Vote 30

Public Enterprises

Budget summary

	2008/09				2009/10	2010/11
R thousand	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	65 986	64 961	650	375	69 542	73 987
Energy and Broadband Enterprises	2 137 580	10 580	2 127 000	–	1 973 236	153 253
Legal, Governance, Risk and Transactions	158 163	28 163	130 000	–	157 402	29 049
Manufacturing Enterprises	11 641	11 641	–	–	11 853	12 604
Transport Enterprises	605 669	20 669	585 000	–	19 207	20 040
Joint Project Facility	28 823	28 823	–	–	34 451	27 058
Total expenditure estimates	**3 007 862**	**164 837**	**2 842 650**	**375**	**2 265 691**	**315 991**
Executive authority	Minister of Public Enterprises					
Accounting officer	Director-General of Public Enterprises					
Website address	www.dpe.gov.za					

Aim

The key objective 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.

Programme purposes, objectives and measures

Programme 1: Administration

Purpose: Provide simple and effective management systems and practices for the department.

Programme 2: Energy and Broadband Enterprises

Purpose: Align the corporate strategies of Eskom, Pebble Bed Modular Reactor (PBMR) and Broadband InfraCo with government's strategic intent and monitor their financial and operational performance.

Objectives and measures:

- Ensure energy and broadband sector SOEs achieve their targets by the end of the MTEF period by monitoring and annually assessing their financial and operational performance against targets set in the shareholder compact.
- Expand South Africa's ICT infrastructure to enhance ICT capacity and lower ICT costs by:
  - expanding Broadband InfraCo's full service network to incorporate SITA and other strategic state projects that require broadband by mid-2008.
  - completing construction of the SA-Europe submarine cable by the first quarter of 2010.
- Monitor Eskom's capacity expansion programme to ensure timeous delivery of new capacity.
- Monitor Eskom's generation adequacy by examining maintenance and operational practices as well as the reserve margin.

- Contribute to improving the electricity distribution infrastructure in South Africa by monitoring the restructuring of Eskom's current electricity distribution to align with 6 wall-to-wall regional electricity distributors (REDs) by June 2008.
- Support ongoing developments in nuclear power to secure long term environmentally sustainable electricity for South Africa by ensuring that:
  - PBMR's environmental impact assessment of the demonstration power plant from the Department of Environmental Affairs and Tourism receives a positive record of decision (RoD) by June 2008
  - fuel for early irradiation testing is delivered by July 2008
  - construction of leasehold improvements for the pilot fuel plant starts by June 2008.

Programme 3: Legal, Governance, Risk and Transactions

Purpose: Provide effective legal services, corporate governance risk management systems and implement legal aspects of strategically important transactions.

Objectives and measures:

- Continue the transfer of Telkom shares (previously held in Diabo Trust) to intended beneficiaries.
- Wind up Aventura.
- Monitor the disposal of Komatiland Forests and other assets, towards the winding up of SAFCOL.
- Transfer all applicable assets to the Richtersveld community in terms of the court order, and establish the pool and share joint venture between Alexkor and the community.
- Establish legislative provisions for the governance of strategic SOEs by 2008/09.
- Implement shareholder guidelines on remuneration, founding documents and shareholder agreements, as well as board induction.
- Conduct annual SOE governance audits.
- Benchmark SOE risk management practices with reference to industry norms and conduct quarterly assessments of enterprise and shareholder risks.

Programme 4: Manufacturing Enterprises

Purpose: Analyse state owned enterprise (SOE) strategies against government's strategic intent, develop proposals around how the SOEs can play a catalytic role in the development of the manufacturing cluster and monitor and advise on SOEs' financial and operational performance.

Objectives and measures:

- Ensure that Denel and SAFCOL achieve their targets by the end of the MTEF period by monitoring and annually assessing their financial and operational performance against targets set in the shareholder compact.
- Assist in returning Denel to profitability by 2011/12 by:
  - monitoring the performance of the 2006 turnaround strategy
  - facilitating the achievement of a target of 60 per cent to 70 per cent of domestic defence spend directed towards the local industry.
- Improve the efficiency and effectiveness of the defence industry in South Africa by further managing the strategic alignment of the Department of Defence, Denel and the Department of Public Enterprises in 2008/09.
- Support the development of the domestic defence related manufacturing base by developing a missiles export strategy, which will leverage the technological capabilities embodied in Denel, in 2008/09.
- Facilitate defence related exports and catalyse the development of the defence related manufacturing sector, in co-operation with other government departments, by:
  - assisting with establishing the Defence Evaluation and Research Institute (DERI) in 2008/09
  - establishing supplier forums with the Department of Defence and the industry by the end of July 2008
  - establishing a defence export council by the end of September 2008
  - evaluating export incentives in 2009/10.

