Vote 9

Public Enterprises

R thousand	2006/07 Main appropriation	Adjusted appropriation	Decrease	Increase
Amount to be appropriated	**683 457**	**2 869 923**	-	2 186 466
of which:				
Current payments	101 905	101 336	(569)	-
Transfers and subsidies	581 086	2 766 752	-	2 185 666
Payments for capital assets	466	1 835	-	1 369
Executive authority	Minister of Public Enterprises			
Accounting officer	Director-General of Public Enterprises			

Aim

The aim of the Department of Public Enterprises is to provide an effective state-owned enterprises shareholder management system, and to support and promote economic efficiency and competitiveness for a better life for all South Africans.

Changes to programme purposes and measurable objectives

No changes were made to programme purposes or measurable objectives

Adjusted Estimates of National Expenditure 2006

Table 9.1: Public Enterprises

Programme	2006/07						
		Additional appropriation					
R thousand	Main appropriation	Roll-overs	Unforeseeable /unavoidable	Virement	Other adjustments	Total additional appropriation	Adjusted appropriation
1 Administration	44 329	800	-	4 576	-	5 376	49 705
2. Analysis and Risk Management	16 723	-	-	(3 600)	-	(3 600)	13 123
3. Legal, Governance and Secretariat	15 204	-	2 030	(1 876)	-	154	15 358
4. Corporate Strategy and Structure	600 764	-	-	3 509	1 251 400	1 254 909	1 855 673
5. Corporate Finance and Transactions	6 437	3 336	-	(2 609)	928 900	929 627	936 064
Total	**683 457**	**4 136**	**2 030**	**-**	**2 180 300**	**2 186 466**	**2 869 923**
Economic classification							
Current payments	**101 905**	**674**	**-**	**(1 243)**	**-**	**(569)**	**101 336**
Compensation of employees	57 888	-	-	(3 883)	-	(3 883)	54 005
Goods and services	44 017	674	-	2 610	-	3 284	47 301
Financial transactions in assets and liabilities	-	-	-	30	-	30	30

Table 9.1: Public Enterprises (continued)

	2006/07						
		Additional appropriation					
R thousand	Main appropriation	Roll-overs	Unforeseeable /unavoidable	Virement	Other adjustments	Total additional appropriation	Adjusted appropriation
Transfers and subsidies	**581 086**	**3 336**	**2 030**	**-**	**2 180 300**	**2 185 666**	**2 766 752**
Provinces and municipalities	49	-	-	-	-	-	49
Departmental agencies and accounts	437	3 152	-	-	-	3 152	3 589
Public corporations and private enterprises	580 000	184	-	-	2 180 300	2 180 484	2 760 484
Households	600	-	2 030	-	-	2 030	2 630
Payments for capital assets	**466**	**126**	**-**	**1 243**	**-**	**1 369**	**1 835**
Machinery and equipment	466	126	-	1 217	-	1 343	1 809
Software and other intangible assets	-	-	-	26	-	26	26
Total	**683 457**	**4 136**	**2 030**	**-**	**2 180 300**	**2 186 466**	**2 869 923**

Details of adjustments to Estimates of National Expenditure 2006

Roll-overs – R4,136 million

Programme 1: Administration

R800 000 has been rolled over to complete the renovations to the department's accommodation, R674 000 for the contractor and other related costs and R126 000 for network cabling.

Programme 5: Corporate Finance and Transactions

R3,152 million has been rolled over for the Diabo Trust. These funds were not transferred to the trust in 2005/06 as planned, because it was not in a position to provide audited financial statements to the department.

R184 000 has been rolled over for Alexkor. These funds were not transferred to Alexkor in 2005/06 because the environmental study for Alexander Bay was not completed before the year end as scheduled. It is likely to be completed within the next four months.

Unforeseeable and unavoidable expenditure – R2,03 million

Programme 3: Legal, Governance and Secretariat

A court settlement of R2,03 million was paid to Mr MA Ramafolo for the injuries he sustained when he was electrocuted by high voltage power lines in 1993 in what was then the Lebowa Government. All debts and liabilities of the previous Lebowa government were assumed by national government when it took ownership of the power lines.

