

Vote 10

Public Enterprises

Budget summary

R million	2022/23					2023/24	2024/25
	Current payments	Transfers and subsidies	Payments for capital assets	Payments for financial assets	Total	Total	Total
MTEF allocation							
Administration	162.4	0.0	3.9	–	166.3	168.7	176.2
State-owned Companies Governance Assurance and Performance	60.7	–	–	–	60.7	65.6	68.6
Business Enhancement, Transformation and Industrialisation	67.4	–	–	23 634.5	23 701.9	63.3	66.1
Total expenditure estimates	290.5	0.0	3.9	23 634.5	23 928.9	297.6	310.9
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. Additional tables in Excel format can be found at www.treasury.gov.za and 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 undertakes shareholder oversight of state-owned companies in its portfolio. The department is the primary interface between government and these companies, and provides input into the formulation of policy, legislation and regulation. In executing its responsibilities, the department seeks to direct and support improvements in the financial, commercial and operational performance of these companies and their contribution to the South African economy, and support transformation.

Selected performance indicators

Table 10.1 Performance indicators by programme and related priority

Indicator	Programme	MTSF priority	Audited performance			Estimated performance	MTEF targets		
			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Number of shareholder compacts signed per year	Business Enhancement, Transformation and Industrialisation	Priority 2: Economic transformation and job creation	7	7	5	6	6	6	6
Number of corporate plans reviewed per year	Business Enhancement, Transformation and Industrialisation		7	7	5	6	6	6	6
Number of quarterly financial reviews per year	Business Enhancement, Transformation and Industrialisation		26	28	20	24	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 strengthen its oversight capacity to ensure that the state-owned companies in its portfolio are sustainable and contribute to economic development and transformation.

To coordinate reforms in state-owned companies, over the MTEF period, the department will continue to provide the necessary technical and advisory support to the presidential state-owned enterprises council in its efforts to reform, revitalise and reposition state-owned companies. The department has reprioritised R17.5 million over the medium term to: review the treasury management practices of state-owned companies;

verify candidates for boards; assess the state's diamond mineral assets; facilitate the unbundling of Eskom; operationalise the presidential state-owned enterprises council; develop the Government Shareholder Management Bill as the overarching legislation aimed at strengthening and standardising the governance and oversight of state-owned enterprises; and conduct forensic investigations into alleged cases of corruption and malfeasance within state-owned companies. Due to capability challenges, the department will use consultants for this work.

Total expenditure is expected to decrease at an average annual rate of 79.5 per cent, from R36.2 billion in 2021/22 to R310.9 million in 2024/25. This is due to substantial allocations made to Eskom (R31.7 billion), South African Airways (R4.3 billion) and Denel (R3.0 billion) in 2021/22 for the settlement of debt and interest. Payments for financial assets account for 98.2 per cent (R23.6 billion) of total expenditure over the period ahead. These include additional amounts of R21.9 billion for Eskom and R1.8 billion for South African Airways in 2022/23. Compensation of employees is the department's second-largest expenditure item, increasing at an average annual rate of 5.8 per cent, from R159 million in 2021/22 to R188.1 million in 2024/25. To ensure that the department remains within the expenditure ceiling for compensation of employees over the medium term, only critical vacant posts, will be filled.

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 (%)		Medium-term expenditure estimate			Average growth rate (%)	
	2018/19	2019/20	2020/21		2021/22	2018/19 - 2021/22	2022/23	2023/24	2024/25	2021/22 - 2024/25	Average Expenditure/ Total (%)
R million	2018/19	2019/20	2020/21	2021/22	2018/19 - 2021/22	2022/23	2023/24	2024/25	2021/22	2024/25	Average Expenditure/ Total (%)
Programme 1	136.0	149.1	118.4	150.1	3.3%	0.3%	166.3	168.7	176.2	5.5%	1.0%
Programme 2	33.5	36.9	37.2	59.9	21.4%	0.1%	60.7	65.6	68.6	4.6%	0.4%
Programme 3	6 305.3	56 660.4	77 347.8	36 064.8	78.8%	97.8%	23 701.9	63.3	66.1	-87.8%	94.0%
Subtotal	6 474.8	56 846.4	77 503.4	36 274.8	77.6%	98.2%	23 928.9	297.6	310.9	-79.5%	95.4%
Direct charge against the National Revenue Fund	-	-	410.3	2 923.0	0.0%	1.8%	-	-	-	-100.0%	4.6%
Section 70 of the Public Finance Management Act (1999) payment: South African Express Airways SOC Ltd	-	-	143.4	-	0.0%	0.1%	-	-	-	0.0%	0.0%
Section 70 of the Public Finance Management Act (1999) payment: South African Airways SOC Ltd	-	-	266.9	-	0.0%	0.1%	-	-	-	0.0%	0.0%
Section 70 of the Public Finance Management Act (1999) payment: Denel SOC Ltd	-	-	-	2 923.0	0.0%	1.6%	-	-	-	-100.0%	4.6%
Total	6 474.8	56 846.4	77 913.7	39 197.8	82.3%	100.0%	23 928.9	297.6	310.9	-80.1%	100.0%
Change to 2021 Budget estimate				2 906.0			21 857.3	-	-		
Economic classification											
Current payments	215.5	234.0	212.9	268.6	7.6%	0.5%	290.5	293.5	306.7	4.5%	1.8%
Compensation of employees	143.8	149.2	141.2	159.0	3.4%	0.3%	177.5	180.0	188.1	5.8%	1.1%
Goods and services ¹	71.7	84.8	71.8	109.6	15.2%	0.2%	113.1	113.5	118.6	2.7%	0.7%
<i>of which:</i>											
<i>Audit costs: External</i>	4.0	3.9	3.5	4.8	6.8%	0.0%	4.9	4.9	5.2	2.2%	0.0%
<i>Consultants: Business and advisory services</i>	6.6	12.2	23.9	33.1	71.3%	0.0%	42.6	44.3	45.5	11.2%	0.3%
<i>Legal services</i>	6.2	14.2	6.0	6.7	2.8%	0.0%	10.6	10.2	10.2	15.0%	0.1%
<i>Operating leases</i>	15.9	13.4	13.5	12.8	-7.1%	0.0%	12.5	12.6	13.2	1.1%	0.1%
<i>Property payments</i>	3.7	5.0	4.0	4.9	10.2%	0.0%	6.5	6.5	6.8	11.4%	0.0%
<i>Travel and subsistence</i>	14.9	15.7	2.4	25.1	18.8%	0.0%	11.7	11.8	13.7	-18.3%	0.1%

