

Vote 19

Defence

Budget summary

R thousand	2008/09				2009/10	2010/11
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	2 426 930	2 390 654	22 954	13 322	2 741 808	3 022 963
Landward Defence	6 792 237	4 827 873	1 925 380	38 984	7 729 488	8 503 142
Air Defence	9 006 514	2 976 466	6 007 012	23 036	8 349 125	8 912 754
Maritime Defence	1 809 630	1 413 528	376 704	19 398	2 009 108	2 005 189
Military Health Support	2 119 145	2 035 093	14 489	69 563	2 446 585	2 609 049
Defence Intelligence	509 850	174 137	335 014	699	579 687	608 462
General Support	3 933 746	2 816 323	915 153	202 270	4 237 268	4 687 027
Force Employment	1 635 103	1 416 837	163 873	54 393	1 767 498	1 851 887
Total expenditure estimates	28 233 155	18 050 911	9 760 579	421 665	29 860 567	32 200 473
Executive authority	Minister of Defence					
Accounting officer	Secretary for Defence					
Website address	www.dod.mil.za					

Aim

The aim of the Department of Defence is to defend and protect the Republic of South Africa, its territorial integrity and its people, in accordance with the Constitution and the principles of international law regulating the use of force.

Programme purposes, objectives and measures

Objectives are measured against full compliance with the readiness schedule of the South African National Defence Force (SANDF) as contained in the force requirements of the Chief of the SANDF for the short to medium term. The details of the planned outputs are in the confidential strategic plans of the department.

Programme 1: Administration

Purpose: Conduct the policy development, management and administration of the department.

Programme 2: Landward Defence

Purpose: Provide prepared and supported landward defence capabilities for the defence and protection of South Africa.

Objectives and measures:

- Defend and protect South Africa and its territory by:
 - providing 3 infantry battalions a year for external deployment, 3 companies for internal deployment, 1 air landed battalion and 2 multi-role battalions in reserve and 4 battalions involved in exercises
 - exercising 1 tank squadron and 1 armoured car squadron a year
 - exercising 1 composite artillery regiment and 1 light artillery battery and having 1 light artillery battery in reserve a year

- exercising 1 air defence artillery regiment and 1 light air defence artillery battery and having 1 light air defence artillery battery in reserve a year
- providing 3 engineer squadrons for external deployment, 1 composite engineer squadron for internal deployment, and exercising 1 parachute engineer squadron a year.

Programme 3: Air Defence

Purpose: Provide prepared and supported air defence capabilities for the defence and protection of South Africa.

Objectives and measures:

- Defend and protect South Africa and its airspace by:
 - providing 4 helicopter squadrons and 1 combat support squadron a year
 - providing 3 medium transport squadrons, 1 maritime and transport squadron, 1 light transport squadron and 9 reserve squadrons at the required readiness levels a year
 - providing 1 air combat squadron a year
 - providing a 24-hour air command and control capability.

Programme 4: Maritime Defence

Purpose: Provide prepared and supported maritime defence capabilities for the defence and protection of South Africa.

Objectives and measures:

- Defend and protect South Africa and its maritime zones by:
 - providing 4 frigates, 1 combat support vessel, 3 inshore patrol vessels and a maritime reaction squadron a year
 - patrolling and defending the South African maritime zones and providing maritime support during operations by providing 1 submarines a year
 - ensuring safe access to South African harbours and where mine clearance may be required by providing 2 mine countermeasures systems a year.

Programme 5: Military Health Support

Purpose: Provide prepared and supported health capabilities and service for the defence and protection of South Africa.

Objectives and measures:

- Provide medical support elements for deployed and contingency forces by providing 5 medical battalion groups, including 1 specialist medical battalion group, a year.
- Provide a comprehensive multidisciplinary military health service to a patient population of 230 000 a year.

Programme 6: Defence Intelligence

Purpose: Provide a defence intelligence and counter-intelligence capability.

Objectives and measures:

The detail of the output of *Defence Intelligence* is classified and not available to the public.

Programme 7: General Support

Purpose: Provide general support capabilities and services to the department.

Objectives and measures:

- Ensure 90 per cent serviceability of deployed equipment by providing a joint logistic operational support group. (This means that 90 per cent of equipment deployed is in working condition.)
- Repair and maintain the department's facilities over the next 3 years to a projected total of 32 facilities (12 in 2008/09, 10 in 2009/10 and 10 in 2010/11).
- Provide centralised command and management information capabilities by ensuring that the mainframe service is available 98 per cent of the time and the wide area network 95 per cent of the time.
- Reduce the number of new cases under investigation by the military police by 5 per cent a year by sustaining one provost company for deployment, and 22 area offices and 21 detachments for investigations and crime prevention.

Programme 8: Force Employment

Purpose: Provide and employ defence capabilities, including an operational capability, to successfully conduct all operations, and joint, interdepartmental and multinational military exercises.

Objectives and measures:

- Provide a special operations capability in accordance with national requirements.
- Promote peace and security by conducting and participating in an average of 9 external peace missions a year.
- Manage defence capability by conducting 36 joint, interdepartmental and multinational military force preparation exercises over the next 3 years.
- Undertake missions in support of other government departments and to comply with international obligations.

Strategic overview and key policy developments: 2004/05 – 2010/11

The Department of Defence is actively promoting peace, stability and security in Africa and the Southern African Development Community (SADC). The South African National Defence Force (SANDF) is deployed in peace support operations in, primarily, the Democratic Republic of the Congo (DRC), Burundi and Sudan. 3 084 members will be prepared annually for deployment and various military exercises are planned to evaluate force readiness.

Over the next three years, the department will aim to increase its diplomatic representation from 32 to 37 countries.

In strengthening the core growth one-force concept of ensuring that the regular full time force and part time reserve force constitute an integrated defence force that is capable of defending South Africa at any time, 38 584 reserve members will be called up. The department will aim to equip 12 590 young South Africans with basic military skills.

Key policy developments

The 2007 Defence Update, which is a response to the White Paper on Defence (1996) and the defence review process (1996 to 1998), proposes a force design that is able to meet both the constitutional obligations of defending South Africa and its territorial integrity, and the diverse requirements facing South Africa in its pursuit of the African Agenda, which promotes peace and stability on the continent. It gives specific attention to the strategic changes that have arisen with the establishment of the African Union and will strategically position the SANDF to deal with peace and security on the continent, and with the equally important functions of conventional warfare, peacekeeping, humanitarian assistance and disaster relief. The core growth one-force concept will underpin the design of the future force. This means having a defence force that is resourced and has the flexibility to react to any eventuality.

The resource strategies to support this force design will focus on command and management information systems, human resources, matériel, prime mission equipment and finances. Defence will develop a long term implementation plan to facilitate the implementation of this policy vision with substrategies in all the resource areas. The medium and long term strategy of the department will be to provide government with balanced and flexible forces to meet all possible defence contingencies.

The Defence Update seeks to make the landward forces, the backbone of South Africa's peace and stability initiative on the continent, more flexible and mobile through modernising and renewing the main equipment over the next 30 years. The first priority will be the light and mobile forces, airborne forces, intelligence and engineer elements used mainly in the support of international commitments. The second priority will be the conventional and mechanised elements of the SANDF's landward capability, such as mechanised infantry, artillery and armour.

Other key policy priority areas are: rejuvenating the department's manpower composition through more people going through the military skills development programme; renovating, repairing and maintaining infrastructure and facilities which urgently need it; and improving administrative processes and accountability.

Recent achievements

The SANDF continued its peace support and post-conflict reconstruction operations in the DRC, Burundi, Ethiopia, Eritrea, Sudan, Côte d'Ivoire and Nepal. SANDF elements contributed to the success of election processes in Comoros, the DRC, Madagascar and Lesotho.

Relief and rescue support was provided in the aftermath of the floods in Mozambique. Support was provided to clear the Maputo area of unexploded ammunition after the explosion at an ammunition storage facility. 1 213 tons of dangerous, unexploded ammunition were destroyed. 5 094 SANDF members assisted the national Department of Health with specialised essential services and support during the public service strike.

Forces are also now being deployed to the Central African Republic (CAR) to assist the CAR defence force with capacity building. SANDF special force members will protect the president of the CAR.

The military skills development system continues to provide excellent results through intakes of around 4 710 members per year. 240 learners completed the youth foundation training programme, of which 180 are now employed by the department.

The Department of Defence hosted the fifth African Women's Peace Table in which 10 countries shared best practices on the promotion of gender equity in the regional armed forces.

In 2007/08, the SA Navy participated in a fleet exercise with a sizeable North Atlantic Treaty Organisation task group. Two Exocet missiles and a SUT 264 torpedo were successfully fired in South African waters. The naval dockyard was transferred to Armscor during the second quarter of the year.

Eight new defence missions were opened in Kenya, Sudan, Côte d'Ivoire, Algeria, United Arab Emirates, Saudi Arabia, Uganda and Belgium, increasing the total number to 32.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Total number of defence diplomatic missions	23	24	31	32	37	37	37
Number of external operations	10	10	14	11	9	9	9
Average number of personnel deployed daily in external missions	3 013	3 022	4 810	2 698	3 084	3 084	3 084
Average number of personnel deployed daily in internal operations (Operation INTEXO)	2 016	1 512	1 176	1 176	504	504	504
Number of internal operations in support of other government departments	8	8	3	1	1	1	1
Number of flying hours in support of operations	14 846	11 484	9 788	9 500	9 500	9 500	9 500

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Number of sea hours on patrol in South African maritime zones	5 754	7 390	9 949	9 648	10 478	11 000	11 000
Number of health care interventions per member	10.2	13.7	13.6	13.8	14	14	14
Number of joint and interdepartmental exercises	3	4	6	1	3	1	2
Number of multinational exercises	5	5	10	6	10	10	10
Number of members trained through the military skills development system	1 949	4 308	4 710	4 677	2 972	4 445	5 173
Number of active reserves	21 887	17 340	13 050	12 583	12 210	13 187	13 187
Number of students graduating from the Military Academy with a Bachelor's degree.	43	40	44	38	45	45	45
Number of members professionally developed at senior departmental training institutions. (SANDF Defence College, SANDF War College, Warrant Officers' Academy)	165	167	185	184	189	189	189