Programme 5: Transport Enterprises

Purpose: Oversee the activities of Transnet, South African Airways (SAA) and South African Express Airways (SAX) in terms of corporate strategy and structure, operational performance, industry structure, corporate governance and policy, financial and risk management, corporate transactions, and benchmarking. Develop proposals around how the SOEs can play a catalytic role in the development of the associated manufacturing cluster through leveraging their capital investment programmes via the competitive supplier development programme.

Objectives and measures:

- Ensure transport SOEs (Transnet, South African Airways (SAA), South African Express Airways (SAX)) achieve their targets by the end of the MTEF period by monitoring and annually assessing their financial and operational performance against targets set in the shareholder compact.
- Facilitate strengthened private sector participation in ports and rail through overseeing the joint venture agreement for the Ngqura container terminal and ensuring access to branch lines by several private operators during 2008/09.
- Develop a long term strategy for improving the efficiency and performance of SOE investments in the transport sector by:
  - developing national corridor performance measurement tools and indicators that will become operational in the second quarter of 2008
  - conducting a study into customer experience in the freight logistics sector in the first and second quarters of 2008.
- Improve the analysis, measurement and understanding of Transnet's role in and influence on economic efficiency, competitiveness, and the economy more generally by developing an econometric model and report by the third quarter of 2008.
- Monitor the progress of the SAA restructuring and turnaround strategy, which aims to turn SAA into a sustainable and profitable business by the end of 2008/09, by assessing SAA's profit margin against its 7.5 per cent target.
- Monitor Transnet's continued disposal of non-strategic assets, for example the completion of the SAX transfer to the Department of Public Enterprises, by the end of end 2008/09.
- Enhance the financial sustainability of state-owned airlines by developing and assessing equity and funding requirements in 2008/09.

Programme 6: Joint Project Facility

Purpose: Identify synergies, co-ordinate and develop cross-cutting projects that leverage the assets, activities and/or capabilities of the state owned enterprise (SOE) to the benefit of the SOE and the economy as a whole.

Objectives and measures:

- Address concerns about the long term security of electric power generation by introducing a 20-year power infrastructure build programme to develop the long term sustainability of the national power industry.
- Improve competitiveness by implementing the competitive supplier development programme by the second quarter of 2010. The programme will re-establish local manufacturing and supplier industries to support SOE infrastructure build and maintenance plans, thus increasing the value added from national suppliers without an increase in procurement costs.

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

The Department of Public Enterprises' mandate is to provide shareholder management of the nine SOEs – Alexkor, Broadband InfraCo, Denel, Eskom, Pebble Bed Modular Reactor (PBMR), South African Forestry Company Ltd (SAFCOL), South African Airways (SAA), South African Express Airways (SAX) and Transnet. – with the aim of achieving economic growth and efficiency in strategically important economic sectors, including transport, energy and communications.

Shareholder management happens at the enterprise, sector, and economy wide level. At the enterprise level management activities concentrate on ensuring that the enterprise is sustainable and contributes to overarching economic competitiveness. The infrastructure expansion programmes of Eskom and Transnet, for example, will assist in improving transport and energy distribution networks, lowering the costs of production for South African business. At the sector level, the focus is on ensuring an appropriate industry structure, including determining the role and scale of private sector participation. Finally, in managing the potential impact of the enterprise on the broader economy, the department seeks to systematically leverage SOE investment in infrastructure and defence spending to promote investment in and the development of supplier industries.

There are three elements to the department's mandate:

- ongoing management of the SOE against the achievement of its strategic purpose
- disposing of non-core assets that no longer serve a strategic purpose
- establishing new SOEs to achieve a strategic purpose, particularly in the event of market failure.

Given this mandate the department currently has an important role in monitoring the planning, delivery and financing of the infrastructure expansion programmes of Eskom and Transnet, the turnaround programmes of Denel and SAA, the establishment of Broadband InfraCo, the growth strategies of Alexkor, and the design and development programme of the PBMR.