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

Economic classification	Audited outcome			Adjusted appropriation 2021/22	Average growth rate (%) 2018/19 - 2021/22	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%) 2021/22 - 2024/25	Average: Expenditure/ Total (%)
	2018/19	2019/20	2020/21				2022/23	2023/24	2024/25		
R million											
Transfers and subsidies¹	1.0	8.1	1.2	0.6	-17.5%	0.0%	0.0	0.0	0.0	-67.0%	0.0%
Provinces and municipalities	0.0	0.0	0.0	0.0	14.5%	0.0%	0.0	0.0	0.0	5.3%	0.0%
Households	1.0	4.5	1.2	0.6	-18.0%	0.0%	-	-	-	-100.0%	0.0%
Payments for capital assets	9.3	4.2	5.2	3.7	-26.5%	0.0%	3.9	4.0	4.2	4.8%	0.0%
Machinery and equipment	8.8	4.2	5.2	3.7	-25.3%	0.0%	3.9	4.0	4.2	4.8%	0.0%
Software and other intangible assets	0.5	0.0	-	-	-100.0%	0.0%	-	-	-	0.0%	0.0%
Payments for financial assets	6 249.0	56 600.0	77 694.4	38 925.0	84.0%	99.5%	23 634.5	-	-	-100.0%	98.2%
Total	6 474.8	56 846.4	77 913.7	39 197.8	82.3%	100.0%	23 928.9	297.6	310.9	-80.1%	100.0%

1. Tables with expenditure trends, annual budget, adjusted appropriation and audited outcome are available at www.treasury.gov.za and www.vulekamali.gov.za.

Transfers and subsidies expenditure trends and estimates

Table 10.3 Vote transfers and subsidies trends and estimates

	Audited outcome			Adjusted appropriation 2021/22	Average growth rate (%) 2018/19 - 2021/22	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%) 2021/22 - 2024/25	Average: Expenditure/ Total (%)
	2018/19	2019/20	2020/21				2022/23	2023/24	2024/25		
R thousand											
Households											
Social benefits											
Current	1 029	4 539	1 166	567	-18.0%	66.8%	-	-	-	-100.0%	87.9%
Employee social benefits	1 029	4 539	1 166	567	-18.0%	66.8%	-	-	-	-100.0%	87.9%
Provinces and municipalities											
Municipal bank accounts											
Current	12	15	14	18	14.5%	0.5%	19	20	21	5.3%	12.1%
Municipal bank accounts	12	15	14	18	14.5%	0.5%	19	20	21	5.3%	12.1%
Public corporations and private enterprises											
Other transfers to public corporations											
Current	-	2 976	-	-	-	27.2%	-	-	-	-	-
Public Corporations Transfers: Department of Public Works	-	2 976	-	-	-	27.2%	-	-	-	-	-
Public corporations and private enterprises											
Other transfers to private enterprises											
Current	-	598	-	-	-	5.5%	-	-	-	-	-
Claims against state private enterprises	-	598	-	-	-	5.5%	-	-	-	-	-
Total	1 041	8 128	1 180	585	-17.5%	100.0%	19	20	21	-67.0%	100.0%