Expenditure estimates

Table 19.1 Defence

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
R thousand								
1. Administration	1 604 943	1 821 341	1 961 646	2 111 200	2 111 200	2 426 930	2 741 808	3 022 963
2. Landward Defence	4 558 985	4 915 898	5 700 082	6 435 829	6 435 829	6 792 237	7 729 488	8 503 142
3. Air Defence	5 166 817	7 907 372	7 243 478	8 000 932	8 000 932	9 006 514	8 349 125	8 912 754
4. Maritime Defence	3 614 493	3 006 169	2 628 781	2 351 994	2 351 994	1 809 630	2 009 108	2 005 189
5. Military Health Support	1 325 937	1 557 221	1 705 244	1 846 274	1 846 274	2 119 145	2 446 585	2 609 049
6. Defence Intelligence	196 235	214 662	348 531	402 193	402 193	509 850	579 687	608 462
7. General Support	2 432 251	2 503 878	2 744 362	3 507 979	3 364 895	3 933 746	4 237 268	4 687 027
8. Force Employment	1 301 682	1 584 000	1 485 460	1 635 385	1 635 385	1 635 103	1 767 498	1 851 887
Total	20 201 343	23 510 541	23 817 584	26 291 785	26 148 701	28 233 155	29 860 567	32 200 473
Change to 2007 Budget estimate				369 530	226 446	216 801	1 228 797	1 809 021

Economic classification

	12 363 972	13 382 070	14 500 470	16 102 917	16 102 917	18 050 911	19 847 218	21 580 235
Current payments								
Compensation of employees	7 722 601	8 196 352	9 037 595	9 726 700	9 726 700	10 687 269	11 522 998	12 549 547
Goods and services	4 606 529	5 085 610	5 444 918	6 376 217	6 376 217	7 363 642	8 324 220	9 030 688
<i>of which:</i>								
Communication	97 230	80 718	92 393	84 470	84 470	87 714	89 770	93 703
Computer services	600 735	492 375	682 996	739 592	739 592	818 986	885 035	932 882
Consultants, contractors and special services	128 916	144 819	314 309	333 839	333 839	391 039	437 886	445 629
Inventory	862 272	991 902	1 011 061	1 233 380	1 233 380	1 451 663	1 617 102	1 788 866
Maintenance, repairs and running costs	1 251 388	1 523 747	1 513 252	2 093 634	2 093 634	2 602 663	3 158 524	3 484 548
Operating leases	166 215	192 202	410 330	389 263	389 263	420 824	452 617	456 146
Travel and subsistence	590 135	640 547	429 388	443 408	443 408	449 593	450 495	465 644
Financial transactions in assets and liabilities	34 842	100 108	17 957	-	-	-	-	-
Transfers and subsidies	7 352 677	9 715 850	8 882 838	9 653 980	9 653 980	9 760 579	9 393 221	9 953 916
Provinces and municipalities	14 855	15 144	3 967	-	-	-	-	-
Departmental agencies and accounts	7 050 888	9 265 943	8 288 459	9 087 651	9 087 651	9 104 979	8 716 017	9 250 470
Public corporations and private enterprises	284 097	359 515	396 286	467 427	467 427	530 624	561 564	587 157
Non-profit institutions	2 837	2 792	2 752	3 432	3 432	3 956	4 025	4 202
Households	-	72 456	191 374	95 470	95 470	121 020	111 615	112 087
Payments for capital assets	484 694	412 621	434 276	534 888	391 804	421 665	620 128	666 322
Buildings and other fixed structures	79 638	73 884	49 173	218 116	75 032	112 143	252 277	248 650
Machinery and equipment	405 056	336 173	383 820	308 712	308 712	308 107	367 036	416 954
Cultivated assets	-	-	-	-	-	60	66	69
Software and other intangible assets	-	2 564	1 283	8 060	8 060	1 355	749	649
Total	20 201 343	23 510 541	23 817 584	26 291 785	26 148 701	28 233 155	29 860 567	32 200 473

Expenditure trends

Between 2004/05 and 2007/08, expenditure increased from R20.2 billion to R26.3 billion, at an average annual rate of 9.2 per cent. Over the medium term, expenditure is estimated to increase to R32.2 billion in 2010/11, an average annual rate of 7 per cent. The increase over both periods is mainly due to the initial increases in the strategic defence procurement programme and the provision for the procurement of a strategic airlift capability in *Air Defence*.

Air Defence dominates expenditure over the period under review, consuming 32 per cent of the department's total expenditure in 2008/09. Provision for the procurement of the Gripen advanced light fighter aircraft, as well as the strategic airlift capability programme is made within this programme. *Landward Defence* consumes 24 per cent, *General Support* 14 per cent, and *Military Health Support* 7.5 per cent of total departmental expenditure in 2008/09. By 2010/11 the allocation for *Air Defence* decreases to 27.7 per cent, increases to 26.4 per cent for *Landward Defence*, increases to 14.6 per cent for *General Support*, and increases to 8.1 per cent for *Military Health Support*. The change in the composition of the allocations is due to: the gradual decrease in the provisions for the two *Air Defence* procurement programmes as they approach completion; the initiation of some *Landward Defence* equipment renewal; increases in the provision for military skills development over the latter part of the MTEF period; increases for repair and maintenance of defence infrastructure in the *General Support* programme; and the higher than average increase in remuneration of health professionals in the *Military Health Support* programme. Expenditure in the *Administration* programme is dominated by the property management portfolio, which grows at an average annual rate of 10.7 per cent between 2004/05 and 2007/08, and growth increases at an average annual rate of 18 per cent over the medium term, mainly to provide for accommodation charges.

Compensation of employees is the largest expenditure item on the vote, amounting to R10.7 billion, or 37.9 per cent of the total budget in 2008/09. Transfers and subsidies amount to R9.8 billion, or 34.6 per cent of the vote in 2008/09, of which R9.1 billion is transferred to the special defence account. Goods and services amount to R7.4 billion, or 26.1 per cent of the vote in 2008/09. Over the medium term, the allocation for compensation of employees increases to 39 per cent, goods and services increases to 28.1 per cent, and transfers and subsidies decreases to 31 per cent. The decrease in transfers and subsidies is due to the gradual completion of the strategic defence procurement programme in 2011/12, while the increase in goods and services is due to additional provisions for military skills development, maintenance of defence infrastructure and facilities, accommodation charges, opening of defence attaché offices, SITA-D tariff increases (a unique defence system supported by SITA), implementation and rollout of the balanced scorecard system, the establishment of a works regiment, and increased maintenance of the Oryx helicopter system. The increase in compensation of employees is due to the implementation of the 2007 resolution of the Public Service Coordinating Bargaining Council for which additional funds average R414 million annually over the medium term. The increase in payments for capital assets from R412.6 million in 2005/06 to R666.3 million in 2010/11 is mainly due to the provision for the upgrade of the runways and hardstands (parking areas for aircraft) at the Waterkloof Air Force Base, the procurement of vehicles and trailers for joint operations, and the replacement of communication equipment.

The Department of Defence has identified efficiency savings of R23.2 million in 2008/09, R50 million in 2009/10 and R99.1 million in 2010/11, mainly within goods and services in the following programmes:

- *Landward Defence* programme - R6.9 million in 2008/09, R14.9 million in 2009/10 and R29.4 million in 2010/11. Savings have been identified in telephone costs, subsidised motor vehicle schemes, rail freight and training services, excluding provisions for armament acquisition.
- *General Support* programme - R3.8 million in 2008/09, R8.1 million in 2009/10 and R16.1 million in 2010/11. Savings have been identified in telephone costs, data lines and computer networks, subsidised motor vehicles schemes, catering, consultants, subsistence and travel, furniture components, household appliances and food preparation accessories.
- Other programmes – Savings have been identified on unnecessary expenditure on supporting services such as the utilisation of military transport, subsistence and travel, entertainment, catering, consultants and administrative systems.

For infrastructure spending, in 2007/08, the department is funding 17 capital works building programmes. The bulk of the work is being done on building and upgrading military health facilities, upgrading office accommodation, installing fire protection systems, upgrading aircraft parking areas, training facilities and adjusting buildings to accommodate physically handicapped members. Over the medium term, provision is being made for upgrading parking facilities for boats, constructing some residential accommodation, constructing a K-53 vehicle training facility, and two ordnance hangars. The capital works programme decreases from R103 million in 2007/08 to R90 million in 2010/11 to make provision for prioritised projects in the repair and maintenance programme (RAMP).

In consultation with the Department of Public Works, the department continued with the RAMP at the military hospitals in Pretoria and Cape Town, the Waterkloof air force base in Pretoria, the infantry base in Middelburg, Mpumalanga, and the engineer support regiment in Dunnottar. Over the medium term, the programme is extended to the naval base in Simon's Town, the artillery regiments in Potchefstroom, the school of engineers in Kroonstad, the engineer regiment in Bethlehem, the parachute facilities in Bloemfontein, the combat training centre facilities in Lohatla, the SA Army office in Pretoria, the air force and Blenny complex in Pretoria, the communication facilities at Boekenhoutskloof and Rooiwal, the naval facilities in Saldanha, the military veterinary institute in Potchefstroom, the air defence artillery facilities in Kimberley, the tactical intelligence regiment in Potchefstroom, and the infantry bases in Bloemfontein, Phalaborwa, Upington, Grahamstown, Doornkop, Mafikeng, Kimberley and Mtubatuba. Based on additional allocations received, the RAMP increases from R330 million in 2007/08 to R526 million in 2010/11.

Strategic defence procurement

Quantities of acquired strategic armaments and related projected costs per year (R million)

Financial year	Cost of 4 frigates	Cost of 3 submarines	Cost of 30 utility helicopters	Cost of 26 fighter aircraft	Cost of 24 trainer aircraft	Total cost of strategic armaments
2000	1 643	126	154	228	750	2 901
2001	1 846	755	316	446	861	4 223
2002	1 895	1 528	434	1 104	1 381	6 342
2003	2 100	1 461	213	713	1 376	5 864
2004	1 188	1 303	106	1 460	445	4 502
2005	599	1 254	235	3 199	1 045	6 331
2006	378	820	447	2 599	293	4 537
2007	–	753	201	2 794	767	4 515
2008	41	23	176	3 457	185	3 882
2009	–	130	169	1 447	98	1 843
2010	–	–	–	1 323	–	1 323
2011	–	–	–	1 136	–	1 136
Total	9 690	8 152	2 451	19 908	7 200	47 401

The SA Navy has received all 4 valour class frigates, which have been deployed in various missions such as exercises with foreign navies, escorting the first submarine to South Africa, patrolling South African maritime zones, and goodwill visits to African and South American countries.