With the primary focus of the department being shareholder management, the department plays a fundamental monitoring role over SOE performance, including financial and operational sustainability and SOE infrastructure investment. The recent disruption caused to both households and business by load shedding is the result of a combination of factors, including demand pressures derived from the acceleration in economic growth, unplanned maintenance work, coal shortages and underlying electricity generation capacity issues that have eroded reserve margins. From a strategic perspective, the department, as shareholder of Eskom, has a crucial role in monitoring, evaluating and facilitating the SOE's response to these current, and any future, difficulties with electricity provision.

Key policy developments

The work of an intergovernmental task team, comprising the departments of public enterprises, minerals and energy, and provincial and local government, and National Treasury, culminated in the Electricity Distribution Industries Holdings (EDI) Restructuring Bill (2002), which maps out the restructuring of the electricity distribution industry into six regional electricity distributors (REDs).

The promulgation of the Transnet Pension Fund Amendment Act (2007) established that long term Transnet employees who were in a business that was transferred to a government department or SOE would receive the same pension benefits and tax protection as if they had remained in Transnet.

The Broadband InfraCo Bill (2007) authorises the transfer of Broadband InfraCo shares from Eskom Enterprises to government. The bill also defines the mandate of Broadband InfraCo, gives Broadband InfraCo Eskom's and Transnet's servitudes, allows Broadband InfraCo to expropriate when necessary, and amends the Public Finance Management Act (1999) (PFMA) to list Broadband InfraCo as a schedule 2 entity. Finally, it allows the Minister of Public Enterprises to convert Broadband InfraCo into a public company at the minister's discretion. In collaboration with the Department of Communications, the Electronic Communications Act (2005) was also amended to allow for the licensing of Broadband InfraCo.

The South African Airways Bill (2006) and the South African Express Bill (2007) provide for the transfer of SAA and SAX from Transnet to the state under the management of the Department of Public Enterprises. Both bills include provisions for the transfer of shares from Transnet to the state, specifically the Department of Public Enterprises as shareholder, and for the conversion of SAA and SAX into public companies.

The departments of public enterprises, defence, trade and industry, and science and technology finalised the sector strategy for the defence industry. Further restructuring of Denel will be carried out and measures to support the industry will be implemented as part of the strategy.

Recent achievements

Shareholder compacts, which establish SOE performance targets, were signed with Eskom, Denel, Transnet, SAA and Alexkor. In addition, quarterly performance reports, which enable risk monitoring, were provided by all SOEs and assessed by the department. The development and finalisation of an SOE risk management framework further contributes to strengthening SOE balance sheets and improving their sustainability.

To improve the process for disposing of non-core assets, a framework was developed and BEE guidelines formulated, both of which received Cabinet approval. In addition to the transfer of SAA and SAX to the state, (the latter expected by the end of 2008/09) the disposal strategy and guidelines for SAFCOL's last remaining package, the Komatiland Forests, received ministerial approval in August 2007, with the disposal process expected to be concluded by March 2009. In total, 10 non-core disposals were concluded in 2007/08.

After almost 10 years of extensive negotiations and consultation, the department finally settled the Richtersveld community land claim in April 2007.

The Constitutional Court has awarded the land and land mineral rights to the Richtersveld community. Government and Alexkor engaged the Richtersveld community and reached an out of court settlement. The deed of settlement was signed on 22 April 2007 and confirmed as an order of court on 9 October 2007.

The settlement concludes a protracted court case, in which billions of rand were claimed from government. It provides for the transfer of land, movable assets and land mining rights and cash compensation to the Richtersveld community. It also envisages the creation of a joint venture between Alexkor and the community to continue to exploit both the marine and land mining resources. The joint venture requires that Alexkor be capitalised by government, which will contribute to the capital of the joint venture. Alexkor will own 51 per cent of the venture and the community the remaining 49 per cent.

Developments by the energy SOEs indicate progress toward securing long term and environmentally sustainable electricity. Eskom finalised an integrated strategic electricity plan, which is awaiting Cabinet approval, and completed a reserve margin study, which has implications for the security of energy supply, with the target receiving departmental approval. Phase 1 of the next generation nuclear programme was delivered in June 2007. The PBMR corporate plan was approved. A draft nuclear policy and strategy was completed, and a monitoring committee comprised of the Department of Public Enterprises, PBMR and National Treasury established, which meets monthly and at which PBMR submits monthly reports. The draft PBMR shareholders agreement has been finalised for execution in March 2008.