Personnel information

Table 10.4 Vote personnel numbers and cost by salary level and programme¹

Programmes																				
1. Administration																				
2. State-owned Companies Governance Assurance and Performance																				
3. Business Enhancement, Transformation and Industrialisation																				
Public Enterprises	Number of posts estimated for 31 March 2022	Number of posts funded posts	Number of posts additional to the establishment	Number and cost ² of personnel posts filled/planned for on funded establishment											Average growth rate (%)	Average: Salary level/ Total (%)				
				Actual			Revised estimate			Medium-term expenditure estimate										
				2020/21			2021/22			2022/23		2023/24		2024/25						
				Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost					
Public Enterprises	214	-	-	187	141.2	0.8	200	159.0	0.8	216	177.5	0.8	218	180.0	0.8	218	188.1	0.9	2.9%	100.0%
Salary level																				
1 – 6	19	-	-	17	4.4	0.3	17	4.6	0.3	19	5.2	0.3	19	5.1	0.3	19	5.3	0.3	3.8%	8.7%
7 – 10	77	-	-	74	34.7	0.5	76	38.8	0.5	78	40.9	0.5	78	40.3	0.5	78	42.2	0.5	0.9%	36.4%
11 – 12	43	-	-	37	32.4	0.9	37	34.2	0.9	44	41.6	0.9	46	43.3	0.9	46	45.2	1.0	7.4%	20.4%
13 – 16	73	-	-	58	69.7	1.2	68	77.0	1.1	73	85.2	1.2	73	86.7	1.2	73	90.6	1.2	2.4%	33.7%

Table 10.4 Vote personnel numbers and cost by salary level and programme¹ (continued)

Number of posts estimated for 31 March 2022		Number and cost ² of personnel posts filled/planned for on funded establishment												Average growth rate (%)	Average: Salary level/ Total (%)				
Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate			Medium-term expenditure estimate											
		2020/21		2021/22		2022/23		2023/24		2024/25		2021/22 - 2024/25							
		Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost			
Public Enterprises																			
Other	2	–	2	–	–	2	4.4	2.2	2	4.5	2.3	2	4.6	2.3	2	4.8	2.4	–	0.9%
Programme	214	–	187	141.2	0.8	200	159.0	0.8	216	177.5	0.8	218	180.0	0.8	218	188.1	0.9	2.9%	100.0%
Programme 1	120	–	100	68.4	0.7	106	79.1	0.7	123	97.2	0.8	125	99.1	0.8	125	103.5	0.8	5.6%	56.3%
Programme 2	36	–	32	28.1	0.9	36	32.1	0.9	35	31.7	0.9	35	31.9	0.9	35	33.4	1.0	-0.9%	16.5%
Programme 3	58	–	55	44.7	0.8	58	47.8	0.8	58	48.6	0.8	58	49.0	0.8	58	51.2	0.9	–	27.2%

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

2. Rand million.

Departmental receipts

Table 10.5 Departmental receipts by economic classification

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Average growth rate (%)	Average: Receipt item/ Total (%)	Medium-term receipts estimate			Average growth rate (%)	Average: Receipt item/ Total (%)
	2018/19	2019/20	2020/21					2021/22	2022/23	2023/24		
Departmental receipts	366	109	10 739	541	541	13.9%	100.0%	315	315	132	-37.5%	100.0%
Sales of goods and services produced by department	64	65	69	82	82	8.6%	2.4%	101	101	77	-2.1%	27.7%
Sales by market establishments	37	37	40	45	45	6.7%	1.4%	63	63	48	2.2%	16.8%
of which:												
Sales by market establishments	37	37	40	45	45	6.7%	1.4%	63	63	48	2.2%	16.8%
Other sales	27	28	29	37	37	11.1%	1.0%	38	38	29	-7.8%	10.9%
of which:												
Commission on insurance	26	28	29	37	37	12.5%	1.0%	38	38	29	-7.8%	10.9%
Replacement of security cards	1	–	–	–	–	-100.0%	–	–	–	–	–	–
Sales of scrap, waste, arms and other used current goods	–	–	–	–	–	–	–	–	–	1	–	0.1%
of which:												
Sales of scrap paper	–	–	–	–	–	–	–	–	–	1	–	0.1%
Interest, dividends and rent on land	–	–	–	–	–	–	–	4	4	2	–	0.8%
Interest	–	–	–	–	–	–	–	4	4	2	–	0.8%
Sales of capital assets	17	–	715	–	–	-100.0%	6.2%	65	65	15	–	11.1%
Transactions in financial assets and liabilities	285	44	9 955	459	459	17.2%	91.4%	145	145	37	-56.8%	60.3%
Total	366	109	10 739	541	541	13.9%	100.0%	315	315	132	-37.5%	100.0%

Programme 1: Administration

Programme purpose

Provide strategic leadership, management and support services to the department.