2 of the 3 submarines have been delivered to the SA Navy. The third submarine will arrive in April 2008.

22 of the 30 A109 light utility helicopters had been delivered by the end of December 2007. The first successful search and rescue operation with this helicopter was executed in the Drakensberg in November 2006, and the first external operational deployment took place during the flood relief operations in Mozambique in March and April 2007.

The Gripen advanced light fighter aircraft programme is on schedule, with deliveries scheduled to begin in 2008/09. The first Gripen arrived in South Africa in 2006/07 for flight trials at the Overberg test flight and development centre.

20 of the 24 Hawk lead-in trainer aircraft have been delivered, and will be combat ready in 2008.

Departmental receipts

Departmental receipts are mainly from the sale of redundant or obsolete equipment and defence matériel, the rental of accommodation to personnel, and board and lodging. In 2005/06, the reimbursements from the United Nations were reclassified from sales of goods and services to financial transactions in assets and liabilities. In

2006/07 it was changed back to sales of goods and services, which explains the decrease and increase under the relevant receipt types.

Table 19.2 Departmental receipts

R thousand	Audited outcome			Revised	Medium-term receipts estimate		
	2004/05	2005/06	2006/07	Estimate 2007/08	2008/09	2009/10	2010/11
Departmental receipts	465 742	729 136	492 792	503 534	505 353	515 418	543 701
Sales of goods and services produced by department	278 527	95 152	111 723	332 176	332 469	339 118	359 465
Sales of scrap, waste and other used current goods	144 495	137 642	58 040	128 103	14 173	12 147	12 633
Fines, penalties and forfeits	2 122	2 448	2 272	2 564	2 564	2 564	2 718
Interest, dividends and rent on land	398	337	813	398	398	417	443
Sales of capital assets	–	–	5 749	–	115 456	120 074	124 877
Financial transactions in assets and liabilities	40 200	493 557	314 195	40 293	40 293	41 098	43 565
Total	465 742	729 136	492 792	503 534	505 353	515 418	543 701

Programme 1: Administration

Purpose: Conduct the policy development, management and administration of the department.

Expenditure estimates

Table 19.3 Administration

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	appropriation 2007/08	2008/09	2009/10	2010/11
R thousand							
Minister ¹	791	843	887	951	1 019	1 072	1 127
Deputy Minister ²	643	685	721	773	828	871	916
Ministerial Direction	10 660	12 856	14 967	13 354	17 763	17 396	19 212
Departmental Direction	12 534	10 435	13 941	16 759	20 133	22 329	23 259
Policy and Planning	61 883	63 460	68 499	67 749	78 984	80 791	85 675
Financial Services	170 618	155 831	165 875	195 879	206 155	218 332	227 320
Human Resources Support Services	311 123	476 100	482 177	431 375	457 166	491 478	511 898
Legal Services	66 565	73 565	81 251	88 435	105 275	110 796	115 531
Inspection Services	39 050	36 900	35 905	45 586	47 638	49 867	51 745
Acquisition Services	37 477	39 472	41 083	45 025	59 463	65 209	67 621
Communication Services	20 342	17 910	19 433	22 759	23 795	24 805	25 765
South African National Defence Force Command and Control	6 281	6 125	7 097	7 235	7 477	7 832	8 119
Religious Services	4 153	4 518	5 377	4 738	5 171	5 138	5 309
Defence Reserve Direction	11 979	11 434	9 877	13 951	11 455	12 663	12 514
Defence Foreign Relations	60 313	65 512	73 238	84 123	97 491	97 037	104 661
Property Management	790 531	845 695	941 318	1 072 508	1 287 117	1 536 192	1 762 291
Total	1 604 943	1 821 341	1 961 646	2 111 200	2 426 930	2 741 808	3 022 963
Change to 2007 Budget estimate				176 531	166 368	211 097	377 328

1. Payable as from 1 April 2007. Salary: R761 053. Car allowance: R190 262.

2. Payable as from 1 April 2007. Salary: R618 586. Car allowance: R154 641.

Table 19.3 Administration (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Economic classification							
Current payments	1 587 401	1 782 792	1 910 107	2 052 563	2 390 654	2 710 421	2 991 795
Compensation of employees	583 820	707 381	706 974	710 443	798 659	855 428	900 673
Goods and services	987 852	1 058 906	1 191 497	1 342 120	1 591 995	1 854 993	2 091 122
<i>of which:</i>							
Communication	7 117	6 888	8 342	2 615	12 361	12 708	13 057
Computer services	1 110	54 238	72 535	77 621	51 477	54 747	56 816
Consultants, contractors and special services	4 235	5 825	12 331	12 817	29 287	28 221	28 432
Inventory	15 655	16 417	15 536	21 699	31 631	38 605	33 962
Maintenance, repairs and running costs	410 436	436 196	532 632	570 309	753 388	970 400	1 165 837
Operating leases	134 109	150 533	157 228	168 521	183 700	201 556	211 225
Travel and subsistence	33 034	29 202	41 000	49 879	60 874	59 288	65 450
Financial transactions in assets and liabilities	15 729	16 505	11 636	–	–	–	–
Transfers and subsidies	9 413	20 533	32 772	38 321	22 954	18 092	18 517
Provinces and municipalities	1 025	1 090	286	–	–	–	–
Departmental agencies and accounts	5 885	7 102	7 720	8 391	8 800	8 900	9 200
Non-profit institutions	2 503	2 477	2 500	2 862	3 376	3 545	3 722
Households	–	9 864	22 266	27 068	10 778	5 647	5 595
Payments for capital assets	8 129	18 016	18 767	20 316	13 322	13 295	12 651
Machinery and equipment	8 129	17 982	18 670	20 099	13 077	13 048	12 402
Software and other intangible assets	–	34	97	217	245	247	249
Total	1 604 943	1 821 341	1 961 646	2 111 200	2 426 930	2 741 808	3 022 963

Details of major transfers and subsidies

Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	5 885	7 102	7 720	8 391	8 800	8 900	9 200
Safety and Security Sector Education and Training Authority	5 885	7 102	7 720	8 391	8 800	8 900	9 200
Nonprofit institutions							
Current	2 503	2 477	2 500	2 862	3 376	3 545	3 722
Reserve Force Council	2 461	2 477	2 500	2 862	3 376	3 545	3 722
Households							
Social benefits							
Current	–	9 864	22 266	27 068	10 778	5 647	5 595
Severance packages	–	9 864	22 266	27 068	10 778	5 647	5 595

Expenditure trends

Expenditure in the *Administration* programme increases at an average annual rate of 11 per cent between 2004/05 and 2010/11, rising from R1.6 billion to R3 billion. The new *Property Management* subprogramme, resulting from the devolution of funds from the Department of Public Works, has doubled the programme's proportion of the department's total expenditure to an average of 8.8 per cent over the medium term. Expenditure related to property management is estimated to increase at an average annual rate of 18 per cent, rising from R1.1 billion in 2007/08 to R1.8 billion in 2010/11, due to the increased allocation for accommodation charges. Spending in the *Ministerial Direction* subprogramme increases at an average annual rate of 12.9 per cent over the medium term to accommodate the Africa Air Defence Exhibition in 2008/09 and 2010/11.

Spending in the *Departmental Direction* subprogramme increases at an average annual rate of 11.5 per cent over the medium term, to provide for critical staffing in the conventional arms control inspectorate.

The increase of 19 per cent between 2007/08 and 2008/09 in the *Legal Services* subprogramme is to improve civil oversight and to staff additional court orderlies (27 interpreters and 24 orderlies/protectors).

Spending in the *Defence Foreign Relations* subprogramme increases by 15.9 per cent from 2007/08 to 2008/09 due to South Africa's expanded representation in support of government's foreign policy initiatives with the establishment and extension of military attaché offices in Tunisia, Vietnam, Pakistan and the People's Republic of China.

Spending in the *Acquisition Services* subprogramme increases at an average annual rate of 14.5 per cent over the medium term to provide for critical staffing.

Programme 2: Landward Defence

Purpose: Provide prepared and supported landward defence capabilities for the defence and protection of South Africa.

- *Strategic Direction* directs, orchestrates and controls the South African Army in the achievement of its mission.
- *Infantry Capability* provides mission ready infantry capabilities.
- *Armour Capability* provides mission ready armour capabilities.
- *Artillery Capability* provides mission ready artillery capabilities.
- *Air Defence Artillery Capability* provides mission ready air defence artillery capabilities.
- *Engineering Capability* provides mission ready engineering capabilities.
- *Operational Intelligence* provides mission ready operational intelligence capabilities.
- *Command and Control Capability* provides mission ready tactical command and control capabilities for higher order user systems (a combined force for deployment purposes) force preparation and employment.
- *Support Capability* provides operational level support capabilities.
- *General Training Capability* provides operational level general training capabilities.