The Broadband Infraco Bill has been enacted and taken effect and the resultant transfer of assets and shareholding to government has been executed. Broadband InfraCo's full service network for national long distance connectivity is now operational, following the upgrade to a 10Gbit/s dense wavelength division multiplexing platform.

In the defence sector, a number of PFMA section 54 applications were assessed, including: the equity transaction with Zeiss Optronics, the Denel Munitions equity transaction, the sale of land at the OR Tambo International Airport, the disposal of Cosource, the merger with Advanced Technologies and Engineering (ATE) in the unmanned aerial vehicle (UAV) segment, the disposal of Machine Shop, and the disposal of the printed circuit board (PCB) assembly plant.

The department arranged the emergency recapitalisation of SAA (R1.3 billion) to provide SAA with enough equity to fund its restructuring, and guided the development of the turnaround strategy, which was approved in June 2007. Since then SAA profitability has improved, with SAA registering a profit margin of 1.6 per cent for the first half of 2007/08. The South African Express Airways Bill was enacted, thus enabling the separation of South African Express Airways (SAX) from Transnet.

Shareholder good practice guidelines were prepared in relation to board remuneration, board induction founding documents and shareholder agreements.

To determine the magnitude of the skills requirements and potential shortage of artisans, technicians and technologists, the department, in conjunction with all SOEs, undertook the human resources and capacity building project. The findings were shared with the Joint Initiative on Priority Skills Acquisition (JIPSA) to ensure government adopts a co-ordinated economy wide approach to skills acquisition.

Selected performance indicators

Measuring SOE performance

The shareholder compact targets establish the framework for motivating and ensuring accountability for performance - by the SOEs directly and by the Department of Public Enterprises through its monitoring and oversight role as shareholder. From next year, the department's performance indicators will therefore reflect financial, operational, capital investment, socioeconomic and critical process performance against minimum targets in the shareholder compacts.

- **Financial** (return on equity, EBITDAR margin (percentage), EBIT margin (percentage), return on assets, gearing ratio (percentage), VAR (percentage), cash interest cover (percentage) and operating profit)
- **Operations** (volume growth (percentage), net operating margin (percentage), productivity improvements (percentage), critical process (e.g. regulatory approvals), cost, safety
- **Capital investment programme** (expansion/maintenance plan, percentage capex spend, total spend)
- **Socioeconomic** (BBBEE index, employment equity index, training index, preferential procurement index, succession planning index).

Expenditure estimates

Table 30.1 Public Enterprises

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
R thousand	2004/05	2005/06	2006/07	2007/08		2008/09	2009/10	2010/11
1. Administration	40 177	46 311	50 681	62 695	62 695	65 986	69 542	73 987
2. Energy and Broadband Enterprises	608 870	585 264	1 842 110	2 511 880	2 511 880	2 137 580	1 973 236	153 253
3. Legal, Governance, Risk and Transactions	22 155	30 681	102 493	96 778	96 778	158 163	157 402	29 049
4. Manufacturing Enterprises	6 430	2 007 912	578 472	1 165 373	1 164 342	11 641	11 853	12 604
5. Transport Enterprises	1 054	1 315	4 670	753 995	753 995	605 669	19 207	20 040
6. Joint Project Facility	–	–	11 409	14 368	14 368	28 823	34 451	27 058
Total	**678 686**	**2 671 483**	**2 589 835**	**4 605 089**	**4 604 058**	**3 007 862**	**2 265 691**	**315 991**
Change to 2007 Budget estimate				3 541 123	3 540 092	2 867 159	2 115 781	157 086
Economic classification								
Current payments	**67 219**	**76 537**	**100 362**	**128 616**	**128 616**	**164 837**	**174 936**	**175 281**
Compensation of employees	34 970	42 442	47 208	62 010	62 010	71 492	77 459	83 455
Goods and services	32 249	34 095	53 046	66 606	66 606	93 345	97 477	91 826
of which:								
Communication	*1 516*	*2 026*	*1 921*	*1 636*	*1 636*	*2 485*	*2 534*	*2 661*
Computer services	*224*	*670*	*1 528*	*2 303*	*2 303*	*1 518*	*1 548*	*1 626*
Consultants, contractors and special services	*7 328*	*6 811*	*23 811*	*27 035*	*27 035*	*51 190*	*56 216*	*48 488*
Inventory	*2 549*	*980*	*242*	*1 970*	*1 970*	*69*	*70*	*74*
Maintenance, repairs and running costs	*437*	*400*	*1 866*	*588*	*588*	*96*	*98*	*103*
Operating leases	*6 374*	*3 892*	*5 024*	*5 668*	*5 668*	*6 433*	*6 683*	*7 017*
Travel and subsistence	*5 055*	*4 952*	*6 590*	*11 062*	*11 062*	*12 803*	*13 121*	*13 927*
Municipal services	*256*	*425*	*323*	*351*	*351*	*373*	*411*	*432*
Printing and publications	*–*	*–*	*–*	*500*	*500*	*–*	*–*	*–*
Audit fees	*375*	*1 220*	*1 372*	*1 200*	*1 200*	*1 000*	*1 020*	*1 071*
Venues and facilities	*–*	*–*	*–*	*300*	*300*	*–*	*–*	*–*
Financial transactions in assets and liabilities	–	–	108	–	–	–	–	–

