	<b>107 692</b>	<b>115 106</b>	<b>120 078</b>	<b>132 099</b>	<b>139 754</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>72 506</b>	<b>91 471</b>	<b>90 753</b>	<b>97 834</b>	<b>105 054</b>	<b>115 991</b>	<b>123 464</b>
Compensation of employees	36 291	41 785	48 415	58 386	61 776	65 482	69 411
Goods and services	32 285	45 559	36 398	33 160	38 800	45 828	48 380
Depreciation	3 592	3 676	5 621	6 000	6 500	7 300	7 700
Interest and rent on land	338	451	319	288	276	-	-
<b>Transfers and subsidies</b>	<b>8 429</b>	<b>7 568</b>	<b>8 473</b>	<b>12 016</b>	<b>12 726</b>	<b>13 489</b>	<b>14 263</b>
<b>Total expenses</b>	<b>80 935</b>	<b>99 039</b>	<b>99 226</b>	<b>109 850</b>	<b>120 078</b>	<b>132 099</b>	<b>139 754</b>
<b>Surplus / (Deficit)</b>	<b>16 962</b>	<b>19 032</b>	<b>8 466</b>	<b>5 256</b>	<b>-</b>	<b>-</b>	<b>-</b>

Data provided by the Council for Geoscience

## The Central Energy Fund

The Central Energy Fund (Pty) Ltd (CEF), registered in 1976 and is mandated by the Central Energy Fund Act (1977) to engage in the acquisition, exploration, generation, marketing and distribution of any energy form, and to engage in research relating to the energy sector.

The CEF's mission is to actively pursue economically viable opportunities in oil, gas, coal and renewable energy resources, and to provide access to sustainable and affordable energy by being the leading commercially viable energy development company in Africa.

The fund's activities are housed in five active subsidiaries – PetroSA, Petroleum Agency SA, iGAS, the Strategic Fuel Fund Association and Oil Pollution Control South Africa.

The CEF Group and Central Energy Fund are two separate legal entities. The activities of the CEF Group are funded out of reserves, debt funding and dividends from its subsidiaries. The Central Energy Fund can impose a levy on fuel manufactured, distributed or sold for the benefit of the Equalisation Fund controlled by the CEF group.

## PetroSA

The Petroleum Oil and Gas Corporation of South Africa (Pty) Ltd (PetroSA) was established in July 2000 following the merger of Mossgas (Pty) Limited, Soekor (Pty) Limited and some parts of the Strategic Fuel Fund (SFF). PetroSA is a wholly owned subsidiary of CEF (PTY)Ltd. PetroSA owns, operates and manages the South African government's commercial assets in the petroleum industry.

PetroSA's core business is:

- exploring and producing crude oil and natural gas off the south-eastern and west coast of South Africa, and participating in and acquiring international upstream petroleum ventures
- manufacturing and marketing synthetic fuels produced from the offshore gas at the gas-to-liquids plant at Mossel Bay to the local market, and high value chemicals internationally
- managing strategic crude oil stock and crude oil storage facilities on behalf of government.

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

The Mine Health and Safety Council's mandate is to:

- advise the Minister on health and safety at mines, including, but not limited to, any legislation on mine rehabilitation that concerns health and safety
- co-ordinate the activities of its committees, receive reports from the committees, and liaise with the Mining Qualifications Authority on matters relating to health and safety
- liaise with other statutory bodies concerned with matters relating to health and safety
- promote a culture of health and safety in the mining industry
- at least once every two years arrange and co-ordinate a tripartite summit between government, the mining industry and trade unions to review the state of health and safety at mines
- annually consider an overall programme for relevant health and safety research for approval as prescribed and deliver a copy to the Minister of Finance for consideration
- perform every duty imposed on the council in terms of the Mine Health and Safety Act (1996).

The council has developed a revised regulatory framework. These include regulations on coal dust, silica dust and asbestos, linking competencies developed for the fall of ground regulations, fires and explosions and underground transport equipment.

The council is funded by both transfers from government and levies, determined according to regulations and issued in terms of the Mine Health and Safety Act (1996), imposed on the mining industry.

### **Electricity Distribution Industry Holdings**

The main business of EDI Holdings (Pty) Ltd is to:

- restructure the electricity distribution industry and invest in financially viable independent regional electricity distributors (REDs)
- plan, control and manage the process of establishing and implementing financially viable REDs in South Africa in a structured and phased way, in accordance with the applicable legislation and the co-operative agreement to be entered into between the Department of Minerals and Energy, local government and distributors.

The company is financed by government to achieve the above objectives and receives a total of R188 million over the medium term. The funds transferred to the company are used to manage the electricity restructuring process. The role and legislative mandate of the company will be refined through the EDI Restructuring Bill, currently being redrafted by the department.

The EDI Holdings Company was established during March 2003 and became operational in April 2003. It plans to establish the first RED, which will take over electricity distribution from

Eskom and municipalities, during June 2005 in the metropolitan area of Cape Town. The remainder of the REDs are to be established from June 2005 to January 2007.

