

# Vote 10

## Public Enterprises

### Budget summary

R million	2021/22					2022/23	2023/24
	Total	Current payments	Transfers and subsidies	Payments for capital assets	Payments for financial assets	Total	Total
<b>MTEF allocation</b>							
Administration	159.8	156.2	0.0	3.7	–	158.7	159.8
State-owned Companies Governance Assurance and Performance	61.7	61.7	–	–	–	67.7	68.9
Business Enhancement, Transformation and Industrialisation	36 070.3	68.3	–	–	36 002.0	1 845.2	68.8
<b>Total expenditure estimates</b>	<b>36 291.8</b>	<b>286.2</b>	<b>0.0</b>	<b>3.7</b>	<b>36 002.0</b>	<b>2 071.6</b>	<b>297.6</b>
Executive authority	Minister of Public Enterprises						
Accounting officer	Director-General of Public Enterprises						
Website	www.dpe.gov.za						

The Estimates of National Expenditure is available at [www.treasury.gov.za](http://www.treasury.gov.za). Additional tables in Excel format can be found at [www.treasury.gov.za](http://www.treasury.gov.za) and [www.vulekamali.gov.za](http://www.vulekamali.gov.za).

### Vote purpose

Drive investment, productivity and transformation in the department's portfolio of state-owned companies to unlock growth, drive industrialisation, create jobs and develop skills.

### Mandate

The Department of Public Enterprises is government's shareholder representative for the state-owned companies in its portfolio. The department's mandate is to fulfil oversight responsibilities at these companies to ensure that they contribute to the realisation of government's strategic objectives, as articulated in the National Development Plan, government's 2019-2024 medium-term strategic framework and the reimagined industrial strategy. State-owned companies are crucial to driving the state's strategic objectives of creating jobs, and enhancing equity and transformation. The department does not directly execute programmes but seeks to use state ownership in the economy to support the achievement of these objectives.

### Selected performance indicators

**Table 10.1 Performance indicators by programme and related priority**

Indicator	Programme	MTSF priority	Audited performance			Estimated performance	MTEF targets		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Number of shareholder compacts signed per year	Business Enhancement, Transformation and Industrialisation	Priority 2: Economic transformation and job creation	6	7	7	5	6	6	6
Number of corporate plans reviewed per year	Business Enhancement, Transformation and Industrialisation		6	7	7	5	6	6	6
Number of quarterly financial reviews per year	Business Enhancement and Industrialisation		24	26	28	20	24	24	24

### Expenditure overview

The department oversees 7 state-owned companies (Alexkor, Denel, Eskom, South African Airways, South African Express Airways, the South African Forestry Company and Transnet). Over the medium term, the department will continue to focus on enhancing reforms to stabilise state-owned companies, and strengthening its oversight capacity to ensure that the state-owned companies in its portfolio are sustainable and contribute to investment in key infrastructure.

To coordinate reforms in state-owned companies, over the MTEF period, the department has reprioritised R40.9 million within its budget to establish a secretariat for the Presidential State-owned Enterprises Council and develop a Government Shareholder Management Bill. The council is an advisory body responsible for supporting government in repositioning state-owned enterprises, strengthening the framework governing state-owned companies, determining an appropriate shareholder ownership model, and assisting in monitoring the implementation of reforms. The bill is intended as overarching legislation that aims to strengthen the governance of state-owned enterprises. The department also expects to develop the state-owned companies board evaluation framework by 2021/22, which will form the basis of annual performance reviews for the boards of state-owned companies. These activities will be carried out in the *State-owned Companies Governance Assurance and Performance* programme. Expenditure in the programme increases at an average annual rate of 14.9 per cent, from R45.5 million in 2020/21 to R68.9 million in 2023/24.

Expenditure is expected to decrease at an average annual rate of 84.4 per cent, from R78 billion in 2020/21 to R297.6 million in 2023/24. This is due to substantial allocations made to Eskom and South African Airways in 2020/21 for the settlement of government guaranteed debt and the latter's implementation of its business rescue plan. Payments for financial assets constitute the department's main cost driver over the period ahead. These payments include an additional R31.7 billion for Eskom in 2021/22, and R6.1 billion (R4.3 billion in 2021/22 and R1.8 billion in 2022/23) for South African Airways to settle government-guaranteed debt and interest. By the end of 2020/21, South African Airways is expected to exit business rescue and South African Express Airways is expected to be fully liquidated. Cabinet-approved reductions on the department's baseline amount to R123.5 million over the medium term, to be effected on compensation of employees (R102.3 million), and goods and services (R21.2 million). This will be done by freezing salary increases and not filling vacant posts, while implementing cost-containment measures on goods and services.