Table 30.1 Public Enterprises (continued)

				Adjusted	Revised			
	Audited outcome			appropriation	estimate	Medium-term expenditure estimate		
R thousand	2004/05	2005/06	2006/07	2007/08		2008/09	2009/10	2010/11
Transfers and subsidies	**609 032**	**2 593 997**	**2 486 732**	**4 474 993**	**4 473 962**	**2 842 650**	**2 090 680**	**140 710**
Provinces and municipalities	110	129	42	–	–	–	–	–
Departmental agencies and accounts	6 922	372	3 589	–	–	–	–	–
Public corporations and private enterprises	602 000	2 593 396	2 482 517	4 474 373	4 473 342	2 842 000	2 090 000	140 000
Households	–	100	584	620	620	650	680	710
Payments for capital assets	**2 435**	**949**	**2 741**	**1 480**	**1 480**	**375**	**75**	**–**
Machinery and equipment	2 338	936	2 517	1 480	1 480	375	75	–
Software and other intangible assets	97	13	224	–	–	–	–	–
Total	**678 686**	**2 671 483**	**2 589 835**	**4 605 089**	**4 604 058**	**3 007 862**	**2 265 691**	**315 991**

Expenditure trends

Expenditure increased from R678.7 million in 2004/05 to R4.6 billion in 2007/08, at an average annual rate of 89.3 per cent as a result of transfer payments (including VAT) to state owned enterprises (SOEs). Combined, transfer payments to SOEs grew at an average annual rate of 95.2 per cent, from R602 million in 2004/05 to R4.5 billion in 2007/08. Between 2004/05 and 2007/08, Denel received R3.7 billion, Alexkor received R170.2 million, the Pebble Bed Modular Reactor (PBMR) received R4.9 billion, South African Airways (SAA) received R744 million; and R627 million was provided for the establishment of Broadband InfraCo. The joint project facility was also funded from the vote for the first time, receiving R25.8 million between 2006/07 and 2007/08. More details of these specific allocations are discussed under expenditure trends for the relevant programmes.

Over the MTEF period, expenditure is expected to decrease at an average annual rate of 59.1 per cent, from R4.6 billion in 2007/08 to R316 million in 2010/11. Transfers to SOEs remain high in 2008/09 and 2009/10. Combined they amount to R4.9 billion, and of which R3.5 billion is allocated to the PBMR. The significant decline in 2010/11 indicates the ending of transfer payments to SOEs, with the only ongoing funding of R140 million allocated to Broadband InfraCo.

Some spending trends have been affected by the department's restructuring of some functions and subprogrammes. For example, Alexkor has been shifted from the *Energy and Broadband Enterprises* programme, where it had been under the *Mining* subprogramme, to the *Legal, Governance, Risk and Transactions* programme, a shift motivated by the fact that a settlement that was reached with the Richtersveld Community will involve numerous legal transactions. This is also the reason for the Alexkor transfer payment shifting to the *Legal, Governance, Risk and Transactions Programme*. The *Nuclear Sector* subprogramme (PBMR) has been shifted from the *Manufacturing Enterprises* programme to *Energy and Broadband Enterprises*, to be aligned with the energy sector. These changes have resulted in significant movements in expenditure items over the period, including transfer payments. Historical numbers have been adjusted per programme.