Expenditure trends and estimates

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

Subprogramme	Audited outcome			Adjusted appropriation	Average growth rate (%)		Medium-term expenditure estimate			Average growth rate (%)	
	2018/19	2019/20	2020/21		2021/22	2018/19 - 2021/22	2022/23	2023/24	2024/25	2021/22 - 2024/25	Average Expenditure/ Total (%)
R million											
Ministry	22.3	39.4	23.4	29.9	10.3%	20.8%	30.0	30.3	31.7	1.9%	18.4%
Management	11.9	11.0	5.8	15.8	9.9%	8.0%	13.8	18.4	19.2	6.6%	10.2%
Communications	33.6	28.9	32.9	35.0	1.3%	23.6%	38.2	38.7	40.4	4.9%	23.0%
Chief Financial Officer	17.2	20.8	18.8	20.4	6.0%	13.9%	22.4	22.6	23.6	4.9%	13.5%
Human Resources	27.5	24.4	17.6	24.2	-4.2%	16.9%	34.1	30.1	31.4	9.1%	18.1%
Internal Audit	3.6	5.5	3.9	6.9	24.1%	3.6%	8.1	8.5	8.9	9.0%	4.9%
Corporate Services	3.2	3.9	2.3	3.7	5.1%	2.4%	5.1	5.5	5.8	16.0%	3.1%
Office Accommodation	16.7	15.3	13.8	14.2	-5.3%	10.8%	14.6	14.6	15.3	2.5%	8.9%
Total	136.0	149.1	118.4	150.1	3.3%	100.0%	166.3	168.7	176.2	5.5%	100.0%
Change to 2021				(9.8)			7.6	8.8	9.2		
Budget estimate											
Economic classification											
Current payments	125.8	137.6	113.0	146.1	5.1%	94.4%	162.4	164.6	172.0	5.6%	97.6%
Compensation of employees	69.6	72.1	68.4	79.1	4.3%	52.2%	97.2	99.1	103.5	9.4%	57.3%
Goods and services	56.2	65.5	44.6	67.0	6.1%	42.1%	65.3	65.5	68.5	0.7%	40.3%
<i>of which:</i>											
<i>Audit costs: External</i>	4.0	3.9	3.5	4.8	6.8%	2.9%	4.9	4.9	5.2	2.2%	3.0%
<i>Computer services</i>	5.4	6.7	8.1	5.5	0.6%	4.6%	5.2	5.4	4.3	-7.8%	3.1%
<i>Consultants: Business and advisory services</i>	2.2	4.3	3.3	11.7	74.2%	3.9%	10.3	12.5	11.8	0.1%	7.0%
<i>Operating leases</i>	15.9	13.4	13.5	12.8	-7.1%	10.0%	12.5	12.6	13.2	1.1%	7.7%
<i>Property payments</i>	3.7	5.0	4.0	4.9	10.2%	3.2%	6.5	6.5	6.8	11.4%	3.7%
<i>Travel and subsistence</i>	10.0	11.1	2.0	11.1	3.3%	6.2%	7.3	6.4	8.0	-10.3%	4.9%
Transfers and subsidies	1.0	7.2	0.2	0.3	-31.8%	1.6%	0.0	0.0	0.0	-59.1%	0.1%
Provinces and municipalities	0.0	0.0	0.0	0.0	14.5%	-	0.0	0.0	0.0	5.3%	-
Public corporations and private enterprises	-	3.0	-	-	-	0.5%	-	-	-	-	-
Households	1.0	4.2	0.2	0.3	-32.9%	1.0%	-	-	-	-100.0%	-
Payments for capital assets	9.3	4.2	5.2	3.7	-26.5%	4.0%	3.9	4.0	4.2	4.8%	2.4%
Machinery and equipment	8.8	4.2	5.2	3.7	-25.3%	4.0%	3.9	4.0	4.2	4.8%	2.4%
Software and other intangible assets	0.5	0.0	-	-	-100.0%	0.1%	-	-	-	-	-
Payments for financial assets	0.0	0.0	0.0	-	-100.0%	-	-	-	-	-	-
Total	136.0	149.1	118.4	150.1	3.3%	100.0%	166.3	168.7	176.2	5.5%	100.0%
Proportion of total programme expenditure to vote expenditure	2.1%	0.3%	0.2%	0.4%	-	-	0.7%	56.7%	56.7%	-	-
Details of transfers and subsidies											
Households											
Social benefits											
Current	1.0	4.2	0.2	0.3	-32.9%	1.0%	-	-	-	-100.0%	-
Employee social benefits	1.0	4.2	0.2	0.3	-32.9%	1.0%	-	-	-	-100.0%	-
Public corporations and private enterprises											
Public corporations											
Other transfers to public corporations											
Current	-	3.0	-	-	-	0.5%	-	-	-	-	-
Public Corporations Transfers: Department of Public Works	-	3.0	-	-	-	0.5%	-	-	-	-	-
Households											
Other transfers to households											
Current	-	-	-	-	-	-	-	-	-	-	-
Employee social benefits	-	-	-	-	-	-	-	-	-	-	-