Expenditure estimates

Table 19.4 Landward Defence

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Strategic Direction	138 630	131 454	122 043	205 854	243 404	291 276	242 540
Infantry Capability	1 612 786	1 717 069	2 069 415	2 152 241	2 362 559	2 452 185	2 620 131
Armour Capability	297 298	344 390	371 593	321 126	213 786	168 187	182 024
Artillery Capability	207 207	293 281	528 259	471 613	306 995	317 807	231 462
Air Defence Artillery Capability	480 854	404 713	219 076	251 536	301 262	350 467	374 644
Engineering Capability	178 496	180 521	211 862	231 614	239 523	266 523	259 534
Operational Intelligence	66 805	78 276	79 730	127 708	198 012	250 737	252 089
Command and Control Capability	51 974	59 719	75 582	67 832	77 571	83 138	84 741
Support Capability	1 375 358	1 569 167	1 868 498	2 319 190	2 662 136	3 258 132	3 782 787
General Training Capability	149 577	137 308	154 024	287 115	186 989	291 036	473 190
Total	4 558 985	4 915 898	5 700 082	6 435 829	6 792 237	7 729 488	8 503 142
Change to 2007 Budget estimate				2 220 376	2 146 165	2 776 509	3 126 694

Table 19.4 Landward Defence (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Economic classification							
Current payments	3 326 008	3 378 435	4 003 449	4 277 482	4 827 873	5 292 540	5 880 855
Compensation of employees	2 710 697	2 800 756	3 157 213	3 478 947	3 833 307	4 083 073	4 578 923
Goods and services	603 501	557 504	842 063	798 535	994 566	1 209 467	1 301 932
<i>of which:</i>							
Communication	38 520	20 608	33 774	17 445	17 814	17 429	17 859
Computer services	44 930	46 830	36 759	70 573	64 339	72 912	63 522
Consultants, contractors and special services	13 464	10 158	19 840	15 708	15 438	19 989	12 725
Inventory	145 412	211 571	283 453	305 058	404 849	534 332	617 055
Maintenance, repairs and running costs	106 953	81 793	144 927	122 602	155 865	183 107	159 732
Operating leases	6 464	9 989	7 375	9 301	8 606	8 643	8 832
Travel and subsistence	60 682	76 159	81 451	87 254	91 623	88 509	90 568
Financial transactions in assets and liabilities	11 810	20 175	4 173	–	–	–	–
Transfers and subsidies	1 224 960	1 513 184	1 632 100	2 134 429	1 925 380	2 398 273	2 575 284
Provinces and municipalities	5 962	5 881	1 535	–	–	–	–
Departmental agencies and accounts	1 218 948	1 484 112	1 586 533	2 131 297	1 903 424	2 376 834	2 553 954
Non-profit institutions	50	–	–	–	–	–	–
Households	–	23 191	44 032	3 132	21 956	21 439	21 330
Payments for capital assets	8 017	24 279	64 533	23 918	38 984	38 675	47 003
Buildings and other fixed structures	–	–	–	–	–	132	138
Machinery and equipment	8 017	24 217	64 509	23 687	38 491	38 312	46 742
Software and other intangible assets	–	62	24	231	493	231	123
Total	4 558 985	4 915 898	5 700 082	6 435 829	6 792 237	7 729 488	8 503 142

Details of major transfers and subsidies

Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	1 218 948	1 484 112	1 586 533	2 131 297	1 903 424	2 376 834	2 553 954
Special defence account: Procurement services	899 154	1 073 482	1 208 869	1 249 466	1 151 172	1 338 935	1 257 860
Special defence account: Operating	319 794	410 630	377 664	881 831	752 252	1 037 899	1 296 094
Households							
Social benefits							
Current	–	23 191	44 032	3 132	21 956	21 439	21 330
Severance packages	–	23 191	44 032	3 132	21 956	21 439	21 330

Expenditure trends

The *Landward Defence* programme accounts for, on average, 24 per cent of the department's total expenditure, and increases from R4.6 billion in 2004/05 to R8.5 billion in 2010/11, an average annual growth rate of 10.9 per cent. This is mainly due to an additional allocation of R700 million over the medium term for increasing the number of military skills development system members and to finance the increasing maintenance requirements of the SA Army's aging operational vehicle fleet. This also explains the increases in compensation of employees and goods and services. In 2006/07, under the *Support Capability* subprogramme, some additional funds were directed towards the initiation of some landward defence equipment renewal, procurement of critical ammunition and the establishment of a works regiment. The military skills development system intakes have been funded since 2003/04 under the *Infantry Capability* subprogramme.

The substantial increases of 86.4 per cent between 2006/07 and 2007/08, 55.6 per cent between 2008/09 and 2009/10 and 62.6 per cent between 2009/10 and 2010/11 in the *General Training Capability* subprogramme are due to the higher number of military skills development system members receiving training as well as the establishment of the works regiment.

The large increases of 6.8 per cent, 25.4 per cent and 17.7 per cent in the *Infantry Capability*, *Operational Intelligence* and *Support Capability* subprogrammes over the medium term are due to the provisions for the new generation infantry fighting vehicles, the mobile intelligence processing system, the mass field feeding system, and the operational supply support product system. These provisions also explain the large increase in transfers and subsidies of 30.8 per cent, especially over the latter part of the medium term.

The decreases in spending of 17.2 per cent and 21.1 per cent in the *Armour Capability and Artillery Capability* over the medium term and 19.4 per cent between 2004/05 and 2007/08 in the *Air Defence Artillery Capability* subprogrammes are due to the finalisation of the main battle tank upgrade programme, the artillery target location and fire control system, and the man-portable ground to air missile system, respectively.

The increase of 165.8 per cent in payments for capital assets from 2005/06 to 2006/07 is due to the replacement of a large number of vehicles, diesel engines, hand tool sets, parachutes and small craft. The increase of 63 per cent from 2007/08 to 2008/09 reflects the effort by the SA Army to re-establish its technical services capability.

Programme 3: Air Defence

Purpose: Provide prepared and supported air defence capabilities for the defence and protection of South Africa.

- *Strategic Direction* formulates and controls strategies, policies and plans via the Air Force Office to prepare and provide the capabilities required by the Chief of the SANDF.
- *Operational Direction* provides operational direction to the programme by means of an air command.
- *Helicopter Capability* provides and sustains operationally ready light utility helicopters, medium transport helicopters and combat support helicopters, crewed by appropriately qualified personnel.
- *Transport and Maritime Capability* provides and sustains operationally ready transport and maritime aircraft, crewed by appropriately qualified personnel.
- *Air Combat Capability* provides and sustains operationally ready advanced light fighter aircraft, light fighter training aircraft, long range transport aircraft, in-flight refuelling aircraft and electronic warfare aircraft, crewed by appropriately qualified personnel.
- *Operational Support and Intelligence Capability* prepares, develops, provides and supports protection support, intelligence systems and counter-intelligence support to the South African Air Force (SAAF) through protection squadrons, intelligence subsystems and air force-unique intelligence training.
- *Command and Control Capability* supplies and maintains operationally ready command and control elements in support of air battle space operations.
- *Base Support Capability* provides air base infrastructure facilities to squadrons and resident units on bases, including maintenance of all relevant systems and personnel, to support flying operations.
- *Command Post* commands and controls all missions flown.
- *Training Capability* provides for the general education, training and development of SAAF personnel.
- *Technical Support Services* establishes, maintains and prepares optimised technical and tactical logistic support capabilities to provide support to system groups and manage air service units.

Expenditure estimates

Table 19.5 Air Defence

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Strategic Direction	5 816	12 186	12 467	11 502	11 973	12 508	51 465
Operational Direction	27 612	157 125	139 692	73 938	67 272	61 320	67 003
Helicopter Capability	1 015 856	1 357 960	1 490 673	1 200 937	1 173 978	952 852	837 228
Transport and Maritime Capability	352 952	236 478	715 763	832 578	1 643 771	2 758 343	3 423 493
Air Combat Capability	2 168 070	4 501 991	3 085 400	3 975 681	4 039 843	2 179 873	1 867 631
Operational Support and Intelligence Capability	116 047	142 951	121 632	141 775	160 550	220 216	320 905
Command and Control Capability	154 868	162 604	173 412	176 184	200 548	225 559	280 125
Base Support Capability	537 832	710 865	779 802	849 936	904 854	964 483	1 009 750
Command Post	35 413	40 523	65 360	41 908	26 343	27 842	28 847
Training Capability	243 663	190 553	200 343	224 762	281 361	422 141	478 531
Technical Support Services	508 688	394 136	458 934	471 731	496 021	523 988	547 776
Total	5 166 817	7 907 372	7 243 478	8 000 932	9 006 514	8 349 125	8 912 754
Change to 2007 Budget estimate				5 349 752	6 099 270	5 256 091	5 666 794

Economic classification

Current payments	1 990 101	2 431 666	2 432 063	2 656 471	2 976 466	3 338 585	3 557 402
Compensation of employees	1 183 607	1 240 066	1 359 744	1 525 137	1 642 911	1 784 101	1 885 320
Goods and services	803 771	1 190 879	1 070 855	1 131 334	1 333 555	1 554 484	1 672 082
<i>of which:</i>							
Communication	8 143	8 117	6 041	9 940	9 739	10 318	10 962
Computer services	30 423	28 189	35 232	31 900	28 689	37 531	31 400
Consultants, contractors and special services	11 804	11 244	195 045	218 787	248 140	276 995	270 426
Inventory	140 884	210 472	88 577	262 312	273 121	300 645	339 536
Maintenance, repairs and running costs	481 445	699 844	529 824	428 123	601 169	751 765	844 036
Operating leases	5 108	5 845	38 805	23 780	9 035	9 417	9 824
Travel and subsistence	56 685	51 128	89 491	78 850	82 134	78 668	75 594
Financial transactions in assets and liabilities	2 723	721	1 464	–	–	–	–
Transfers and subsidies	2 926 283	5 439 070	4 767 226	5 324 059	6 007 012	4 986 842	5 331 446
Provinces and municipalities	2 277	2 293	597	–	–	–	–
Departmental agencies and accounts	2 924 006	5 427 917	4 729 585	5 313 719	5 988 536	4 968 026	5 312 489
Households	–	8 860	37 044	10 340	18 476	18 816	18 957
Payments for capital assets	250 433	36 636	44 189	20 402	23 036	23 698	23 906
Machinery and equipment	250 433	34 931	43 801	20 402	23 022	23 698	23 906
Software and other intangible assets	–	1 705	388	–	14	–	–
Total	5 166 817	7 907 372	7 243 478	8 000 932	9 006 514	8 349 125	8 912 754

Details of major transfers and subsidies

Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	2 924 006	5 427 917	4 729 585	5 313 719	5 988 536	4 968 026	5 312 489
Special defence account: Operating	19 508	20 094	30 295	28 379	5 691	39 568	38 430
Special defence account: Procurement services	789 318	632 502	1 361 160	1 522 717	2 195 639	3 200 834	3 944 942
Special defence account: Strategic defence programme	2 115 180	4 775 321	3 338 130	3 762 623	3 787 206	1 727 624	1 329 117
Households							
Social benefits							
Current	–	8 860	37 044	10 340	18 476	18 816	18 957
Severance packages	–	8 860	37 044	10 340	18 476	18 816	18 957

Expenditure trends

Air Defence is currently the largest programme within the vote, taking up 32 per cent of the total budget in 2008/09. Expenditure increases from R5.2 billion in 2004/05 to R8.9 billion in 2010/11, an average annual increase of 9.5 per cent. The reasons for this relatively high average increase are the production and delivery milestones of the Gripen advanced light fighter aircraft as well as the strategic airlift capability programmes.