## Expenditure trends and estimates

**Table 10.2 Vote expenditure trends and estimates by programme and economic classification**

Programmes												
1. Administration												
2. State-owned Companies Governance Assurance and Performance												
3. Business Enhancement, Transformation and Industrialisation												
Programme	Audited outcome				Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
R million	2017/18	2018/19	2019/20	2020/21	2017/18 - 2020/21	2021/22	2022/23	2023/24	2020/21 - 2023/24	2020/21 - 2023/24	2020/21 - 2023/24	
Programme 1	144.0	136.0	149.1	142.5	-0.4%	0.4%	159.8	158.7	159.8	3.9%	0.5%	
Programme 2	27.5	33.5	36.9	45.5	18.2%	0.1%	61.7	67.7	68.9	14.9%	0.2%	
Programme 3	78.8	6 305.3	56 660.4	77 419.0	894.0%	99.2%	36 070.3	1 845.2	68.8	-90.4%	98.9%	
<b>Subtotal</b>	<b>250.4</b>	<b>6 474.8</b>	<b>56 846.4</b>	<b>77 606.9</b>	<b>576.7%</b>	<b>99.7%</b>	<b>36 291.8</b>	<b>2 071.6</b>	<b>297.6</b>	<b>-84.3%</b>	<b>99.6%</b>	
<b>Direct charge against the National Revenue Fund</b>	-	-	-	<b>410.3</b>	<b>0.0%</b>	<b>0.3%</b>	-	-	-	<b>-100.0%</b>	<b>0.4%</b>	
Section 70 of the PFMA payment: South African Express Airways SOC Ltd	-	-	-	143.4	0.0%	0.1%	-	-	-	-100.0%	0.1%	
Section 70 of the PFMA payment: South African Airways SOC Ltd	-	-	-	266.9	0.0%	0.2%	-	-	-	-100.0%	0.2%	
<b>Total</b>	<b>250.4</b>	<b>6 474.8</b>	<b>56 846.4</b>	<b>78 017.2</b>	<b>577.9%</b>	<b>100.0%</b>	<b>36 291.8</b>	<b>2 071.6</b>	<b>297.6</b>	<b>-84.4%</b>	<b>100.0%</b>	
Change to 2020 Budget estimate				40 167.9			31 654.4	(47.5)	-			
<b>Economic classification</b>												
<b>Current payments</b>	<b>241.9</b>	<b>215.5</b>	<b>234.0</b>	<b>261.9</b>	<b>2.7%</b>	<b>0.7%</b>	<b>286.2</b>	<b>290.5</b>	<b>293.5</b>	<b>3.9%</b>	<b>1.0%</b>	
Compensation of employees	142.2	143.8	149.2	185.2	9.2%	0.4%	176.0	177.5	180.0	-0.9%	0.6%	
Goods and services <sup>1</sup>	99.8	71.7	84.8	76.7	-8.4%	0.2%	110.2	113.1	113.5	14.0%	0.4%	
<i>of which:</i>												
<i>Audit costs: External</i>	3.3	4.0	3.9	4.8	0.1	-	4.8	5.0	5.0	0.0	-	
<i>Computer services</i>	6.0	5.4	6.7	6.1	0.0	-	5.2	5.4	5.4	-3.9%	0.0%	
<i>Consultants: Business and advisory services</i>	17.0	6.6	12.2	24.8	0.1	-	37.9	38.7	38.0	15.3%	0.1%	
<i>Legal services</i>	3.3	6.2	14.2	4.5	0.1	-	6.6	6.7	7.7	0.2	-	
<i>Operating leases</i>	12.7	15.9	13.4	12.6	(0.0)	-	12.8	13.1	13.2	1.5%	0.0%	
<i>Travel and subsistence</i>	24.9	14.9	15.7	5.4	(0.4)	-	21.4	22.1	22.0	59.2%	0.1%	
<b>Transfers and subsidies<sup>1</sup></b>	<b>3.1</b>	<b>1.0</b>	<b>8.1</b>	<b>0.2</b>	<b>-62.0%</b>	<b>0.0%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-50.8%</b>	<b>0.0%</b>	
Provinces and municipalities	0.0	0.0	0.0	0.0	15.6%	0.0%	0.0	0.0	0.0	5.6%	0.0%	
Public corporations and private enterprises	-	-	3.6	-	-	-	-	-	-	-	-	
Households	3.1	1.0	4.5	0.2	-63.3%	0.0%	-	-	-	-100.0%	0.0%	

**Table 10.2 Vote expenditure trends and estimates by programme and economic classification**

Economic classification	Audited outcome			Adjusted appropriation 2020/21	Average growth rate (%) 2017/18 - 2020/21	Average: Expenditure/ Total (%) 2017/18 - 2020/21	Medium-term expenditure estimate			Average growth rate (%) 2020/21 - 2023/24	Average: Expenditure/ Total (%) 2020/21 - 2023/24
	2017/18	2018/19	2019/20				2021/22	2022/23	2023/24		
	R million										
<b>Payments for capital assets</b>	<b>5.2</b>	<b>9.3</b>	<b>4.2</b>	<b>3.5</b>	<b>-12.0%</b>	<b>0.0%</b>	<b>3.7</b>	<b>3.9</b>	<b>4.0</b>	<b>4.8%</b>	<b>0.0%</b>
Machinery and equipment	4.9	8.8	4.2	3.5	-10.7%	0.0%	3.7	3.9	4.0	4.8%	0.0%
Software and other intangible assets	0.2	0.5	0.0	-	-100.0%	0.0%	-	-	-	0.0%	0.0%
<b>Payments for financial assets</b>	<b>0.3</b>	<b>6 249.0</b>	<b>56 600.0</b>	<b>77 751.6</b>	<b>6587.2%</b>	<b>99.3%</b>	<b>36 002.0</b>	<b>1 777.2</b>	<b>-</b>	<b>-100.0%</b>	<b>99.0%</b>
<b>Total</b>	<b>250.4</b>	<b>6 474.8</b>	<b>56 846.4</b>	<b>78 017.2</b>	<b>577.9%</b>	<b>100.0%</b>	<b>36 291.8</b>	<b>2 071.6</b>	<b>297.6</b>	<b>-84.4%</b>	<b>100.0%</b>