Personnel information

Table 10.7 Administration personnel numbers and cost by salary level¹

Number of posts estimated for 31 March 2022		Number and cost ² of personnel posts filled/planned for on funded establishment												Average growth rate (%)	Average: Salary level/ Total (%)			
Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate			Medium-term expenditure estimate										
		2020/21			2021/22			2022/23		2023/24		2024/25		2021/22 - 2024/25				
Administration		Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost		
Salary level	120	100	68.4	0.7	106	79.1	0.7	123	97.2	0.8	125	99.1	0.8	125	103.5	0.8	5.6%	100.0%
1 – 6	19	17	4.4	0.3	17	4.6	0.3	19	5.2	0.3	19	5.1	0.3	19	5.3	0.3	3.8%	15.4%
7 – 10	51	46	22.3	0.5	50	25.5	0.5	52	27.4	0.5	52	27.0	0.5	52	28.3	0.5	1.3%	42.9%
11 – 12	25	19	16.9	0.9	19	18.1	0.9	26	25.2	1.0	28	27.0	1.0	28	28.1	1.0	13.6%	21.2%
13 – 16	23	17	24.7	1.5	18	26.5	1.5	24	34.8	1.5	24	35.4	1.5	24	37.0	1.5	10.1%	18.8%
Other	2	2	–	–	2	4.4	2.2	2	4.5	2.3	2	4.6	2.3	2	4.8	2.4	–	1.7%

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 systems and legal support
 - 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 state-owned companies within the sector teams' portfolios.
- *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 the shareholder.
- *Financial Assessment and Investment Support* analyses state-owned companies' capital plans, operational performance, 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	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
	2018/19	2019/20	2020/21				2021/22	2022/23	2023/24		
R million											
Management	2.7	2.0	1.9	2.5	-3.3%	5.4%	2.9	3.0	3.2	8.6%	4.5%
Legal	12.1	11.1	11.6	14.5	6.4%	29.4%	17.9	17.5	17.8	7.0%	26.6%
Governance	8.8	11.6	12.6	23.6	39.0%	33.8%	27.5	33.0	35.2	14.3%	46.9%
Financial Assessment and Investment Support	9.9	12.2	11.2	19.3	25.0%	31.4%	12.3	12.1	12.4	-13.9%	22.0%
Total	33.5	36.9	37.2	59.9	21.4%	100.0%	60.7	65.6	68.6	4.6%	100.0%
Change to 2021 Budget estimate				(1.7)			(7.0)	(3.3)	(3.5)		

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

Economic classification	Audited outcome			Adjusted appropriation 2021/22	Average growth rate (%)		Medium-term expenditure estimate			Average growth rate (%)	
	2018/19	2019/20	2020/21		2018/19	2021/22	2022/23	2023/24	2024/25	2021/22 - 2024/25	Average: Expenditure/ Total (%)
R million											
Current payments	33.5	36.0	37.2	59.9	21.4%	99.4%	60.7	65.6	68.6	4.6%	100.0%
Compensation of employees	26.3	28.2	28.1	32.1	6.8%	68.5%	31.7	31.9	33.4	1.3%	50.6%
Goods and services	7.2	7.8	9.1	27.8	57.1%	30.9%	29.0	33.7	35.2	8.2%	49.3%
<i>of which:</i>											
<i>Communication</i>	0.2	0.2	0.2	0.3	25.4%	0.5%	0.3	0.3	0.3	3.4%	0.5%
<i>Consultants: Business and advisory services</i>	0.0	1.7	3.4	17.3	683.2%	13.4%	18.1	23.1	24.6	12.5%	32.6%
<i>Legal services</i>	5.5	4.9	5.3	6.4	4.9%	13.2%	10.2	9.8	9.8	15.6%	14.2%
<i>Travel and subsistence</i>	1.3	1.0	0.1	3.8	42.0%	3.7%	0.4	0.4	0.4	-52.1%	1.9%
<i>Venues and facilities</i>	0.0	-	0.0	0.1	71.9%	0.1%	0.0	0.0	0.0	-16.1%	0.1%
Transfers and subsidies	-	0.9	0.0	0.1	-	0.6%	-	-	-	-100.0%	-
Public corporations and private enterprises	-	0.6	-	-	-	0.4%	-	-	-	-	-
Households	-	0.3	0.0	0.1	-	0.2%	-	-	-	-100.0%	-
Total	33.5	36.9	37.2	59.9	21.4%	100.0%	60.7	65.6	68.6	4.6%	100.0%
Proportion of total programme expenditure to vote expenditure	0.5%	0.1%	0.0%	0.2%	-	-	0.3%	22.0%	22.1%	-	-
Details of transfers and subsidies											
Households											
Social benefits											
Current	-	0.3	0.0	0.1	-	0.2%	-	-	-	-100.0%	-
Employee social benefits	-	0.3	0.0	0.1	-	0.2%	-	-	-	-100.0%	-
Public corporations and private enterprises											
Private enterprises											
Other transfers to private enterprises											
Current	-	0.6	-	-	-	0.4%	-	-	-	-	-
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 level¹