### **South African Diamond Board**

The South African Diamond Board was established in terms of the Diamonds Act (1986) to regulate the diamond industry. It derives its main income from levies raised on exporting and importing diamonds and does not receive transfers from government.

The main regulatory functions of the board are to:

- issue licences to qualifying South Africans who aspire to be future diamond dealers, cutters and polishers
- regulate the establishments of the diamond exchange centres in South Africa
- evaluate all rough diamonds destined for export through the government diamond valuator
- keep records of the total diamond production in the Republic of South Africa.

The increasing trend of beneficiation of diamonds in South Africa led to the board approving 281 licences for diamond dealers, cutters, producers, toolmakers and researchers during 2003/04. The board was also instrumental in launching the Kimberley Process Certification Scheme for the requirements of trade in rough diamonds.

## **Annexure**

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

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

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

Table 30.C: Summary of expenditure on training per programme

Table 30.D: Summary of information and communications technology expenditure per programme

Table 30.E: Summary of conditional grants and indirect grants to provinces and local government

Table 30.F: Summary of official development assistance expenditure

Table 30.G: Summary of expenditure on infrastructure

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

Programme	Appropriation		Preliminary outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2003/04			2004/05			
1. Administration	91 785	109 395	102 006	92 417	7 920	100 337	100 337
2. Promotion of Mine Safety and Health	92 085	90 705	87 244	99 633	900	100 533	100 533
3. Mineral Development	114 883	122 828	117 510	159 808	1 445	161 253	161 253
4. Hydrocarbons and Energy Planning	19 672	20 749	16 291	24 380	1 491	25 871	25 871
5. Electricity and Nuclear	24 031	42 253	40 595	49 243	(4 263)	44 980	44 980
6. Associated Services	1 465 358	1 439 153	1 433 247	1 509 013	3 156	1 512 169	1 399 931
<b>Total</b>	<b>1 807 814</b>	<b>1 825 083</b>	<b>1 796 893</b>	<b>1 934 494</b>	<b>10 649</b>	<b>1 945 143</b>	<b>1 832 905</b>
<b>Economic classification</b>							
<b>Current payments</b>	<b>308 332</b>	<b>328 915</b>	<b>305 281</b>	<b>398 690</b>	<b>6 968</b>	<b>405 658</b>	<b>405 658</b>
Compensation of employees	176 640	181 520	176 751	203 129	9 573	205 702	205 702
Goods and services	131 692	147 395	128 156	195 561	4 395	199 956	199 956
Financial transactions in assets and liabilities	–	–	374	–	–	–	–
<b>Transfers and subsidies</b>	<b>1 482 351</b>	<b>1 475 344</b>	<b>1 469 498</b>	<b>1 530 414</b>	<b>3 174</b>	<b>1 533 588</b>	<b>1 421 350</b>
Municipalities	240 493	248 739	245 704	248 112	3 174	251 286	139 048
Departmental agencies and accounts	211 068	215 306	132 867	143 489	–	143 489	143 489
Public corporations	998 290	986 799	984 239	937 980	–	937 980	937 980
Private enterprises	31 100	23 100	105 834	199 033	–	199 033	199 033
Non-profit institutions	–	–	22	–	–	–	–
Households	1 400	1 400	832	1 800	–	1 800	1 800
<b>Payments for capital assets</b>	<b>17 131</b>	<b>20 824</b>	<b>22 114</b>	<b>5 390</b>	<b>507</b>	<b>5 897</b>	<b>5 897</b>
Machinery and equipment	17 131	20 824	22 114	5 390	507	5 897	5 897
<i>Transport equipment</i>	210	610	354	222	425	647	647
<i>Other machinery and equipment</i>	16 921	20 214	21 760	5 168	82	5 250	5 250
<b>Total</b>	<b>1 807 814</b>	<b>1 825 083</b>	<b>1 796 893</b>	<b>1 934 494</b>	<b>10 649</b>	<b>1 945 143</b>	<b>1 832 905</b>

**Table 30.B: Summary of personnel numbers and compensation of employees per programme<sup>1</sup>**

Programme	2001/02	2002/03	2003/04	2004/05	2005/06
1. Administration	187	239	254	278	318
2. Promotion of Mine Safety and Health	281	302	285	292	300
3. Mineral Development	343	324	457	459	469
4. Hydrocarbons and Energy Planning	28	35	43	54	63
5. Electricity and Nuclear	40	51	62	69	74
<b>Total</b>	<b>879</b>	<b>951</b>	<b>1 101</b>	<b>1 152</b>	<b>1 224</b>
Total personnel cost (R thousand)	120 043	139 495	176 751	205 702	241 131
Unit cost (R thousand)	137	147	161	179	197