1. Tables with expenditure trends, annual budget, adjusted appropriation and audited outcome are available at [www.treasury.gov.za](http://www.treasury.gov.za) and [www.vulekamali.gov.za](http://www.vulekamali.gov.za).

## Transfers and subsidies expenditure trends and estimates

**Table 10.3 Vote transfers and subsidies trends and estimates**

R thousand	Audited outcome			Adjusted appropriation 2020/21	Average growth rate (%) 2017/18 - 2020/21	Average: Expenditure/ Total (%) 2017/18 - 2020/21	Medium-term expenditure estimate			Average growth rate (%) 2020/21 - 2023/24	Average: Expenditure/ Total (%) 2020/21 - 2023/24
	2017/18	2018/19	2019/20				2021/22	2022/23	2023/24		
	Households										
Social benefits											
<b>Current</b>	<b>2 890</b>	<b>1 029</b>	<b>4 539</b>	<b>151</b>	<b>-62.6%</b>	<b>69.4%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>67.1%</b>
Employee social benefits	2 890	1 029	4 539	151	-62.6%	69.4%	-	-	-	-100.0%	67.1%
Provinces and municipalities											
Municipal bank accounts											
<b>Current</b>	<b>11</b>	<b>12</b>	<b>15</b>	<b>17</b>	<b>15.6%</b>	<b>0.4%</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>5.6%</b>	<b>32.9%</b>
Municipal bank accounts	11	12	15	17	15.6%	0.4%	18	19	20	5.6%	32.9%
Public corporations and private enterprises											
Other transfers to public corporations											
<b>Current</b>	<b>-</b>	<b>-</b>	<b>2 976</b>	<b>-</b>	<b>-</b>	<b>24.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other transfers to private enterprises	-	-	2 976	-	-	24.0%	-	-	-	-	-
Households											
Other transfers to households											
<b>Current</b>	<b>167</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>1.3%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Employee social benefits	167	-	-	-	-100.0%	1.3%	-	-	-	-	-
Public corporations and private enterprises											
Other transfers to private enterprises											
<b>Current</b>	<b>-</b>	<b>-</b>	<b>598</b>	<b>-</b>	<b>-</b>	<b>4.8%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Claims against state private enterprises	-	-	598	-	-	4.8%	-	-	-	-	-
<b>Total</b>	<b>3 068</b>	<b>1 041</b>	<b>8 128</b>	<b>168</b>	<b>-62.0%</b>	<b>100.0%</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>-50.8%</b>	<b>100.0%</b>

## Personnel information

**Table 10.4 Vote personnel numbers and cost by salary level and programme<sup>1</sup>**

Programmes														Number					
1. Administration														Average growth rate (%)	Average: Salary level/ Total (%)				
2. State-owned Companies Governance Assurance and Performance																			
3. Business Enhancement, Transformation and Industrialisation														2020/21 - 2023/24					
Public Enterprises	Number of posts estimated for 31 March 2021	Number of posts additional to the establishment	Number and cost <sup>2</sup> of personnel posts filled/planned for on funded establishment									2020/21 - 2023/24							
			Actual			Revised estimate			Medium-term expenditure estimate			Average growth rate (%)	Average: Salary level/ Total (%)						
			2019/20	2020/21	2021/22	2022/23	2023/24												
	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost							
<b>Public Enterprises</b>	<b>264</b>	<b>-</b>	<b>181</b>	<b>149.2</b>	<b>0.8</b>	<b>180</b>	<b>149.2</b>	<b>0.8</b>	<b>209</b>	<b>176.0</b>	<b>0.8</b>	<b>207</b>	<b>177.5</b>	<b>0.9</b>	<b>207</b>	<b>180.0</b>	<b>0.9</b>	<b>4.6%</b>	<b>100.0%</b>
Salary level																			
1 – 6	19	-	17	4.0	0.2	17	4.1	0.2	20	4.9	0.2	20	5.0	0.2	20	5.1	0.3	5.6%	9.6%
7 – 10	88	-	69	36.2	0.5	69	36.8	0.5	78	42.3	0.5	76	41.6	0.6	76	42.4	0.6	3.1%	37.2%
11 – 12	58	-	36	31.1	0.9	37	32.6	0.9	46	41.5	0.9	45	41.5	0.9	44	41.2	0.9	5.6%	21.3%
13 – 16	97	-	57	73.3	1.3	55	71.0	1.3	64	82.4	1.3	65	84.5	1.3	65	86.2	1.3	5.7%	30.9%
Other	2	-	2	4.7	2.3	2	4.7	2.4	2	4.8	2.4	2	4.9	2.5	2	5.0	2.5	-	1.0%
<b>Programme</b>	<b>264</b>	<b>-</b>	<b>181</b>	<b>149.2</b>	<b>0.8</b>	<b>180</b>	<b>149.2</b>	<b>0.8</b>	<b>209</b>	<b>176.0</b>	<b>0.8</b>	<b>207</b>	<b>177.5</b>	<b>0.9</b>	<b>207</b>	<b>180.0</b>	<b>0.9</b>	<b>4.6%</b>	<b>100.0%</b>
Programme 1	120	-	99	72.1	0.7	98	72.3	0.7	119	88.9	0.7	118	89.6	0.8	117	90.2	0.8	6.1%	56.4%
Programme 2	51	-	31	28.2	0.9	31	28.8	0.9	35	33.8	1.0	35	34.6	1.0	35	35.3	1.0	4.2%	17.1%
Programme 3	93	-	51	48.9	1.0	51	48.0	0.9	54	53.3	1.0	54	53.3	1.0	54	54.5	1.0	2.0%	26.6%