The *Helicopter Capability* subprogramme decreases at an average annual rate of 11.3 per cent over the medium term due to the completion of the maritime helicopter programme (2009/10) and the light utility helicopter programme (2009/10).

The high average annual increase of 46 per cent from 2004/05 to 2010/11 in the *Transport and Maritime Capability* subprogramme is due to the strategic airlift capability programme, for which expenditure is set to peak in 2010/11.

Expenditure in the *Air Combat Capability* subprogramme sees two high points, in 2005/06 and 2008/09. This is due to the Hawk lead-in fighter training aircraft programme that reached its highest delivery milestones in 2005/06, and the Gripen advanced light fighter aircraft programme that will reach its highest delivery milestones in 2008/09.

The average annual increases over the medium term of 28.6 per cent in the *Training Capability*, 16.7 per cent in the *Command and Control Capability* and 31.3 per cent in the *Operational Support and Intelligence Capability* subprogrammes are due to the upgrade of the Astra training aircraft, the replacement of fire fighting vehicles, and the upgrade of radar and ground navigation systems, respectively.

Between 2004/05 and 2010/11, transfers and subsidies amount to an average 63.4 per cent of the *Air Defence* programme. This is due to the large strategic defence procurement and strategic airlift capability projects included in this programme, for which transfers are made to the special defence account. Compensation of employees, and goods and services account for only 18.2 per cent and 14.8 per cent of total expenditure respectively in 2008/09, but increase to 21.2 per cent and 18.8 per cent, respectively, in 2010/11 as the provisions for the acquisition programmes start decreasing. The higher than average annual increase of 13.9 per cent in goods and services over the medium term is due to the increased maintenance requirements on the Oryx helicopter system.

Programme 4: Maritime Defence

Purpose: Provide prepared and supported maritime defence capabilities for the defence and protection of South Africa.

- *Maritime Direction* provides strategic direction within the programme by formulating and controlling strategies, policies, plans and advice to prepare and provide the maritime capabilities required by the Chief of the SANDF.
- *Maritime Combat Capability* provides prepared and supported maritime combat capabilities in accordance with the approved force design.
- *Maritime Logistic Support Capability* provides a maritime logistic support capability to the approved force design and complies with ordered operational commitments.
- *Maritime Training Capability* ensures that the maritime combat capability requirements are met by providing trained full time and reserve personnel.
- *Base Support Capability* provides a general base support capability in support of the fleet, ships, shore units and other identified clients.

Expenditure estimates

Table 19.6 Maritime Defence

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Maritime Direction	214 566	288 962	276 042	380 092	357 389	405 907	448 828
Maritime Combat Capability	2 798 062	2 127 300	1 705 189	1 096 610	456 779	555 485	425 184
Maritime Logistic Support Capability	167 900	175 039	190 718	425 283	465 568	493 842	523 273
Maritime Training Capability	140 169	108 442	134 779	106 630	166 185	170 419	205 482
Base Support Capability	293 796	306 426	322 053	343 379	363 709	383 455	402 422
Total	3 614 493	3 006 169	2 628 781	2 351 994	1 809 630	2 009 108	2 005 189
Change to 2007 Budget estimate				963 679	261 209	306 385	221 654

Economic classification

Current payments	1 061 888	1 158 048	1 254 056	1 306 636	1 413 528	1 550 426	1 682 391
Compensation of employees	697 740	739 288	780 456	799 439	861 001	955 127	1 069 461
Goods and services	363 118	418 407	473 288	507 197	552 527	595 299	612 930
<i>of which:</i>							
Communication	7 966	10 759	7 947	10 398	10 830	10 971	11 126
Computer services	32 981	29 333	42 230	29 327	20 615	27 763	37 053
Consultants, contractors and special services	49 465	46 626	46 382	35 937	39 962	57 110	74 418
Inventory	110 507	156 008	166 738	183 058	206 712	178 103	166 158
Maintenance, repairs and running costs	97 411	116 934	100 198	157 723	169 394	221 944	218 576
Operating leases	5 715	9 303	9 456	8 869	10 431	12 011	13 174
Travel and subsistence	31 682	34 051	33 206	33 271	38 672	38 171	40 187
Financial transactions in assets and liabilities	1 030	353	312	–	–	–	–
Transfers and subsidies	2 517 606	1 813 991	1 338 956	1 023 286	376 704	441 444	304 746
Provinces and municipalities	1 088	1 133	288	–	–	–	–
Departmental agencies and accounts	2 516 518	1 804 750	1 316 941	948 223	251 215	305 943	166 159
Public corporations and private enterprises	–	–	–	52 127	95 359	104 536	107 278
Households	–	8 108	21 727	22 936	30 130	30 965	31 309
Payments for capital assets	34 999	34 130	35 769	22 072	19 398	17 238	18 052
Machinery and equipment	34 999	33 458	35 074	21 741	19 125	17 188	18 002
Software and other intangible assets	–	672	695	331	273	50	50
Total	3 614 493	3 006 169	2 628 781	2 351 994	1 809 630	2 009 108	2 005 189

Details of major transfers and subsidies

Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	2 516 518	1 804 750	1 316 941	948 223	251 215	305 943	166 159
Special defence account: Operating	60 981	50 311	30 899	53 624	46 309	29 519	32 227
Special defence account: Procurement services	68 851	100 291	87 923	141 798	96 687	146 784	133 932
Special defence account: Strategic defence programme	2 386 686	1 654 148	1 198 119	752 801	108 219	129 640	–
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	–	–	–	52 127	95 359	104 536	107 278
Armaments Corporation of South Africa Ltd (Dockyard)	–	–	–	52 127	95 359	104 536	107 278
Households							
Social benefits							
Current	–	8 108	21 727	22 936	30 130	30 965	31 309
Severance packages	–	8 108	21 727	22 936	30 130	30 965	31 309

Expenditure trends

Expenditure in *Maritime Defence* decreases from R3.6 billion to R2 billion between 2004/05 and 2010/11, an average annual decrease of 9.4 per cent, mainly due to the commissioning of four frigates and three type 209 submarines as part of the strategic defence procurement programme.

The final contractual payments in terms of the strategic defence procurement programme (frigates and submarines) are evident in the *Maritime Combat Capability* subprogramme, which decreases expenditure at an average annual rate of 27.1 per cent over the medium term.

The increase of 123 per cent in the *Maritime Logistic Support Capability* subprogramme between 2006/07 and 2007/08 is because items under the *Maritime Combat Capability* subprogramme that have a logistical function were placed under the *Maritime Logistic Support Capability* programme.

The average annual increase of 24.4 per cent in the *Maritime Training Capability* subprogramme over the medium term is mainly due to an increase of members in the military skills development system.

Transfers and subsidies from this programme amount to 40.4 per cent of programme expenditure on average over the period under review. This is due to the large strategic defence procurement projects included in the programme. Transfers and subsidies will decrease from 43.5 per cent in 2007/08 to 15.2 per cent in 2010/11, as most delivery milestones for the strategic defence procurement projects will have been met by 2007/08.

Programme 5: Military Health Support

Purpose: Provide prepared and supported health capabilities and service for the defence and protection of South Africa.

- *Strategic Direction* formulates strategy, policies and plans, and gives advice from the surgeon-general's office to prepare and provide the capabilities required by the Chief of the SANDF.
- *Military Health Support* provides for the warehousing of pharmaceuticals, sundries, military health mobilisation equipment and unique stock.
- *Area Military Health Service* provides a comprehensive, self-supporting, multidisciplinary area military health service through a formation headquarters commanding and controlling nine area military health units to ensure a healthy military community.
- *Specialist/Tertiary Health Service* provides a specialist health service to ensure the development and maintenance of tertiary military health capabilities within the parameters of relevant legislation as contained in the South African military health service strategy.
- *Product Support Capability* provides for the procurement of unique military health products, materials and services, an asset management service, military health product systems, and co-operative common military health logistics.
- *Base Support Capability* provides general base support services to identified units and other identified clients to sustain and maintain the approved force design and structure.
- *Military Health Training Capability* provides a military health training service to ensure the development and maintenance of military health training capabilities within the parameters of relevant legislation and policies.

Expenditure estimates

Table 19.7 Military Health Support

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Strategic Direction	90 351	81 251	88 394	112 976	150 859	150 383	147 465
Military Health Support	49 050	56 882	64 743	62 393	72 673	84 233	101 788
Area Military Health Service	442 484	585 098	632 928	658 641	720 131	798 437	857 587
Specialist/Tertiary Health Service	526 443	561 851	585 653	638 136	744 144	824 565	887 351
Product Support Capability	49 474	91 550	109 263	128 185	150 927	183 344	182 188
Base Support Capability	68 917	85 663	120 774	119 153	116 199	125 968	132 049
Military Health Training Capability	99 218	94 926	103 489	126 790	164 212	279 655	300 621
Total	1 325 937	1 557 221	1 705 244	1 846 274	2 119 145	2 446 585	2 609 049
Change to 2007 Budget estimate				15 073	123 477	245 235	303 250

Economic classification

Current payments	1 287 149	1 489 685	1 592 591	1 759 472	2 035 093	2 357 507	2 493 828
Compensation of employees	951 321	1 032 892	1 063 049	1 162 410	1 369 360	1 511 130	1 610 042
Goods and services	332 365	455 225	529 295	597 062	665 733	846 377	883 786
<i>of which:</i>							
Communication	10 584	7 626	8 256	8 643	9 644	10 290	10 687
Computer services	1 085	30 254	33 466	44 789	40 854	57 766	40 313
Consultants, contractors and special services	2 605	6 001	2 196	2 870	3 725	3 777	3 823
Inventory	182 487	207 484	236 702	243 732	315 307	393 448	448 141
Maintenance, repairs and running costs	13 805	37 211	30 431	65 472	88 774	159 538	145 661
Operating leases	5 726	5 605	5 993	7 206	7 185	7 457	7 648
Travel and subsistence	15 292	20 023	20 913	29 699	29 846	30 496	31 042
Financial transactions in assets and liabilities	3 463	1 568	247	–	–	–	–
Transfers and subsidies	7 340	10 085	25 022	6 855	14 489	22 757	36 437
Provinces and municipalities	1 831	2 010	537	–	–	–	–
Departmental agencies and accounts	5 225	–	885	1 100	1 500	9 950	23 455
Non-profit institutions	284	315	252	520	580	480	480
Households	–	7 760	23 348	5 235	12 409	12 327	12 502
Payments for capital assets	31 448	57 451	87 631	79 947	69 563	66 321	78 784
Buildings and other fixed structures	–	–	–	–	129	133	38
Machinery and equipment	31 448	57 451	87 563	79 911	69 044	65 901	78 450
Cultivated assets	–	–	–	–	60	66	69
Software and other intangible assets	–	–	68	36	330	221	227
Total	1 325 937	1 557 221	1 705 244	1 846 274	2 119 145	2 446 585	2 609 049

Details of major transfers and subsidies

Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	5 225	–	885	1 100	1 500	9 950	23 455
Special defence account: Procurement services	5 225	–	885	1 100	1 500	9 950	23 455
Nonprofit institutions							
Current	284	315	252	520	580	480	480
SA Red Cross Society	–	–	–	125	–	130	130
St Johns Ambulance Brigade	39	40	40	120	360	130	130
Regular Force Medical Continuation Fund	245	275	212	275	220	220	220
Households							
Social benefits							
Current	–	7 760	23 348	5 235	12 409	12 327	12 502
Severance packages	–	7 760	23 348	5 235	12 409	12 327	12 502

Expenditure trends

The *Military Health Support* programme comprises 7.7 per cent of the department's total budget on average over the medium term, with expenditure growing at an average annual rate of 11.9 per cent over the period under review. This is mainly due to the higher than average increase in the remuneration of health professionals, the anti-retroviral rollout and the military skills development system intakes.