Virements

Table 9.2: Details on virements per programme and economic classification

Programme / Economic classification	R thousand From	To	Motivation
1. Administration	**(3 883)**	**8 429**	
Current payments	**(3 883)**	**7 138**	
Compensation of employees	(3 883)	-	These approved additional funds were incorrectly allocated here and have been shifted.
Goods and services	-	7 138	Funds shifted from goods and services (in programme 2) will be used for branding and consultants in communications, the minister's travel costs, audit fees, and the completion of renovations.
Transfers and subsidies	**-**	**1**	
Provinces and municipalities	-	1	Funds shifted from transfer to provinces and municipalities (in programme 3) will be used for RSC levies.
Payments for capital assets	**-**	**1 290**	
Machinery and equipment	-	1 264	Funds shifted from goods and services (in this programme) will be used to upgrade security systems and audio visual systems.
Software and other intangible assets	-	26	Funds shifted from goods and services (in this programme) will be used to upgrade the library systems.
2. Analysis and Risk Management	**(3 628)**	**28**	
Current payments	**(3 628)**	**-**	
Goods and services	(3 628)	-	Savings arose because programmes were restructured and projects realigned, causing delays.
Payments for capital assets	**-**	**28**	
Machinery and equipment	-	28	Funds shifted from goods and services (in this programme) will be used to buy equipment.
3. Legal , Governance and Secretariat	**(1 876)**	**-**	
Current payments	**(1 800)**	**-**	
Goods and services	(1 800)	-	Savings arose because programmes were restructured and projects realigned, causing delays.
Transfers and subsidies	**(1)**	**-**	
Provinces and municipalities	(1)	-	Savings arose because the RSC levy was phased out after June 2006.
Payments for capital assets	**(75)**	**-**	
Machinery and equipment	(75)	-	Savings are due to vacancies and related costs, such as cell phones and travel.
4. Corporate Strategy and Structure	**-**	**3 509**	
Current payments	**-**	**3 509**	
Compensation of employees	-	1 409	Funds shifted from compensation of employees (in programme 5) will be used for special services for projects in the Joint Project Facility.
Goods and services	-	2 100	Funds shifted from goods and services (in programme 2) will be used for hiring specialists for a Denel project to establish the Defence Fund.
5. Corporate Finance and Transactions	**(2 609)**	**-**	
Current payments	**(2 609)**	**-**	
Compensation of employees	(1 409)	-	Savings are due to vacant posts.
Goods and services	(1 200)	-	Savings arose because programmes were restructured and projects realigned, causing delays, and also because of costs related to vacancies.
Total for vote	**(11 996)**	**11 966**	

Other adjustments – R1,736 billion

Expenditure already announced in the budget speech of the Minister of Finance but not allocated at that stage

Programme 4: Corporate Strategy and Structure

R462 million has been allocated to the Pebble Bed Modular Reactor in addition to the R580 million already transferred by the department for the current financial year. Progress on the project from basic design to requiring long-lead materials and hardware necessitates funds in excess of those committed by existing shareholders.

R627 million has been allocated to InfraCo to buy the full service network (FSN) national long distance (NLD) network from Eskom/Transtel. The intervention in national long distance and international connectivity infrastructure should significantly reduce South Africa's presently high broadband costs.

Programme 5: Corporate Finance and Transactions

R80 million has been allocated to Alexkor to support its proposed strategy to return to profitability, which involves an extensive exploration programme and increased plant utilisation to reduce unit costs. Alexkor's cash reserves have been depleted and the company is technically insolvent.

R567 million has been allocated to Denel for its working capital and insolvency requirements to implement its new (2005) business strategy, following the R2 billion allocated in the 2006 ENE.

Self-financing expenditure

Programme 4: Corporate Strategy and Structure

R162,4 million is an adjustment for VAT for the Pebble Bed Modular Reactor.

Programme 5: Corporate Finance and Transactions

R1,9 million is an adjustment for VAT on previous transfers for Alexkor and R280 million is for Denel.