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.

2. Rand million.



**Table 10.6 Administration expenditure trends and estimates by subprogramme and economic classification**

Details of transfers and subsidies		Audited outcome			Adjusted appropriation 2020/21	Average growth rate (%)		Medium-term expenditure estimate			Average growth rate (%) 2020/21 - 2023/24	Average: Expenditure/ Total (%) 2020/21 - 2023/24
		2017/18	2018/19	2019/20		2017/18	2020/21	2021/22	2022/23	2023/24		
R million												
<b>Households</b>												
<b>Social benefits</b>												
Current		2.7	1.0	4.2	0.1	-70.4%	1.4%	-	-	-	-100.0%	-
Employee social benefits		2.7	1.0	4.2	0.1	-70.4%	1.4%	-	-	-	-100.0%	-
<b>Households</b>												
<b>Other transfers to households</b>												
Current		0.2	-	-	-	-100.0%	-	-	-	-	-	-
Employee social benefits		0.2	-	-	-	-100.0%	-	-	-	-	-	-
<b>Public corporations and private enterprises</b>												
<b>Public corporations</b>												
<b>Other transfers to public corporations</b>												
Current		-	-	3.0	-	-	0.5%	-	-	-	-	-
Other transfers to private enterprises		-	-	3.0	-	-	0.5%	-	-	-	-	-

## Personnel information

**Table 10.7 Administration personnel numbers and cost by salary level<sup>1</sup>**

Number of posts estimated for 31 March 2021		Number and cost <sup>2</sup> of personnel posts filled/planned for on funded establishment											Number						
		Actual			Revised estimate			Medium-term expenditure estimate					Average growth rate (%) 2020/21 - 2023/24	Average: Salary level/ Total (%)					
Number of funded posts	Number of posts additional to the establishment	2019/20		2020/21		2021/22		2022/23		2023/24		2020/21 - 2023/24							
Administration		Number	Unit cost	Cost	Number	Unit cost	Cost	Number	Unit cost	Cost	Number	Unit cost	Cost						
Salary level	120	-	99	72.1	0.7	98	72.3	0.7	119	88.9	0.7	118	89.6	0.8	117	90.2	0.8	6.1%	100.0%
1 – 6	19	-	17	4.0	0.2	17	4.1	0.2	20	4.9	0.2	20	5.0	0.2	20	5.1	0.3	5.6%	17.0%
7 – 10	52	-	44	23.4	0.5	44	23.8	0.5	53	29.1	0.5	52	28.8	0.6	52	29.4	0.6	5.5%	44.3%
11 – 12	24	-	18	16.9	0.9	18	17.1	1.0	22	21.3	1.0	22	21.6	1.0	21	21.1	1.0	5.8%	18.5%
13 – 16	23	-	18	23.2	1.3	17	22.6	1.3	22	28.8	1.3	22	29.2	1.3	22	29.7	1.3	8.9%	18.5%
Other	2	-	2	4.7	2.3	2	4.7	2.4	2	4.8	2.4	2	4.9	2.5	2	5.0	2.5	-	1.8%

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.

2. Rand million.

## Programme 2: State-owned Companies Governance Assurance and Performance

### Programme purpose

Provide and enforce state-owned companies' governance, legal assurance, and financial and non-financial performance monitoring, evaluation and reporting systems in support of the shareholder to ensure alignment with government priorities.

### Objectives

- Ensure effective shareholder oversight of state-owned companies on an ongoing basis by:
  - providing governance and legal systems
  - developing and maintaining shareholder risk profiles and mitigating strategies
  - monitoring, evaluating and reporting on financial and non-financial performance, and proposing intervention measures when required.

### Subprogrammes

- *Management* comprises the office of the deputy director-general, which provides strategic leadership and management for the programme's personnel.