The average annual increases of 9.2 per cent and 11.6 per cent in the *Area Military Health Service* and *Specialist/Tertiary Health Service* subprogrammes, respectively, over the medium term are mainly due to additional allocations of R45 million in 2008/09, R77 million in 2009/10 and R80.9 million in 2010/11 for the remuneration of health professionals, and R58 million in 2008/09 for the anti-retroviral rollout.

The increase of 33.5 per cent in the *Strategic Direction* subprogramme from 2007/08 to 2008/09 is due to improved staffing levels at the South African Military Health Service headquarters and travel costs associated with inspection of subordinate offices.

The average annual increase of 17.7 per cent in the *Military Health Support* subprogramme over the medium term is mainly due to the increased allocation for the chemical and biological defensive capability in preparation for the 2010 FIFA World Cup, as well as the centralisation of funds for military health force preparation exercises.

The average annual increase of 12.4 per cent over the medium term in the *Product Support Capability* subprogramme is due to the internal reallocation of funds to alleviate drug shortages.

Additional allocations of R76 million in 2008/09, R162 million in 2009/10 and R87.2 million in 2010/11 are predominantly accounted for under the *Military Health Training Capability* subprogramme, and to a lesser extent in the *Specialist/Tertiary Health Service* subprogramme, for the increased military skills development system intakes, and to train some of these members as emergency care practitioners for internal utilisation and in preparation for the 2010 FIFA World Cup.

Programme 6: Defence Intelligence

Purpose: Provide a defence intelligence and counter-intelligence capability.

- *Strategic Direction* provides defence intelligence policy, doctrine and intelligence advice in support of the department's decision making and policy formulating processes.
- *Operations* provides defence prediction, and intelligence and counter-intelligence capabilities and services to advise and inform clients on time.
- *Defence Intelligence Support Services* provides human resource, logistics, planning, security, labour relations, training and information support services to the defence intelligence community.

Expenditure estimates

Table 19.8 Defence Intelligence

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Strategic Direction	156	130	1 232	1 468	1 334	1 504	1 525
Operations	71 956	46 955	206 910	244 272	336 182	398 958	418 185
Defence Intelligence Support Services	124 123	167 577	140 389	156 453	172 334	179 225	188 752
Total	196 235	214 662	348 531	402 193	509 850	579 687	608 462
Change to 2007 Budget estimate				240 092	338 237	401 705	421 226

Table 19.8 Defence Intelligence (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Economic classification							
Current payments	130 945	136 921	142 335	159 468	174 137	184 852	194 892
Compensation of employees	109 922	115 559	124 443	137 470	153 082	161 399	170 997
Goods and services	21 003	21 350	17 890	21 998	21 055	23 453	23 895
<i>of which:</i>							
Communication	1 190	1 857	1 362	1 891	1 741	1 963	1 997
Computer services	94	727	15	7	7	8	8
Consultants, contractors and special services	4 327	4 327	4 245	4 510	816	920	933
Inventory	4 405	4 701	3 254	6 920	8 072	9 052	9 242
Maintenance, repairs and running costs	4 950	4 800	2 516	3 025	2 696	3 028	3 110
Operating leases	764	593	1 191	295	498	562	573
Travel and subsistence	1 957	1 699	2 532	2 113	3 302	3 723	3 782
Financial transactions in assets and liabilities	20	12	2	–	–	–	–
Transfers and subsidies	60 653	73 522	203 064	241 939	335 014	394 046	412 771
Provinces and municipalities	207	227	63	–	–	–	–
Departmental agencies and accounts	60 446	70 346	201 037	238 501	332 413	394 046	412 771
Households	–	2 949	1 964	3 438	2 601	–	–
Payments for capital assets	4 637	4 219	3 132	786	699	789	799
Machinery and equipment	4 637	4 219	3 132	786	699	789	799
Total	196 235	214 662	348 531	402 193	509 850	579 687	608 462
Details of major transfers and subsidies							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	60 446	70 346	201 037	238 501	332 413	394 046	412 771
Special defence account	–	30 726	–	–	–	–	–
Special defence account: Intelligence related	60 446	39 620	201 037	17 108	76 913	86 666	90 047
Special defence account: Operating	–	–	–	221 393	255 500	307 380	322 724
Households							
Social benefits							
Current	–	2 949	1 964	3 438	2 601	–	–
Severance packages	–	2 949	1 964	3 438	2 601	–	–

Expenditure trends

Expenditure grows at an average annual rate of 20.8 per cent, from R196 million in 2004/05 to R608.5 million in 2010/11. The high average increase is due to the anticipated development and investment in a strategic collection capability for collecting intelligence information vested within the *Operations* subprogramme. This also explains the change in compensation of employees from 53.8 per cent in 2005/06 to 28.1 per cent in 2010/11, and transfers and subsidies from 34.2 per cent in 2005/06 to 67.8 per cent in 2010/11 of total programme expenditure.

Programme 7: General Support

Purpose: Provide general support capabilities and services to the department.

The *Strategic Direction*, *Service Corps* and *Joint Training* subprogrammes have been incorporated in the *Human Resources Support Services* subprogramme under the *Administration* programme. A new subprogramme, *Technology Development*, has been created due to the *Special Defence Account* programme being discontinued.

- *Joint Logistic Services* provides logistics services to the department.
- *Command and Management Information Services* provides command and management information and related services to the department.
- *Military Police* provides a military policing capability to the department.
- *Technology Development* provides for establishing and sustaining selected science and technology capabilities in the defence industry.
- *Departmental Support* provides for the payment of corporate departmental obligations, such as claims against the department, external audits and bank charges.
- *British Peace Support and Training Team* provides for the personnel from the United Kingdom Department of Defence who provide services to the SANDF.

Expenditure estimates

Table 19.9 General Support

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Joint Logistic Services	638 689	678 451	774 274	1 350 743	1 469 717	1 544 301	1 738 220
Command and Management Information Services	917 411	977 592	1 091 815	1 150 852	1 389 820	1 467 878	1 565 996
Military Police	215 750	217 693	230 569	266 309	281 415	295 948	309 015
Technology Development	158 308	225 083	184 941	235 676	259 339	309 713	444 424
Departmental Support	502 093	395 488	457 139	497 941	526 351	611 614	621 167
British Peace Support and Training Team	–	9 571	5 624	6 458	7 104	7 814	8 205
Total	2 432 251	2 503 878	2 744 362	3 507 979	3 933 746	4 237 268	4 687 027
Change to 2007 Budget estimate				251 314	592 239	219 819	466 604
Economic classification							
Current payments	1 762 647	1 683 480	1 905 454	2 429 896	2 816 323	2 880 677	3 191 712
Compensation of employees	1 009 086	1 046 716	1 153 423	1 246 431	1 319 962	1 400 448	1 481 414
Goods and services	753 494	636 637	751 951	1 183 465	1 496 361	1 480 229	1 710 298
of which:							
Communication	16 458	17 773	16 731	23 769	15 883	15 803	17 156
Computer services	484 005	301 023	461 717	481 519	609 820	630 443	699 733
Consultants, contractors and special services	33 957	49 009	25 319	34 832	39 279	43 905	46 850
Inventory	68 764	79 814	73 812	94 114	82 789	87 498	90 832
Maintenance, repairs and running costs	77 938	104 775	92 834	429 105	598 179	543 180	660 814
Operating leases	7 273	9 167	5 808	10 593	18 931	19 608	20 470
Travel and subsistence	26 925	33 532	36 236	38 523	28 885	29 982	30 309
Financial transactions in assets and liabilities	67	127	80	–	–	–	–
Transfers and subsidies	546 578	690 961	734 810	766 974	915 153	964 900	1 107 383
Provinces and municipalities	2 067	2 100	549	–	–	–	–
Departmental agencies and accounts	260 414	321 408	306 334	334 641	467 001	494 200	613 870
Public corporations and private enterprises	284 097	359 515	396 286	415 300	435 265	457 028	479 879
Non-profit institutions	–	–	–	50	–	–	–
Households	–	7 938	31 641	16 983	12 887	13 672	13 634
Payments for capital assets	123 026	129 437	104 098	311 108	202 270	391 691	387 932
Buildings and other fixed structures	79 638	73 884	49 173	217 775	111 656	252 012	248 474
Machinery and equipment	43 388	55 496	54 914	86 088	90 614	139 679	139 458
Software and other intangible assets	–	57	11	7 245	–	–	–
Total	2 432 251	2 503 878	2 744 362	3 507 979	3 933 746	4 237 268	4 687 027

Table 19.9 General Support (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Details of major transfers and subsidies							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	260 414	321 408	306 334	334 641	467 001	494 200	613 870
Special defence account: Operating	96 425	88 845	116 602	93 865	108 155	143 184	114 055
Special defence account: Intelligence related	100	100	100	100	500	500	500
Special defence account: Procurement services	163 889	232 463	189 632	240 676	358 346	350 516	499 315
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	284 097	359 515	396 286	415 300	435 265	457 028	479 879
Armaments Corporation of South Africa Ltd	284 097	359 515	396 286	415 300	435 265	457 028	479 879
Households							
Social benefits							
Current	–	7 938	31 641	16 983	12 887	13 672	13 634
Severance packages	–	7 938	31 641	16 983	12 887	13 672	13 634

Expenditure trends

Expenditure in the *General Support* programme is expected to increase over the period under review, rising from R2.4 billion in 2004/05 to R4.7 billion in 2010/11, an average annual increase of 11.6 per cent. The programme comprises, on average, 14.1 per cent of the department's total expenditure over the medium term.