Expenditure 2005/06 and preliminary expenditure 2006/07

Table 9.3: Public Enterprises

Programme	2005/06				2006/07		
	Expenditure outcome				Preliminary expenditure		
R thousand	Adjusted appropriation	Apr 2005 - Sep 2005	Apr 2005 - Mar 2006	Apr 05 - Mar 06 % of adjusted appropriation	Adjusted appropriation	Apr 2006 - Sep 2006	% change 05/06 - 06/07 Apr - Sep
1. Administration	46 496	20 883	46 628	100,3	49 705	23 602	13,0
2. Analysis and Risk Management	7 402	3 758	7 093	95,8	13 123	5 866	56,1
3. Legal , Governance and Secretariat	12 407	3 955	12 263	98,8	15 358	4 896	23,8
4. Corporate Strategy and Structure	588 587	3 829	588 268	99,9	1 855 673	588 233	15262,6
5. Corporate Finance and Transactions	2 021 016	14 660	2 017 548	99,8	936 064	1 399	(90,5)
Total	**2 675 908**	**47 085**	**2 671 800**	**99,8**	**2 869 923**	**623 996**	**1225,3**
Current payments	**77 393**	**34 067**	**76 854**	**99,3**	**101 336**	**42 825**	**25,7**
Compensation of employees	42 614	22 392	42 442	99,6	54 005	23 483	4,9
Goods and services	34 779	11 675	34 412	98,9	47 301	19 315	65,4
Financial transactions in assets and liabilities	-	-	-	-	30	27	(100,0)
Transfers and subsidies	**2 597 441**	**12 848**	**2 593 998**	**99,9**	**2 766 752**	**580 037**	**4414,6**
Provinces and municipalities	134	67	129	96,3	49	36	(46,3)
Departmental agencies and accounts	3 626	-	372	10,3	3 589	-	-
Public corporations and private enterprises	2 593 581	12 781	2 593 397	100,0	2 760 484	580 000	4438,0
Households	100	-	100	100,0	2 630	1	(100,0)

Table 9.3: Public Enterprises (continued)

R thousand	2005/06 Expenditure outcome Adjusted appropriation	Apr 2005 - Sep 2005	Apr 2005 - Mar 2006	Apr 05 - Mar 06 % of adjusted appropriation	2006/07 Preliminary expenditure Adjusted appropriation	Apr 2006 - Sep 2006	% change 05/06 - 06/07 Apr - Sep
Payments for capital assets	**1 074**	**170**	**948**	**88,3**	**1 835**	**1 134**	**567,1**
Machinery and equipment	1 061	158	936	88,2	1 809	1 121	609,5
Software and other intangible assets	13	12	12	92,3	26	13	8,3
Total	**2 675 908**	**47 085**	**2 671 800**	**99,8**	**2 869 923**	**623 996**	**1225,3**

Selected expenditure trends for the first half of the 2006/07 financial year

Expenditure in the first six months of 2006/07 was R623,996 million, or 21,7 per cent of the adjusted appropriation of R2,87 billion for the year as a whole.

The main increase is in the *Corporate Strategy and Structure* programme, due to the once-off payment to the Pebble Bed Modular Reactor.

Summary of changes to transfers and subsidies, and conditional grants

Table 9.4: Summary of changes to transfers and subsidies per programme

R thousand	2006/07 Main appropriation	Additional appropriation Roll-overs	Unforeseeable /unavoidable	Virement	Other adjustments	Total additional appropriation	Adjusted appropriation
1. Administration	**619**	**-**	**-**	**1**	**-**	**1**	**620**
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	**19**	**-**	**-**	**1**	**-**	**1**	**20**
Regional Services Council levies	19	-	-	1	-	1	20
3. Legal , Governance and Secretariat	**9**	**-**	**2 030**	**(1)**	**-**	**2 029**	**2 038**
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	**9**	**-**	**-**	**(1)**	**-**	**(1)**	**8**
Regional Services Council levies	9	-	-	(1)	-	(1)	8
Households							
Other transfers							
Current	**-**	**-**	**2 030**	**-**	**-**	**2 030**	**2 030**
Legal claim	-	-	2 030	-	-	2 030	2 030
4. Corporate Strategy and Structure	**580 007**	**-**	**-**	**-**	**1 251 400**	**1 251 400**	**1 831 407**
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**580 000**	**-**	**-**	**-**	**1 251 400**	**1 251 400**	**1 831 400**
Pebble Bed Modular Reactor	580 000	-	-	-	624 400	624 400	1 204 400
InfraCo	-	-	-	-	627 000	627 000	627 000

Table 9.4: Summary of changes to transfers and subsidies per programme (continued)

	2006/07						
		Additional appropriation					
R thousand	Main appropriation	Roll-overs	Unforeseeable /unavoidable	Virement	Other adjustments	Total additional appropriation	Adjusted appropriation
5. Corporate Finance and Transactions	**441**	**3 336**	**-**	**-**	**928 900**	**932 236**	**932 677**
Departmental agencies and accounts							
Entities							
Current	**437**	**3 152**	**-**	**-**	**-**	**3 152**	**3 589**
Diabo Trust	437	3 152	-	-	-	3 152	3 589
Public corporations and private enterprises							
Public corporations							
Subsidies on products and production							
Current	**-**	**184**	**-**	**-**	**81 900**	**82 084**	**82 084**
Alexkor	-	184	-	-	81 900	82 084	82 084
Capital	**-**	**-**	**-**	**-**	**847 000**	**847 000**	**847 000**
Denel	-	-	-	-	847 000	847 000	847 000