- *Legal* provides external legal services and support, including transaction and contract management support, to sector teams and the commercial activities of the state-owned companies within their portfolio.
- *Governance* develops, monitors and advises on legislative, corporate governance and shareholder management systems for the department and its portfolio of state-owned companies. This subprogramme develops and implements risk and compliance management guidelines and systems for shareholder risk.
- *Financial Assessment and Investment Support* analyses state-owned companies' capital plans, operational performance, the execution of capital programmes and proposed restructuring proposals, and advises on appropriate action.

## Expenditure trends and estimates

**Table 10.8 State-owned Companies Governance Assurance and Performance expenditure trends and estimates by subprogramme and economic classification**

Subprogramme	Audited outcome			Adjusted appropriation 2020/21	Average growth rate (%) 2017/18 - 2020/21	Average: Expenditure/Total (%) 2020/21	Medium-term expenditure estimate			Average growth rate (%) 2020/21 - 2023/24	Average: Expenditure/Total (%) 2020/21 - 2023/24
	2017/18	2018/19	2019/20				2021/22	2022/23	2023/24		
R million											
Management	2.8	2.7	2.0	2.9	1.1%	7.3%	3.2	3.2	3.3	4.6%	5.2%
Legal	11.6	12.1	11.1	14.3	7.3%	34.2%	15.1	15.1	16.1	4.0%	24.9%
Governance	7.2	8.8	11.6	13.7	24.0%	28.8%	23.6	30.4	33.4	34.7%	41.4%
Financial Assessment and Investment Support	6.0	9.9	12.2	14.5	34.6%	29.7%	19.8	19.0	16.1	3.5%	28.5%
<b>Total</b>	<b>27.5</b>	<b>33.5</b>	<b>36.9</b>	<b>45.5</b>	<b>18.2%</b>	<b>100.0%</b>	<b>61.7</b>	<b>67.7</b>	<b>68.9</b>	<b>14.9%</b>	<b>100.0%</b>
Change to 2020 Budget estimate				(9.2)			3.7	6.6	0.0		
<b>Economic classification</b>											
<b>Current payments</b>	<b>27.4</b>	<b>33.5</b>	<b>36.0</b>	<b>45.5</b>	<b>18.4%</b>	<b>99.3%</b>	<b>61.7</b>	<b>67.7</b>	<b>68.9</b>	<b>14.9%</b>	<b>100.0%</b>
Compensation of employees	21.4	26.3	28.2	34.8	17.5%	77.3%	33.8	34.6	35.3	0.4%	56.8%
Goods and services <sup>1</sup>	6.0	7.2	7.8	10.7	21.3%	22.0%	27.9	33.1	33.7	46.8%	43.2%
of which:											
Communication	0.2	0.2	0.2	0.3	25.0%	0.5%	0.3	0.3	0.3	1.7%	0.5%
Consultants: Business and advisory services	0.6	0.0	1.7	6.0	117.9%	5.8%	17.3	22.4	21.9	53.5%	27.7%
Legal services	3.3	5.5	4.9	3.1	-1.9%	11.7%	6.0	6.0	7.0	31.5%	9.1%
Travel and subsistence	1.9	1.3	1.0	1.2	-15.7%	3.8%	4.2	4.3	4.5	57.2%	5.8%
Venues and facilities	0.0	0.0	-	0.1	34.8%	0.1%	0.1	0.1	0.1	-6.5%	0.1%
<b>Transfers and subsidies<sup>1</sup></b>	<b>0.1</b>	<b>-</b>	<b>0.9</b>	<b>-</b>	<b>-100.0%</b>	<b>0.7%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Public corporations and private enterprises	-	-	0.6	-	-	0.4%	-	-	-	-	-
Households	0.1	-	0.3	-	-100.0%	0.3%	-	-	-	-	-
<b>Total</b>	<b>27.5</b>	<b>33.5</b>	<b>36.9</b>	<b>45.5</b>	<b>18.2%</b>	<b>100.0%</b>	<b>61.7</b>	<b>67.7</b>	<b>68.9</b>	<b>14.9%</b>	<b>100.0%</b>
<b>Proportion of total programme expenditure to vote expenditure</b>	<b>11.0%</b>	<b>0.5%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>-</b>	<b>-</b>	<b>0.2%</b>	<b>3.3%</b>	<b>23.2%</b>	<b>-</b>	<b>-</b>
<b>Details of transfers and subsidies</b>											
<b>Households</b>											
<b>Social benefits</b>											
<b>Current</b>	<b>0.1</b>	<b>-</b>	<b>0.3</b>	<b>-</b>	<b>-100.0%</b>	<b>0.3%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Employee social benefits	0.1	-	0.3	-	-100.0%	0.3%	-	-	-	-	-
<b>Public corporations and private enterprises</b>											
<b>Private enterprises</b>											
<b>Other transfers to private enterprises</b>											
<b>Current</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>-</b>	<b>-</b>	<b>0.4%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Claims against state private enterprises	-	-	0.6	-	-	0.4%	-	-	-	-	-

## Personnel information

**Table 10.9 State-owned Companies Governance Assurance and Performance personnel numbers and cost by salary level<sup>1</sup>**