Expenditure on the *Joint Logistic Services* subprogramme increases substantially between 2004/05 and 2010/11, at an average annual rate of 18.2 per cent, mainly because of additional allocations for infrastructure and the repair and maintenance of defence facilities of R80 million in 2007/08, R230 million in 2008/09, and R200 million in 2010/11. Additional allocations for the rejuvenation of the air supply unit of R3 million in 2008/09, R15 million in 2009/10 and R46 million in 2010/11 also contribute to this increase. The effects of the additional allocations are also evident in the substantial average annual increases in goods and services and payments for capital assets of 14.6 per cent and 21.1 per cent, respectively, over the entire period.

The average annual increase over the medium term of 10.8 per cent in the *Command and Management Information Services* subprogramme is mainly due to the additional allocation of R200 million in 2008/09 for upgrading and improving the defence information and communication systems, as well as R14 million and R12 million for SITA tariff increases and computer licence fees, respectively.

The average annual increase of 23.5 per cent over the medium term in the *Technology Development* subprogramme is mainly due to the transportable platform mounted power supply, the tactical electronic warfare system and the new static electronic warfare system projects that are advancing to the develop and acquisition phases.

Programme 8: Force Employment

Purpose: Provide and employ defence capabilities, including an operational capability, to successfully conduct all operations, and joint, interdepartmental and multinational military exercises.

- *Strategic Direction* formulates and controls strategies, policies and plans for the employment of forces.
- *Operational Direction* provides operational direction to joint and multinational task forces and joint tactical headquarters by means of operational level headquarters.
- *Special Operations* provides and employs a special operations capability within the approved special forces mandate for the SANDF.

- *Regional Security* provides for the deployment of forces in support of South Africa's commitment to peace - regionally, continentally and globally.
- *Support to the People* provides for the internal deployment of forces in support of the South African Police Service and other government departments.
- *Defence Capability Management* provides for joint, interdepartmental and multinational military force preparation exercises.

Expenditure estimates

Table 19.10 Force Employment

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate			
	2004/05	2005/06	2006/07	appropriation	2007/08	2008/09	2009/10	2010/11
R thousand								
Strategic Direction	41 671	90 293	101 053	51 650	64 875	65 844	73 334	
Operational Direction	70 806	81 735	93 279	129 773	150 283	161 670	178 530	
Special Operations	196 482	298 589	304 471	310 305	357 424	374 060	396 299	
Regional Security	–	–	135 355	–	–	–	–	
UN Peace Mission in the DRC	367 462	366 303	273 494	402 011	440 662	440 399	420 387	
Protection Support Detachment in Burundi (FIBRE)	332 600	330 296	202 701	310 400	207 081	205 252	215 496	
Military Observers	–	723	1 101	112 883	197 661	245 528	288 685	
African Union Mission in Sudan	–	54 443	195 170	32 981	59 042	73 339	86 230	
Support to the People	286 061	355 018	163 378	271 109	143 294	184 612	176 326	
Defence Capability Management	6 600	6 600	15 458	14 273	14 781	16 794	16 600	
Total	1 301 682	1 584 000	1 485 460	1 635 385	1 635 103	1 767 498	1 851 887	
Change to 2007 Budget estimate				164 257	138 489	183 968	187 775	

Economic classification

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Current payments	1 217 833	1 321 043	1 260 415	1 460 929	1 416 837	1 532 210	1 587 360
Compensation of employees	476 408	513 694	692 293	666 423	708 987	772 292	852 717
Goods and services	741 425	746 702	568 079	794 506	707 850	759 918	734 643
of which:							
Communication	7 252	7 090	9 940	9 769	9 702	10 288	10 859
Computer services	6 107	1 781	1 042	3 856	3 185	3 865	4 037
Consultants, contractors and special services	9 059	11 629	8 951	8 378	14 392	6 969	8 022
Inventory	194 158	105 435	142 989	116 487	129 182	75 419	83 940
Maintenance, repairs and running costs	58 450	42 194	79 890	317 276	233 198	325 562	286 782
Operating leases	1 056	1 167	184 474	160 698	182 438	193 363	184 400
Travel and subsistence	363 878	394 753	124 559	123 819	114 257	121 658	128 712
Financial transactions in assets and liabilities	–	60 647	43	–	–	–	–
Transfers and subsidies	59 844	154 504	148 888	118 117	163 873	166 867	167 332
Provinces and municipalities	398	410	112	–	–	–	–
Departmental agencies and accounts	59 446	150 308	139 424	111 779	152 090	158 118	158 572
Households	–	3 786	9 352	6 338	11 783	8 749	8 760
Payments for capital assets	24 005	108 453	76 157	56 339	54 393	68 421	97 195
Buildings and other fixed structures	–	–	–	341	358	–	–
Machinery and equipment	24 005	108 419	76 157	55 998	54 035	68 421	97 195
Software and other intangible assets	–	34	–	–	–	–	–
Total	1 301 682	1 584 000	1 485 460	1 635 385	1 635 103	1 767 498	1 851 887

Table 19.10 Force Employment (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Details of major transfers and subsidies							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	59 446	150 308	139 424	111 779	152 090	158 118	158 572
Special defence account: Intelligence related	4 880	4 930	5 830	6 630	6 630	7 330	7 330
Special defence account: Operating	24 435	29 406	34 734	67 610	81 700	121 478	127 100
Special defence Account: Procurement services	30 131	115 972	98 860	37 539	63 760	29 310	24 142
Households							
Social benefits							
Current	-	3 786	9 352	6 338	11 783	8 749	8 760
Severance packages	-	3 786	9 352	6 338	11 783	8 749	8 760

Expenditure trends

Expenditure in the *Force Employment* programme increases at an average annual rate of 6.1 per cent between 2004/05 and 2010/11, rising from R1.3 billion to R1.9 billion, due to the increase for regional security and peace support.

Expenditure in the *Support to the People* subprogramme decreases at an average annual rate of 7.7 per cent from 2004/05 to 2010/11 due to reduced support to the SAPS.

The higher than average annual increase of 11.2 per cent for the *Operational Direction* and 8.5 per cent for *Special Operations* subprogrammes over the medium term is due to the priority given to completing the staffing of operational structures, developing and procuring highly specialised equipment and ammunition, and implementing an incentive scheme to attract and retain special forces operators. The high average annual increase of 19.9 per cent in payments for capital assets over the medium term is due to the procurement of trucks, trailers, vehicles, excavating equipment, material handling equipment, communication equipment, and training aids for use during peace support operations.

Public entities and other agencies

Castle Control Board

The mandate and objectives of the Castle Control Board, as provided in the Castle Management Act (1993), are to: preserve and protect the military and cultural heritage of the Castle of Good Hope, optimise its tourism potential, and maximise public access to the parts which are not used by the Department of Defence.

The Castle Control Board strives to: promote the castle as a tourist destination and function, conference and exhibition venue, ensure that the Castle is accessible as a film and photographic location, and rotate and create historical exhibitions at the military museum.

The Castle Control Board does not receive direct financial contributions from any government department or agency. The board generates funds by charging entrance fees to patrons, and offering catering services and conference facilities to the public. It also receives donations from the public. Its costs include those associated with the operation of the military museum. The Department of Public Works is responsible for restoration and maintenance.

Extensive maintenance was completed during 2005/06, which included the exterior walls and woodwork as well as upgrading the fire control system. Additional attractions and services for tourists have also been introduced, including the Frontier War display, the Anglo-Zulu War display, horse and carriage tours, audio

guides, and guided tours in English, Xhosa and Afrikaans. An annual military tattoo will be staged from November 2007 until 2010, when it will happen during the 2010 FIFA World Cup. The number of visitors to the castle increased from 120 990 in 2005/06 to 125 264 in 2006/07, an increase of 3.5 per cent.

Expenditure estimates

Table 19.11 Castle Control Board

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Revenue							
Non-tax revenue	1 636	2 040	2 348	2 800	3 067	3 354	3 661
Sale of goods and services other than capital assets	1 456	1 845	2 084	2 350	2 565	2 805	3 060
<i>of which:</i>							
<i>Sales by market establishments</i>	1 456	1 845	2 084	2 350	2 565	2 805	3 060
Other non-tax revenue	180	195	264	450	502	549	601
Transfers received	9	–	–	–	–	–	–
Total revenue	1 645	2 040	2 348	2 800	3 067	3 354	3 661
Expenses							
Current expense	1 564	986	838	1 436	1 776	1 982	2 223
Compensation of employees	194	236	252	294	323	350	380
Goods and services	1 365	742	574	1 128	1 434	1 607	1 813
Depreciation	5	8	12	14	19	25	30
Transfers and subsidies	19	5	–	–	–	–	–
Total expenses	1 583	991	838	1 436	1 776	1 982	2 223
Surplus / (Deficit)	62	1 049	1 510	1 364	1 291	1 372	1 438
Acquisition of assets	64	63	27	25	59	52	40

Expenditure trends

Transferring the responsibility for the management of the board from the Department of Defence to the Department of Arts and Culture is being considered. A joint task team has been appointed to investigate this possibility, with an intended transfer date of March 2009, when the Castle Management Act (1993) will be repealed.

Armaments Corporation of South Africa

The Armaments Corporation of South Africa (Armcor) derives its mandate from the Armcor Act (2003), which states that the objectives of the corporation are to meet the defence matériel requirements of the Department of Defence effectively, efficiently and economically. Other responsibilities include defence technology related research, development and analysis, and test and evaluation activities. In support of these primary functions, Armcor maintains a tender and contracting process and related quality, legal, financial and security management services, as well as arms control compliance administration and the related IT capacity.