The department has identified efficiency savings of R3 million in each of the three years over the medium term in goods and services, mainly under travel and subsistence, venues and facilities, and audit fees.

Departmental receipts

Departmental receipts are accumulated from dividends, proceeds from the sale of SOEs, and minor items such as commissions on insurance premiums and parking.

In 2004/05, dividends of R569 million were received from Eskom and R30 million from the South African Forestry Company Limited (SAFCOL). In 2005/06, dividends of R1.6 billion were received from Eskom. No dividends from Eskom were received in either 2006/07 or 2007/08 but will rather be reinvested into the planned infrastructure expansion projects for creating more generation capacity. This has resulted in the reduction in expected receipts over the MTEF period to an average of R71 000 per year.

Table 30.2 Departmental receipts

	Audited outcome			Estimate	Medium-term receipts estimate		
R thousand	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Departmental receipts	**599 179**	**1 011 305**	**109**	**67**	**70**	**70**	**74**
Sales of goods and services produced by department	23	25	33	28	29	30	32
Sales of scrap, waste and other used current goods	2	2	–	5	5	2	2
Interest, dividends and rent on land	599 036	1 010 992	19	13	14	15	16
Sales of capital assets	–	–	18	–	–	–	–
Financial transactions in assets and liabilities	118	286	39	21	22	23	24
Direct exchequer receipts							
Special restructuring proceeds	–	662 000	–	–	–	–	–
Total	**599 179**	**1 673 305**	**109**	**67**	**70**	**70**	**74**

Programme 1: Administration

Purpose: Provide simple and effective management systems and practices for the department.

Expenditure estimates

Table 30.3 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Minister[1]	777	890	885	908	1 019	1 072	1 127
Management	5 547	12 828	11 332	12 754	14 634	15 908	17 047
Corporate Services	30 839	29 338	34 798	44 032	45 845	47 624	50 381
Property Management	3 014	3 255	3 666	5 001	4 488	4 938	5 432
Total	**40 177**	**46 311**	**50 681**	**62 695**	**65 986**	**69 542**	**73 987**
Change to 2007 Budget estimate				3 435	1 668	2 346	2 655

1. Payable as from 1 April 2007. Salary: R726 465. Car allowance: R181 616.

Economic classification							
Current payments	**38 285**	**45 320**	**47 570**	**60 643**	**64 961**	**68 787**	**73 277**
Compensation of employees	18 838	24 293	23 403	29 014	33 979	37 092	40 033
Goods and services	19 447	21 027	24 059	31 629	30 982	31 695	33 244
of which:							
Communication	*940*	*1 753*	*1 254*	*1 119*	*1 655*	*1 688*	*1 772*
Computer services	*1*	*617*	*879*	*2 303*	*1 518*	*1 548*	*1 626*
Consultants, contractors and special services	*3 546*	*3 838*	*5 371*	*5 750*	*4 477*	*4 567*	*4 795*
Inventory	*1 899*	*940*	*16*	*1 789*	*69*	*70*	*74*
Maintenance, repairs and running costs	*437*	*400*	*1 851*	*588*	*96*	*98*	*103*
Operating leases	*6 374*	*3 892*	*5 024*	*5 566*	*6 433*	*6 683*	*7 017*
Travel and subsistence	*3 706*	*3 917*	*4 672*	*5 992*	*7 084*	*7 226*	*7 587*
Municipal services	*256*	*425*	*323*	*351*	*373*	*411*	*432*
Printing and publications	*–*	*–*	*–*	*500*	*–*	*–*	*–*
Audit fees	*375*	*1 220*	*1 372*	*1 200*	*1 000*	*1 020*	*1 071*
Venues and facilities	*–*	*–*	*–*	*300*	*–*	*–*	*–*
Financial transactions in assets and liabilities	–	–	108	–	–	–	–
Transfers and subsidies	**19**	**169**	**605**	**620**	**650**	**680**	**710**
Provinces and municipalities	19	69	21	–	–	–	–
Households	–	100	584	620	650	680	710
Payments for capital assets	**1 873**	**822**	**2 506**	**1 432**	**375**	**75**	**–**
Machinery and equipment	1 776	809	2 282	1 432	375	75	–
Software and other intangible assets	97	13	224	–	–	–	–
Total	**40 177**	**46 311**	**50 681**	**62 695**	**65 986**	**69 542**	**73 987**

Expenditure trends

Expenditure increased at an average annual rate of 16 per cent between 2004/05 and 2007/08, from R40.2 million to R62.7 million, evident in the *Corporate Services* and *Management* subprogrammes and due to the centralisation of operational expenditure such as IT licences and services, photocopying equipment, training and communication. Compensation of employees increased at an average rate of 15.5 per cent and goods and services at an average annual rate of 17.6 per cent.