State-owned Companies Governance Assurance and Performance	Number of posts estimated for 31 March 2022		Number and cost ² of personnel posts filled/planned for on funded establishment												Average growth rate (%)	Average: Salary level/ Total (%)			
	Number of funded posts	Number of posts additional to the establishment	Actual		Revised estimate		Medium-term expenditure estimate												
			2020/21	2021/22	2022/23	2023/24	2024/25	2021/22 - 2024/25											
Salary level	36	-	32	28.1	0.9	36	32.1	0.9	35	31.7	0.9	35	31.9	0.9	35	33.4	1.0	-0.9%	100.0%
7 – 10	11	-	8	4.5	0.6	11	6.7	0.6	11	6.8	0.6	11	6.7	0.6	11	7.1	0.6	-	31.2%
11 – 12	7	-	7	5.0	0.7	7	5.3	0.8	7	5.4	0.8	7	5.3	0.8	7	5.6	0.8	-	19.9%
13 – 16	18	-	17	18.5	1.1	18	20.1	1.1	17	19.5	1.1	17	19.8	1.2	17	20.7	1.2	-1.9%	48.9%

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 imperatives to align their compacts.

Subprogrammes

- *Energy Resources* exercises oversight of 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 oversight of 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; maintains a register of commitments by state-owned companies; and enables the implementation of special programmes focusing on skills development, transformation and young people.

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 (%)
	2018/19	2019/20	2020/21				2021/22	2022/23	2023/24		
R million											
Energy Resources	9.5	49 013.6	56 010.6	31 698.6	1394.1%	77.5%	21 867.6	6.6	6.9	-94.0%	89.5%
Research and Economic Modelling	6.9	6.7	6.6	10.7	15.7%	–	8.8	8.6	9.0	-5.8%	0.1%
Transport and Defence	6 262.1	7 619.2	21 311.9	4 327.8	-11.6%	22.4%	1 793.3	15.7	16.4	-84.4%	10.3%
Business Enhancement Services	26.7	21.0	18.7	27.7	1.1%	0.1%	32.3	32.4	33.9	7.0%	0.2%
Total	6 305.3	56 660.4	77 347.8	36 064.8	78.8%	100.0%	23 701.9	63.3	66.1	-87.8%	100.0%
Change to 2021 Budget estimate				(5.5)			21 856.8	(5.5)	(5.7)		
Economic classification											
Current payments	56.2	60.4	62.8	62.6	3.7%	0.1%	67.4	63.3	66.1	1.8%	0.4%
Compensation of employees	47.9	48.9	44.7	47.8	-0.1%	0.1%	48.6	49.0	51.2	2.3%	0.3%
Goods and services	8.3	11.5	18.1	14.8	21.2%	–	18.8	14.3	15.0	0.2%	0.1%
<i>of which:</i>											
Administrative fees	–	0.0	–	–	–	–	–	–	–	–	–
Communication	0.2	0.2	0.3	0.5	33.2%	–	0.4	0.5	0.5	-0.2%	–
Consultants: Business and advisory services	4.3	6.2	17.2	4.0	-2.4%	–	14.3	8.7	9.1	31.3%	0.1%
Entertainment	–	–	–	0.0	–	–	0.0	0.0	0.0	-43.9%	–
Travel and subsistence	3.6	3.6	0.4	10.2	41.9%	–	4.1	5.1	5.3	-19.8%	–
Venues and facilities	0.0	0.2	–	0.1	22.7%	–	0.1	0.1	0.1	5.8%	–
Transfers and subsidies	0.1	0.0	0.9	0.2	44.0%	–	–	–	–	-100.0%	–
Households	0.1	0.0	0.9	0.2	44.0%	–	–	–	–	-100.0%	–
Payments for financial assets	6 249.0	56 600.0	77 284.0	36 002.0	79.3%	99.9%	23 634.5	–	–	-100.0%	99.6%
Total	6 305.3	56 660.4	77 347.8	36 064.8	78.8%	100.0%	23 701.9	63.3	66.1	-87.8%	100.0%
Proportion of total programme expenditure to vote expenditure	97.4%	99.7%	99.8%	99.4%	–	–	99.1%	21.3%	21.3%	–	–

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

Details of transfers and subsidies		Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
		2018/19	2019/20	2020/21				2021/22	2022/23	2023/24		
R million												
Households												
Social benefits												
Current		0.1	0.0	0.9	0.2	44.0%	–	–	–	–	-100.0%	–
Employee social benefits		0.1	0.0	0.9	0.2	44.0%	–	–	–	–	-100.0%	–

Personnel information

Table 10.11 Business Enhancement, Transformation and Industrialisation personnel numbers and cost by salary level¹

Number of posts estimated for 31 March 2022		Number and cost ² of personnel posts filled/planned for on funded establishment															Average growth rate (%)	Average: Salary level/ Total (%)	
Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate			Medium-term expenditure estimate											
		2020/21			2021/22			2022/23			2023/24			2024/25			2021/22 - 2024/25		
Business Enhancement, Transformation and Industrialisation		Unit cost			Unit cost			Unit cost			Unit cost			Unit cost					
Salary level		Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost			
	58	–	55	44.7	0.8	58	47.8	0.8	58	48.6	0.8	58	49.0	0.8	58	51.2	0.9	–	100.0%
7 – 10	15	–	20	7.9	0.4	15	6.6	0.4	15	6.7	0.4	15	6.6	0.4	15	6.9	0.5	–	25.9%
11 – 12	11	–	11	10.4	0.9	11	10.8	1.0	11	11.0	1.0	11	11.0	1.0	11	11.5	1.0	–	19.0%
13 – 16	32	–	24	26.4	1.1	32	30.4	0.9	32	30.9	1.0	32	31.4	1.0	32	32.8	1.0	–	55.2%

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. The company holds a 51 per cent share in the Alexkor Richtersveld Mining Company Pooling and Sharing Joint Venture.