Armcor disposes of defence matériel in accordance with the regulatory framework, supports and maintains strategically essential defence industrial capabilities, resources and technologies identified by the department, and manages and maintains own facilities identified as strategic by the department. Armcor also undertakes acquisitions for the SAPS and other security related government departments, with the approval of the Minister of Defence.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Amount (R million) invested in the management of the defence technology research, test and evaluation requirements of the department	13.9	2.8	31.3	9.1	7.8	6.7	7.2
Amount (R billion) invested in the South African defence related industry through the management of defence industrial participation	8.9	1.3	1.6	1.3	1	1.5	2
Percentage of category 1 defence matériel acquisitioned against service level agreements	90.7	109.5	74.2	99.5	99.5	99.5	99.5
Percentage of timely acquisition of strategic defence procurement against service level agreements	102.3	84.2	94.4	99.5	99.5	99.5	99.5

Expenditure estimates

Table 19.12 Armaments Corporation of South Africa

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Revenue							
Non-tax revenue	852 386	786 661	1 292 633	1 112 588	942 598	983 743	1 052 514
Sale of goods and services other than capital assets <i>of which:</i>	256 546	683 119	1 260 655	1 081 895	913 671	954 881	1 022 217
<i>Sales by market establishments</i>	256 546	683 119	1 260 655	1 081 895	913 671	954 881	1 022 217
Other non-tax revenue	595 840	103 542	31 978	30 693	28 927	28 862	30 297
Transfers received	284 098	359 514	396 286	467 429	530 624	561 564	587 157
Total revenue	1 136 484	1 146 175	1 688 919	1 580 017	1 473 222	1 545 307	1 639 671
Expenses							
Current expense	1 135 320	1 128 575	1 630 947	1 577 509	1 479 028	1 567 800	1 662 815
Compensation of employees	313 947	336 220	335 592	406 562	473 981	503 178	533 341
Goods and services	800 910	773 980	1 278 760	1 150 993	989 312	1 048 561	1 112 957
Depreciation	20 463	18 375	16 595	19 954	15 735	16 061	16 517
Transfers and subsidies	6 383	2 802	-	-	-	-	-
Total expenses	1 141 703	1 131 377	1 630 947	1 577 509	1 479 028	1 567 800	1 662 815
Surplus / (Deficit)	(5 219)	14 798	57 972	2 508	(5 806)	(22 493)	(23 144)
Balance sheet data							
Carrying value of assets	188 278	194 651	198 087	201 130	203 895	206 868	209 427
<i>of which: Acquisition of assets</i>	13 425	14 790	20 722	22 997	18 500	19 034	19 076
Inventory	3 271	2 972	2 356	3 056	3 556	4 056	4 556
Receivables and prepayments	128 467	147 760	174 776	165 076	175 076	180 076	185 076
Cash and cash equivalents	268 173	268 472	287 977	276 442	262 871	236 905	210 702
Total assets	588 189	613 855	663 196	645 704	645 398	627 905	609 761
Capital and reserves	385 908	412 657	470 630	473 138	467 332	444 839	421 695
Trade and other payables	182 249	180 419	170 343	148 843	152 843	156 143	159 343
Provisions	20 032	20 779	22 223	23 723	25 223	26 923	28 723
Total equity and liabilities	588 189	613 855	663 196	645 704	645 398	627 905	609 761

Expenditure trends

Armcor's operating funds are obtained via the defence budget in the form of a transfer payment. Together with interest earned on the payment, the funds are used to finance operating expenditure, the acquisition of fixed assets, and the creation and maintenance of facilities and services. The operating capital and fixed capital requirements of subsidiaries are financed from own income generated and cash allocated by Armcor Business (Pty) Ltd, as well as additional funding received from the department, if required. All reserves are considered to

be non-distributable. The full share capital and reserves are required for the total net capital requirement of the group. Cash is therefore retained to meet future commitments and is consequently not available for the distribution of dividends.

The strategic defence procurement programme was concluded in December 1999. Significant progress on each of the procurement projects was made in 2006/07 and all projects are on schedule. The naval dockyard was successfully transferred to Armscor in the second quarter of 2006/07. Highlights included the commissioning and handing over to the SA Navy the last of the 3 frigates, 16 Hawk lead-in fighter aircraft, the first Gripen, and 4 Westland Super Lynx Mk 64 maritime patrol helicopters.

In addition Armscor successfully concluded a contract to the value of R8.3 billion for the replacement of the Ratel infantry combat vehicle. The strategic defence procurement programme has delivered defence industrial participation benefits to the South African defence related industry of R11.9 billion since it started in 2000/01.

Additional tables

Table 19.A Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2006/07		2006/07	2007/08			2007/08
1. Administration	1 759 149	1 759 149	1 961 646	2 143 312	(32 112)	2 111 200	2 111 200
2. Landward Defence	5 576 634	5 649 433	5 700 082	6 221 327	214 502	6 435 829	6 435 829
3. Air Defence	7 243 367	7 243 367	7 243 478	7 964 899	36 033	8 000 932	8 000 932
4. Maritime Defence	2 636 114	2 636 114	2 628 781	2 336 538	15 456	2 351 994	2 351 994
5. Military Health Support	1 684 707	1 684 707	1 705 244	1 832 821	13 453	1 846 274	1 846 274
6. Defence Intelligence	344 700	344 700	348 531	458 308	(56 115)	402 193	402 193
7. General Support	3 035 865	3 035 865	2 744 362	3 382 143	125 836	3 507 979	3 364 895
8. Force Employment	1 549 569	1 549 569	1 485 460	1 582 907	52 478	1 635 385	1 635 385
Total	23 830 105	23 902 904	23 817 584	25 922 255	369 530	26 291 785	26 148 701
Economic classification							
Current payments	14 896 326	14 912 947	14 500 470	15 930 305	172 612	16 102 917	16 102 917
Compensation of employees	8 975 985	9 085 985	9 037 595	9 474 248	252 452	9 726 700	9 726 700
Goods and services	5 920 341	5 826 962	5 444 918	6 456 057	(79 840)	6 376 217	6 376 217
Financial transactions in assets and liabilities	–	–	17 957	–	–	–	–
Transfers and subsidies	8 635 529	8 691 707	8 882 838	9 607 150	46 830	9 653 980	9 653 980
Provinces and municipalities	3 699	3 699	3 967	–	–	–	–
Departmental agencies and accounts	8 232 493	8 288 671	8 288 459	9 019 934	67 717	9 087 651	9 087 651
Public corporations and private enterprises	396 286	396 286	396 286	488 314	(20 887)	467 427	467 427
Non-profit institutions	3 051	3 051	2 752	3 432	–	3 432	3 432
Households	–	–	191 374	95 470	–	95 470	95 470
Payments for capital assets	298 250	298 250	434 276	384 800	150 088	534 888	391 804
Buildings and other fixed structures	74 097	74 097	49 173	78 109	140 007	218 116	75 032
Machinery and equipment	222 598	222 598	383 820	305 831	2 881	308 712	308 712
Software and intangible assets	1 555	1 555	1 283	860	7 200	8 060	8 060
Total	23 830 105	23 902 904	23 817 584	25 922 255	369 530	26 291 785	26 148 701

Table 19.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2004/05	2005/06	2006/07		2007/08	2008/09	2009/10
A. Permanent and full-time contract employees							
Compensation (R thousand)	7 546 233	8 068 718	8 868 037	9 538 129	10 512 215	11 349 097	12 377 451
Unit cost (R thousand)	97	113	111	122	141	146	156
Personnel numbers (head count)	77 465	71 705	79 925	78 243	74 494	77 868	79 091
B. Part-time and temporary contract employees							
Compensation (R thousand)	176 368	127 634	169 558	188 571	175 054	173 901	172 096
Total for department							
Compensation (R thousand)	7 722 601	8 196 352	9 037 595	9 726 700	10 687 269	11 522 998	12 549 547
Unit cost (R thousand)	100	114	113	124	143	148	159
Personnel numbers (head count)	77 465	71 705	79 925	78 243	74 494	77 868	79 091

Table 19.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Compensation of employees (R thousand)	7 722 601	8 196 352	9 037 595	9 726 700	10 687 269	11 522 998	12 549 547
Training expenditure (R thousand)	64 406	71 069	85 647	87 447	114 594	123 037	121 792
Training as percentage of compensation	1%	1%	1%	1%	1%	1%	1%

Table 19.D Summary of expenditure on infrastructure

Description	Service delivery outputs			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Mega infrastructure projects or programmes (over R300 million per year)							
Upgrading of Waterkloof runway	–	–	–	–	–	–	200 000
Office accommodation	–	–	–	–	–	–	100 000
Large infrastructure projects or programmes (between R50 and R300 million per year)							
SA Navy: Office accommodation	–	–	–	–	10 000	130 000	80 000
SAMHS: Office accommodation	–	–	–	–	20 000	250 000	70 000
Defence Intelligence: Office accommodation	–	–	–	–	20 000	350 000	200 000
Joint Training Institute: Office accommodation	–	–	–	–	20 000	150 000	100 000
Groups of small projects or programmes (less than R50 million)							
Upgrading of facilities	–	–	22 946	44 000	37 900	29 800	30 800
Construction of facilities	79 638	73 884	24 886	32 571	43 900	55 900	59 230
Maintenance on infrastructure							
Various buildings: Repairs and maintenance	74 505	117 658	50 000	330 000	486 250	500 838	525 880
Total	154 143	191 542	97 832	406 571	638 050	1 466 538	1 365 910

Table 19.E Summary of allocations to the special defence account per programme

Programme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Landward Defence	1 218 948	1 484 112	1 586 533	2 131 297	1 903 424	2 376 834	2 553 954
Air Defence	2 924 006	5 427 917	4 729 585	5 313 719	5 988 536	4 968 026	5 312 489
Maritime Defence	2 516 498	1 804 750	1 316 941	948 223	251 215	305 943	166 159
Military Health Support	5 225	–	885	1 100	1 500	9 950	23 455
Defence Intelligence	60 446	70 346	201 037	238 501	332 413	394 046	412 771
Joint Support	260 414	321 408	306 334	334 641	467 001	494 200	613 870
Force Employment	59 446	150 308	139 424	111 779	152 090	158 118	158 572
Total	7 044 983	9 258 841	8 280 739	9 079 260	9 096 179	8 707 117	9 241 270