Number of posts estimated for 31 March 2021		Number and cost <sup>2</sup> of personnel posts filled/planned for on funded establishment															Number		
Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate			Medium-term expenditure estimate									Average growth rate (%)	Average: Salary level/ Total (%)	
		2019/20			2020/21			2021/22			2022/23			2023/24					2020/21 - 2023/24
State-owned Companies Governance Assurance and Performance		Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost			
Salary level	51	–	31	28.2	0.9	31	28.8	0.9	35	33.8	1.0	35	34.6	1.0	35	35.3	1.0	4.2%	100.0%
7 – 10	16	–	10	5.0	0.5	10	5.1	0.5	10	5.2	0.5	9	4.6	0.5	9	4.7	0.5	-3.5%	27.7%
11 – 12	9	–	6	4.5	0.8	6	4.7	0.8	10	9.3	0.9	9	8.8	0.9	9	8.9	0.9	15.3%	26.0%
13 – 16	26	–	15	18.7	1.2	15	19.0	1.3	15	19.3	1.3	17	21.2	1.3	17	21.7	1.3	3.9%	46.3%

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.

2. Rand million.

## Programme 3: Business Enhancement, Transformation and Industrialisation

### Programme purpose

Provide sector oversight to ensure that state-owned companies contribute to the advancement of industrialisation, transformation, intergovernmental relations and international collaboration services. Support the shareholder in strategically positioning and enhancing the operations of state-owned companies.

### Objectives

- Contribute to the performance of state-owned companies on an ongoing basis by:
  - conducting reviews, research and modelling of pipeline and new business enhancement opportunities within state-owned companies
  - assessing the operations of state-owned companies and developing mitigation instruments in conjunction with policy departments, regulatory bodies and industry
  - conducting research, modelling job creation and transforming instruments for state-owned companies to inform compact alignment imperatives.

### Subprogrammes

- *Energy Resources* exercises shareholder oversight over Alexkor, Eskom and the South African Forestry Company.
- *Research and Economic Modelling* conducts cost-benefit analysis reviews on business enhancement and transformation initiatives, and develops economic sustainability models for proposed work packages and projects.
- *Transport and Defence* exercises shareholder oversight over Denel, South African Airways, South African Express Airways and Transnet.
- *Business Enhancement Services* develops and coordinates the implementation of state-owned companies' strategies to leverage localisation programmes; provides intergovernmental coordination and support to programmes and state-owned companies in relation to economic development programmes, as agreed with provincial and local governments; and maintains a register of commitments made by state-owned companies and enables the implementation of special programmes focusing on skills development, transformation and youth.

## Expenditure trends and estimates

Table 10.10 Business Enhancement, Transformation and Industrialisation expenditure trends and estimates by subprogramme and economic classification

Subprogramme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
	2017/18	2018/19	2019/20				2020/21	2021/22	2022/23		
R million	2017/18	2018/19	2019/20	2020/21	2017/18 - 2020/21	2020/21	2021/22	2022/23	2023/24	2020/21 - 2023/24	2023/24
Energy Resources	14.5	9.5	49 013.6	56 010.9	1470.9%	74.8%	31 703.4	8.4	8.1	-94.7%	76.0%
Research and Economic Modelling	25.2	6.9	6.7	9.4	-27.9%	-	10.7	10.3	9.4	-0.2%	-
Transport and Defence	15.0	6 262.1	7 619.2	21 374.7	1026.0%	25.1%	4 325.7	1 793.0	14.9	-91.1%	23.8%
Business Enhancement Services	24.3	26.7	21.0	23.9	-0.6%	0.1%	30.5	33.4	36.4	15.1%	0.1%
<b>Total</b>	<b>78.8</b>	<b>6 305.3</b>	<b>56 660.4</b>	<b>77 419.0</b>	<b>894.0%</b>	<b>100.0%</b>	<b>36 070.3</b>	<b>1 845.2</b>	<b>68.8</b>	<b>-90.4%</b>	<b>100.0%</b>
Change to 2020				39 788.6			31 665.2	(28.7)	(0.0)		
Budget estimate											
<b>Economic classification</b>											
<b>Current payments</b>	<b>78.8</b>	<b>56.2</b>	<b>60.4</b>	<b>77.5</b>	<b>-0.5%</b>	<b>0.2%</b>	<b>68.3</b>	<b>68.0</b>	<b>68.8</b>	<b>-3.9%</b>	<b>0.2%</b>
Compensation of employees	51.9	47.9	48.9	58.0	3.8%	0.1%	53.3	53.3	54.5	-2.1%	0.2%
Goods and services <sup>1</sup>	26.8	8.3	11.5	19.5	-10.1%	-	15.1	14.7	14.3	-9.8%	0.1%
<i>of which:</i>											
Administrative fees	-	-	0.0	-	-	-	-	-	-	-	-
Communication	1.4	0.2	0.2	0.5	-28.7%	-	0.5	0.6	0.6	8.1%	-
Consultants: Business and advisory services	11.1	4.3	6.2	16.8	14.6%	-	8.9	8.2	8.1	-21.5%	-
Entertainment	-	-	-	0.0	-	-	0.0	0.0	0.0	-25.9%	-
Travel and subsistence	6.7	3.6	3.6	2.0	-33.3%	-	5.6	5.8	5.5	40.4%	-
Venues and facilities	0.3	0.0	0.2	0.0	-51.4%	-	0.1	0.1	0.1	23.3%	-
<b>Transfers and subsidies<sup>1</sup></b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>1.7%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>-</b>
Households	0.1	0.1	0.0	0.1	1.7%	-	-	-	-	-100.0%	-
Payments for financial assets	-	6 249.0	56 600.0	77 341.3	-	99.8%	36 002.0	1 777.2	-	-100.0%	99.8%
<b>Total</b>	<b>78.8</b>	<b>6 305.3</b>	<b>56 660.4</b>	<b>77 419.0</b>	<b>894.0%</b>	<b>100.0%</b>	<b>36 070.3</b>	<b>1 845.2</b>	<b>68.8</b>	<b>-90.4%</b>	<b>100.0%</b>
<b>Proportion of total programme expenditure to vote expenditure</b>	<b>31.5%</b>	<b>97.4%</b>	<b>99.7%</b>	<b>99.8%</b>	<b>-</b>	<b>-</b>	<b>99.4%</b>	<b>89.1%</b>	<b>23.1%</b>	<b>-</b>	<b>-</b>
<b>Details of transfers and subsidies</b>											
<b>Households</b>											
<b>Social benefits</b>											
<b>Current</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>1.7%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>-</b>
Employee social benefits	0.1	0.1	0.0	0.1	1.7%	-	-	-	-	-100.0%	-