Over the medium term, the company will focus on expanding its diamond-mining operations. Although Alexkor mined more than 28 000 carats per year in 2019/20 and 2020/21, production did not increase year-on-year. Due to a lack of geological information and the relatively low carat value of its diamonds, particularly land-based ones, the joint venture struggled to attract investment.

To increase revenue, Alexkor acquired a licence to sell and market diamonds through the State Diamond Trader in November 2021. The department's immediate focus is to review Alexkor's operations to ensure it becomes sustainable. A service provider is expected to be appointed by the beginning of 2022/23 to help determine an optimal operating model for the state's mineral assets.

Alexkor generated unaudited revenue of R158 million in 2020/21, down 7 per cent from the R170 million it generated in 2019/20. This was mainly due to the suspension of operations in the first quarter of 2020/21 to comply with COVID-19 lockdown restrictions. The company downsized operations in 2020/21, resulting in retrenchments and resignations. As a result, it reported an unaudited after-tax profit of R34 million in 2020/21 compared to the R109 million loss it incurred in 2019/20.

Alexkor's liquidity has improved due to the settlement of significant obligations and reduced personnel costs. The company is solvent and does not have long-term debt, which has reduced its risk assessment as a going concern.

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 implementing its new operating business model to better position it for future sustainability. The

new operating model reduces Denel's structure from 6 core business units to 3 – engineering, manufacturing, and maintenance and overhaul. This change will not only result in decreased expenditure, but in the improved allocation of critical resources. It will also require that the company accelerate its disposal of non-core assets and businesses, improve supply chain policies, and align its IT infrastructure with its new organisational structure.

Denel generated revenue of about R2.8 billion in 2020/21 – a similar amount to 2019/20. The stagnant growth in revenue, generated mainly through the maintenance and overhaul unit, was largely a result of liquidity challenges that constrained operations and affected sales. The entity's 2021/22 balance sheet shows that it continues to face liquidity and solvency challenges. It does not have sufficient cash to meet operational requirements, including the payment of salaries and suppliers. This has resulted in core business units operating at an average capacity of less than 30 per cent. Denel has lost experienced personnel with critical skills, which threatens the sustainability of various defence industrial capabilities.

An allocation of R3 billion by government in 2021/22 enabled Denel to settle its guaranteed debt. This will support its equity position and materially reduce its interest obligations. However, the company's poor liquidity means that it is unable to adequately fund operational obligations, which limits its ability to fulfil contracts that generate cash flow.

Eskom

Eskom is mandated to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Significant progress has been made on the unbundling of 3 subsidiaries: transmission, generation and distribution. The transmission division was corporatised in 2021/22, and the generation and distribution divisions are expected to be corporatised in 2022/23.

At 64 per cent, Eskom's generation performance was poor in 2021/22, mainly due to a 27 per cent incidence of unplanned plant breakdowns. To improve maintenance at power stations and ensure the availability of power, the generation recovery plan focuses on detecting defects; reducing trips and full load losses; and accelerating the return of serviced units following long-term forced outages, partial load losses and boiler tube leaks, particularly at the Medupi and Kusile power stations. Medupi's last unit was commercialised in July 2021, and 3 of the 6 units at Kusile have been completed. As part of transitioning from coal to renewable energy technologies, in line with government's energy policy, Eskom is in the process of decommissioning old coal-fired power stations. Komati power station, which will be decommissioned in 2022, will be the first pilot site for this transition.

Eskom's revenue improved from R199.5 billion in 2019/20 to R204.3 billion in 2020/21, driven mainly by a tariff increase of 8.8 per cent, and the company's loss decreased from R20.8 billion in 2019/20 to R18.9 billion in 2020/21. However, its financial position remains weak, and the entity is not able to generate enough cash from operations to cover debt obligations when they become due. As at 30 September 2021, Eskom's debt amounted to R392 billion, while municipal arrears amounted to R40.9 billion. Given this weak financial position, government has committed to providing financial support to assist with the company's debt-service obligations, with an additional R21.9 billion allocated for this in 2022/23.

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.

The airline was placed under business rescue in December 2019 and the approved business rescue plan was published in August 2020. To implement the plan, R10.5 billion was allocated in the 2020 second adjustments budget. The restructured airline resumed operations in September 2021, operating domestically and regionally. However, the fourth wave of the COVID-19 pandemic negatively affected its restart and ramp-up plan as some destinations closed borders to South African carriers. Because the airline was in business rescue between December 2019 and April 2021, it did not generate any revenue from scheduled flights during this period, only a few charter flights.