Expenditure grows moderately over the MTEF period, at an average annual rate of 5.7 per cent to R74 million in 2010/11, broadly in line with inflation but also reflecting the centralisation of services such as training, bursaries, IT and leases on equipment.

Programme 2: Energy and Broadband Enterprises

Purpose: Align the corporate strategies of Eskom, the Pebble Bed Modular Reactor (PBMR) and Broadband InfraCo with government's strategic intent. Monitor their financial and operational performance.

- *Management*.
- *ICT Sector: Broadband* is responsible for the new SOE, Broadband InfraCo: overseeing the agreements between parties, assessing the business plan, monitoring the commissioning of the full service network (FSN), and providing the overarching shareholder management.
- *Energy Sector* provides oversight of Eskom, which is responsible for the generation, transmission and distribution industries, with a particular focus on analysing the regulatory framework and tariff related issues.
- *Nuclear Sector* oversees the Pebble Bed Modular Reactor.
- *Initial Public Offering* included transfers to the Diabo Trust and the Khulisa Trust where Telkom shares were housed.

Expenditure estimates

Table 30.4 Energy and Broadband Enterprises

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Management	941	2 353	2 056	2 441	2 008	2 148	2 307
ICT Sector: Broadband	–	–	–	1 635	378 841	212 702	142 730
Energy Sector	1 007	2 539	1 561	4 022	5 427	6 994	6 723
Nuclear Sector	600 000	580 000	1 834 904	2 503 782	1 751 304	1 751 392	1 493
Initial Public Offering	6 922	372	3 589	–	–	–	–
Total	**608 870**	**585 264**	**1 842 110**	**2 511 880**	**2 137 580**	**1 973 236**	**153 253**
Change to 2007 Budget estimate				2 496 236	2 128 150	1 962 190	142 192
Economic classification							
Current payments	**1 720**	**4 844**	**7 072**	**9 607**	**10 580**	**13 236**	**13 253**
Compensation of employees	906	4 274	4 140	6 474	6 915	7 444	7 992
Goods and services	814	570	2 932	3 133	3 665	5 792	5 261
of which:							
Communication	*138*	*79*	*154*	*134*	*139*	*141*	*149*
Computer services	–	–	*1 121*	–	–	–	–
Consultants, contractors and special services	–	–	*906*	*1 059*	*2 300*	*4 400*	*3 800*
Inventory	–	–	–	*20*	–	–	–
Operating leases	–	–	–	*10*	–	–	–
Travel and subsistence	*262*	*402*	*(156)*	*1 221*	*863*	*880*	*923*

Table 30.4 Energy and Broadband Enterprises (continued)

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Transfers and subsidies	**606 956**	**580 395**	**1 834 996**	**2 502 273**	**2 127 000**	**1 960 000**	**140 000**
Provinces and municipalities	34	23	7	–	–	–	–
Departmental agencies and accounts	6 922	372	3 589	–	–	–	–
Public corporations and private enterprises	600 000	580 000	1 831 400	2 502 273	2 127 000	1 960 000	140 000
Payments for capital assets	**194**	**25**	**42**	**–**	**–**	**–**	**–**
Machinery and equipment	194	25	42	–	–	–	–
Total	**608 870**	**585 264**	**1 842 110**	**2 511 880**	**2 137 580**	**1 973 236**	**153 253**
Details of major transfers and subsidies							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	**6 922**	**372**	**3 589**	**–**	**–**	**–**	**–**
Diabo Trust	3 119	–	3 589	–	–	–	–
Khulisa Trust	3 803	372	–	–	–	–	–
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**600 000**	**580 000**	**1 831 400**	**2 502 273**	**2 127 000**	**1 960 000**	**140 000**
Pebble Bed Modular Reactor	600 000	580 000	1 204 400	2 502 273	1 750 000	1 750 000	–
Broadband Infraco	–	–	627 000	–	377 000	210 000	140 000