## Personnel information

Table 10.11 Business Enhancement, Transformation and Industrialisation personnel numbers and cost by salary level<sup>1</sup>

Business Enhancement, Transformation and Industrialisation	Number of posts estimated for 31 March 2021	Number and cost <sup>2</sup> of personnel posts filled/planned for on funded establishment												Number					
		Actual			Revised estimate			Medium-term expenditure estimate						Average growth rate (%)	Average: Salary level/ Total (%)				
		2019/20		Unit cost	2020/21		Unit cost	2021/22		Unit cost	2022/23		Unit cost			2023/24		Unit cost	
Salary level	93	-	51	48.9	1.0	51	48.0	0.9	54	53.3	1.0	54	53.3	1.0	54	54.5	1.0	2.0%	100.0%
7 - 10	20	-	15	7.8	0.5	15	7.9	0.5	15	8.1	0.5	15	8.2	0.5	15	8.4	0.6	-	28.1%
11 - 12	25	-	12	9.8	0.8	13	10.7	0.8	13	10.9	0.8	13	11.1	0.9	13	11.2	0.9	-	24.3%
13 - 16	48	-	24	31.4	1.3	23	29.4	1.3	26	34.3	1.3	26	34.0	1.3	26	34.9	1.3	4.3%	47.5%

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.

2. Rand million.



## State-owned companies

### Alexkor

Alexkor was established in terms of the Alexkor Limited Act (1992) to mine marine and land diamonds in Alexander Bay, Northern Cape. Over the medium term, the company will focus on normalising operations in the wake of the COVID-19 pandemic.

The Alexkor Richtersveld Mining Company Pooling and Sharing Joint Venture, in which Alexkor holds a 51 per cent share, continues to face operational and financial challenges. These include a lack of adequate funds to undertake exploration activities and deteriorating weather conditions. The joint venture generated revenue of R334 million in 2019/20, a 20 per cent decrease from the previous year. This was due to a decrease in carat production, from 68 000 carats in 2018/19 to 28 700 carats in 2019/20.

While the Alexkor group generated revenue of R170 million in 2019/20, it reported a loss of R99 million. As such, the company is dependent on financing to settle operating expenses, which is not sustainable and exposes it to the risk of liquidation. The department's immediate focus is to restore the joint venture's sustainability in diamond operations while undertaking an exercise to determine Alexkor's future role. For this purpose and to determine the final outcome of the restructuring exercise, a technical task team was established. The task team will report back in the second quarter of 2021/22.

### Denel

Denel was incorporated as a private company in 1992 in terms of the Companies Act (1973), with the South African government as its sole shareholder. It operates in the military aerospace and landward defence environment, and provides strategic defence equipment. The company's broad focus over the medium term will be on restructuring, which entails optimising its cost structure and reviewing its business model to improve its global competitiveness. Emphasis will also be placed on the company's internal cost structure, efficiency, effectiveness, disposal of non-core businesses, improved supply chain policies, and alignment of IT infrastructure with its new organisational structure. The company commenced with its restructuring process in 2019/20 and is in the process of identifying strategic equity partners. In 2020/21, the company was given approval to dispose of shares it held in Hensoldt Optronics and LMT Products, a subsidiary of LMT Holdings. Part of the restructuring process over the MTEF period will involve reducing the company's number of personnel.

In 2019/20, Denel generated R2.7 billion in revenue, R700 million less than the previous year, translating to an unaudited loss of R1.8 billion in 2019/20 compared to a loss of R1.7 billion in 2018/19. This was mainly driven by poor programme management and liquidity challenges that constrained operations and affected sales. However, restructuring and cost-saving initiatives that are already in place, as well as recapitalised allocations from government (R1.8 billion in 2019/20 and R576 million in 2020/21) are expected to stimulate revenue generation.