The airline's total guaranteed debt was R16.4 billion. To settle it, government paid R10.2 billion in 2020/21, R4.3 billion in 2021/22, and is expected to pay the remaining R1.8 billion in the second quarter of 2022/23. The airline is in the process of disposing of some non-core assets as required by the appropriation conditions.

Government is in the process of concluding the sale of its majority shareholding in the airline to a strategic equity partner that is expected to bring in the funding and skills required to strengthen its balance sheet and improve operations. This partnership is expected to be finalised by the beginning of 2022/23. Over the medium term, the airline will focus on improving its operations as international flights resume.

South African Express Airways

South African Express Airways has experienced severe operational and financial challenges for several years, and despite financial support from government, has been unable to recover. 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, the process of receiving expressions of interest had commenced. It is expected that the airline will be sold in the fourth quarter of 2021/22.

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 will continue seeking viable partnerships to diversify its product offering by increasing its production of new timber products and investing in the tourism sector. Furthermore, the company plans to continue supporting communities near its operations through providing business opportunities, training and other services. The company is still struggling to increase investment in its strategic projects – particularly the Timbadola processing plant and the IFLOMA Mozambican investment – to ensure increased revenue in the future. However, with its current board and a full executive team, there has been a gradual shift in the company's ability to raise funding.

The company reported revenue of R920 million for 2020/21 – up by 11 per cent from the previous year despite challenging economic conditions. However, this still represents a loss of R45 million because of high fixed operating expenses. Increasing processing capacity through upgrading the Timbadola processing plant is one of the short- to medium-term activities envisaged to increase revenue. This will further reduce operating costs, particularly for repairs and maintenance.

The company's liquidity and solvency position is satisfactory as it is not highly indebted. It can raise funding based on the strength of its balance sheet and project viability without support from the fiscus. The company maintained an unqualified audit report for a second consecutive year with a reduced number of findings. Irregular expenditure decreased by 41 per cent, from R183 million in 2019/20 to R107 million in 2020/21.

Transnet

Transnet provides and operates freight transportation services and infrastructure. The company's operating model is geared towards lowering the cost of logistics in South Africa, promoting a modal shift from road to rail, creating partnerships with the private sector, developing skills, and supporting demand and market access for local producers and suppliers.

To sustain and expand its capacity, over a 5-year period ending in 2024/25, Transnet planned to invest R127.7 billion, 75.7 per cent (R96.7 billion) of which was earmarked to be invested in rail, ports and pipeline infrastructure across its operating divisions. However, capital expenditure for 2020/21 was reduced by 14 per cent, from R18.6 billion to R15.9 billion, due to the closure of some project sites during the COVID-19 pandemic. In 2021/22, the company expects capital expenditure to amount to R11.8 billion – 12 per cent less than its original target of R13.5 billion. An estimated 80 per cent of this capital expenditure will be from internally generated funds to reduce reliance on debt.

Revenue decreased from R75.2 billion in 2019/20 to R67.3 billion in 2020/21 due to the negative impact of the COVID-19 lockdowns. As a result, the entity reported a net loss of R8.4 billion in 2020/21 compared to a profit of R2.9 billion in 2019/20. The poor revenue performance in 2020/21 was exacerbated by the theft of cables

and related rail infrastructure, an inability to carry out maintenance operations during lockdowns, global supply chain bottlenecks, and challenges in government and global procurement, all of which disrupted rail operations.

However, the situation looks likely to improve. The resolution of contract disputes to acquire locomotives is set to improve the availability of rolling stock and maintenance material, as well as Transnet's ability to access certain parts from original equipment manufacturers. Security implementation plans are being prioritised within Transnet and in collaboration with state security agencies and related government departments to address the recurring loss of revenue and the unavailability and unreliability of the rail network due to security incidents in freight corridors. The cost of these incidents in 2021/22 is estimated to be more than R2 billion. Some Transnet customers are also open to collaborating to limit the occurrence of security incidents.

Through regular engagements and site visits, the department will monitor the implementation of structural reforms to ensure Transnet's economic recovery and address inefficiencies in the freight transport sector. In June 2021, the president announced the establishment of the Transnet National Ports Authority as an independent subsidiary of Transnet in line with the National Ports Act (2005). New port equipment will be procured with the objective of reversing the negative effects of a lack of maintenance at ports over the years.

The company will actively seek private-sector participation in port and rail freight. This investment in ports, which is envisaged to be in place by the end of 2022/23, is expected to contribute to the modernisation of and improvements in the capacity of the Ngqura container terminal, Durban container terminal pier 2, and Kaalfontein automotive terminal. The cost of the Durban port expansion alone is projected to be more than R100 billion. Private-sector investment is also expected to contribute to the migration from road to rail and reduce the cost of logistics. The department will collaborate with the Department of Transport to ensure the implementation of the road-to-rail strategy.