<sup>1</sup> Budgeted full-time equivalent

**Table 30.C: Summary of expenditure on training per programme**

R thousand	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	2004/05		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04					
1. Administration	1 357	1 323	3 724	4 118	4 344	4 605	4 835	
2. Promotion of Mine Safety and Health	1 248	1 081	221	276	291	309	324	
3. Mineral Development	572	457	256	548	578	613	643	
4. Hydrocarbons and Energy Planning	163	39	51	106	112	119	124	
5. Electricity and Nuclear	150	188	34	125	132	140	147	
<b>Total</b>	<b>3 490</b>	<b>3 088</b>	<b>4 286</b>	<b>5 173</b>	<b>5 457</b>	<b>5 786</b>	<b>6 073</b>	

**Table 30.D: Summary of information and communications technology expenditure per programme**

R thousand	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	2004/05		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04					
<b>1. Administration</b>	<b>4 927</b>	<b>9 408</b>	<b>20 295</b>	<b>10 436</b>	<b>11 963</b>	<b>12 066</b>	<b>12 582</b>	
Technology	2 248	2 710	13 520	3 288	4 388	4 036	4 150	
IT services	2 679	6 698	6 775	7 148	7 575	8 030	8 432	
<b>2. Promotion of Mine Safety and Health</b>	<b>446</b>	<b>–</b>	<b>152</b>	<b>55</b>	<b>58</b>	<b>65</b>	<b>68</b>	
Technology	446	–	152	55	58	65	68	
<b>3. Mineral Development</b>	<b>491</b>	<b>–</b>	<b>266</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	
Technology	491	–	266	–	–	–	–	
<b>4. Hydrocarbons and Energy Planning</b>	<b>119</b>	<b>–</b>	<b>123</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	
Technology	119	–	123	–	–	–	–	
<b>5. Electricity and Nuclear</b>	<b>119</b>	<b>–</b>	<b>124</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	
Technology	119	–	124	–	–	–	–	
<b>Total</b>	<b>6 102</b>	<b>9 408</b>	<b>20 960</b>	<b>10 491</b>	<b>12 021</b>	<b>12 131</b>	<b>12 580</b>	

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

R thousand	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	2004/05		2005/06	2006/07	2007/08
	2001/02	2002/03	2003/04					
<b>Conditional grants to provinces</b>								
<b>6. Associated Services</b>								
<b>    National Electrification Programme</b>								
Electrification of households, schools and clinics	–	224 763	245 091	250 733	258 000	–	–	
<b>Total</b>	<b>–</b>	<b>224 763</b>	<b>245 091</b>	<b>250 733</b>	<b>258 000</b>	<b>–</b>	<b>–</b>	

<sup>1</sup> Detail provided in the Division of Revenue Act (2005).

Table 30.F: Summary of official development assistance expenditure

Donor R thousand	Project	Cash/ kind	Outcome				Medium-term expenditure estimate		
			2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
<b>Foreign</b>									
Danish Corporation for Environmental Canada	Capacity building for local government on rural electrification	Kind	3 000	–	–	–	–	–	–
United Kingdom	Kgabane pilot project	Cash	1	–	–	–	–	–	–
European Union	Kgabane pilot project	Cash	14	–	–	–	–	–	–
European Union	Non-Grid electrification of rural schools	Cash	12 986	678	–	438	–	–	–
Norway	Electricity Capacity Building Programme	Cash	4 943	2 775	2 528	2 672	–	–	–
Norway	Co-operation between Department of Minerals and Energy	Cash	741	–	–	–	–	–	–
Norway	Petroleum sector Policy , Research and Capacity	Cash	4 762	11 615	–	–	–	–	–
Denmark	Danish consultants - capacity building in energy efficiency	Cash	285	–	–	–	–	–	–
Norway	SADC Regional electricity support	Cash	–	–	203	–	–	–	–
Germany	Decentralised rural electrification project	Kind	–	–	1 257	–	–	–	–
The Netherlands	Electrification of schools	Cash	–	675	–	10 867	–	–	–
<b>Total</b>			<b>26 732</b>	<b>15 743</b>	<b>3 988</b>	<b>13 977</b>	<b>–</b>	<b>–</b>	<b>–</b>

Table 30.G: Summary of expenditure on infrastructure

Projects R thousand	Description	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
		Audited 2001/02	Audited 2002/03	Preliminary outcome 2003/04	2004/05		2005/06	2006/07	2007/08
<b>Infrastructure programmes or large infrastructure projects</b>									
National Electrification Programme: Eskom	Grid and non-grid electrification of households, schools and clinics	600 000	739 513	795 549	742 829	783 469	–	–	–
National Electrification Programme: Municipalities	Grid and non-grid electrification of households, schools and clinics	–	224 763	245 091	250 733	258 000	–	–	–
Non-grid service providers	Electrification	–	–	–	77 000	84 800	–	–	–
<b>Total</b>		<b>600 000</b>	<b>964 276</b>	<b>1 040 640</b>	<b>1 070 562</b>	<b>1 126 269</b>	<b>–</b>	<b>–</b>	<b>–</b>