### Eskom

Eskom is governed by the Eskom Conversion Act (2001) and is mandated to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. In response to the company's persistent financial, operational and structural challenges, in 2019 it was announced that Eskom will be unbundled into 3 subsidiaries (generation, transmission and distribution) under a holding company, Eskom Holdings. This announcement led to the drafting and adoption of the 2019 roadmap for Eskom in a reformed electricity supply industry. The roadmap outlines actions to overcome challenges, defines key steps in transforming the electricity supply system, addresses steps to restore the company's finances, identifies measures to reduce the company's cost structure, and details the restructuring process.

Although some progress has been made, Eskom's operational performance remains inadequate, with persistent technical and plant faults. The company aims to address supply constraints through interventions set out in the 9-point plan to improve generation, which are short-term, medium-term and long-term in nature. These interventions primarily involve repairing new plant defects, reducing trips and full load losses, accelerating the return of serviced units on long-term forced outages, repairing partial load losses and boiler tube leaks, rebuilding coal stockpiles, increasing diesel stocks, and recruiting critical staff for the generation division.

Eskom's revenue increased from R179.8 billion in 2018/19 to R199.4 billion in 2019/20. The company's loss for the year decreased slightly, from R20.9 billion in 2018/19 to R20.5 billion in 2019/20. The loss is mainly due to high primary energy costs and finance costs. The company's financial position remains weak and it is not able to generate sufficient cash from operations to cover debt obligations when they become due. As a result, government has committed to provide financial support to assist with the company's debt-service obligations. Thus far, R49 billion in 2019/20 and R56 billion in 2020/21 have been provided, with a further R31.7 billion allocated in 2021/22.

### **South African Airways**

South African Airways operates a full-service network in the international, regional and domestic markets. The airline is responsible for promoting air links with South Africa's key business, trading and tourism markets across the world and contributing to key domestic air linkages.

South African Airways was placed under business rescue in December 2019. In August 2020, the business rescue practitioners published the approved business rescue plan. To implement the plan, R10.5 billion was allocated in the 2020 second adjustments budget. Over the medium term, the focus will be on operationalising the restructured airline to enable interconnectivity within South Africa and the Southern African Development Community, including the expansion of regional air services capability. An amount of R6.1 billion (R4.3 billion in 2021/22 and R1.8 billion in 2022/23) is allocated to the airline for the repayment of government guaranteed debt.

Unaudited financial statements reflect that the airline generated revenue of R24.1 billion in 2019/20. The unaudited net loss for the same year is R5.5 billion. Implementation of the business rescue plan is expected to improve this position.

### **South African Express Airways**

South African Express Airways has experienced severe operational and financial challenges over a number of years and despite financial support from government, the airline was unable to resolve these challenges. The airline was placed under business rescue in February 2020 but was unable to restructure, leading to it being placed under provisional liquidation in April 2020. By October 2020, an interested buyer had been identified and the process of concluding the sale agreement had begun. This process is expected to be concluded by the end of 2020/21.

### **South African Forestry Company**

The South African Forestry Company was established in 1992 in terms of the Management of State Forests Act (1992). It is mandated to ensure the sustainable management of plantation forests, increase downstream timber processing, and play a catalytic role in rural economic development and transformation. Over the medium term, the company plans to continue fulfilling its commitments to communities near its operations, and diversify its product offering by increasing its production of timber for public facilities, poles for the electricity distribution sector, and furniture. Between 2017/18 and 2019/20, the company reported losses due to operational and accounting inefficiencies. Operating costs are higher than revenue, which requires the implementation of stringent cost-containment initiatives. In 2019/20, the company recorded an unaudited loss of R47 million. To recuperate some losses and stimulate revenue generation, over the MTEF period, the company will continue with the Timbadola reinvestment project, progress on which is monitored by the department on a monthly basis.

### **Transnet**

Transnet provides and operates freight transportation services and infrastructure. The company's current operating model is geared towards lowering the cost of doing business in South Africa. To sustain and expand its capacity, over the 5-year period ending 2024/25, Transnet plans to invest R127.7 billion, of which 75.7 per cent (R96.7 billion) will be spent on sustaining capital, particularly in rail, port and pipeline infrastructure, across its operating divisions as per its 2020 corporate plan.

The department continues to investigate viable options to corporatise the National Ports Authority, as required by the National Ports Act (2005). Initial studies have indicated adverse ramifications for the South African

economy and the company's operating divisions. As a result, the department will continue to investigate possible options without compromising the economic competitiveness of South Africa's transport sector.

In 2019/20, the company spent R18.5 billion on capital projects, bringing its total investment over the past 8 years to R202 billion. Revenue increased from R74.1 billion in 2018/19 to R75.3 billion in 2019/20, mainly due to a weighted average tariff increase of 2.9 per cent across operating divisions. Net profit decreased from R6 billion in 2018/19 to R3.9 billion in 2019/20. The Ports Regulator of South Africa has indicated that no tariff increase will be granted to the National Ports Authority in 2021/22, which is likely to have a negative impact on the company's overall revenue for the year.