Expenditure trends

Expenditure is dominated by transfer payments to SOEs. Expenditure increased between 2004/05 and 2007/08, from R608.9 million to R2.5 billion, at an average annual rate of 60.4 per cent. Large increases in spending in 2006/07 reflect transfer payments of R627 million to establish Broadband InfraCo, including the purchase of the full service network from Eskom/Transtel, and R1.2 billion to the Pebble Bed Modular Reactor (PBMR) to pay essential contracts for the demonstration plant. The significant transfer in 2007/08 is accounted for by a R2.5 billion allocation to the PBMR.

Expenditure remains high in 2008/09 and 2009/10, at R2.1 billion and R2 billion respectively, as Broadband InfraCo and PMBR continue to receive substantial transfer payments. Disaggregating this, it is expected that a total of R727 million of capital will be injected into Broadband InfraCo to expand South Africa’s ICT infrastructure and R3.5 billion into the PBMR for designing, building and prototyping the PBMR technology over the MTEF period. Expenditure is expected to decrease from R2 billion in 2009/10 to R153 million in 2010/11, a decline of 92.2 per cent, due to the ending of transfer payments to the SOEs as they become self-financing.

Programme 3: Legal, Governance, Risk and Transactions

Purpose: Provide effective legal services and corporate governance risk management systems and implement legal aspects of strategically important transactions.

- *Management.*
- *Legal and Litigation* provides internal legal services and oversight support to SOEs.
- *Governance* develops corporate governance and shareholder management systems for improving adherence to good corporate governance principles within all SOEs. (Secretariat functions, which were included in the *Governance* subprogramme in the 2007 Budget, have been moved to the *Administration* programme.)
- *Risk Management* proactively identifies, manages and monitors significant risks at the SOE level and across the SOEs, and establishes and maintains risk management systems within the department.

- *Transactions* deals with transactions relating to SOEs via a multidisciplinary team drawn from legal, governance, risk and relevant sector programmes.

Expenditure estimates

Table 30.5 Legal, Governance, Risk and Transactions

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Management	1 172	5 610	2 148	2 774	3 589	3 772	4 020
Legal and Litigation	2 363	533	7 690	8 426	11 433	9 813	10 314
Governance	7 913	6 653	5 065	8 356	4 815	5 107	5 459
Risk Management	5 760	2 003	1 567	2 484	5 126	5 340	5 661
Transactions	4 947	15 882	86 023	74 738	133 200	133 370	3 595
Total	**22 155**	**30 681**	**102 493**	**96 778**	**158 163**	**157 402**	**29 049**
Change to 2007 Budget estimate				75 998	133 499	131 490	1 465
Economic classification							
Current payments	**19 959**	**17 197**	**18 216**	**24 062**	**28 163**	**27 402**	**29 049**
Compensation of employees	9 773	7 333	7 640	13 954	13 550	14 576	15 682
Goods and services	10 186	9 864	10 576	10 108	14 613	12 826	13 367
of which:							
Communication	*340*	*120*	*296*	*173*	*240*	*245*	*257*
Computer services	*223*	*53*	*(542)*	*–*	*–*	*–*	*–*
Consultants, contractors and special services	*2 809*	*2 662*	*4 936*	*3 758*	*4 293*	*4 379*	*4 598*
Inventory	*650*	*40*	*196*	*93*	*–*	*–*	*–*
Travel and subsistence	*850*	*425*	*1 382*	*1 005*	*2 031*	*2 072*	*2 176*
Transfers and subsidies	**2 023**	**13 407**	**84 123**	**72 700**	**130 000**	**130 000**	**–**
Provinces and municipalities	23	11	6	–	–	–	–
Public corporations and private enterprises	2 000	13 396	84 117	72 700	130 000	130 000	–
Payments for capital assets	**173**	**77**	**154**	**16**	**–**	**–**	**–**
Machinery and equipment	173	77	154	16	–	–	–
Total	**22 155**	**30 681**	**102 493**	**96 778**	**158 163**	**157 402**	**29 049**
Details of major transfers and subsidies							
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**2 000**	**13 396**	**84 117**	**72 700**	**130 000**	**130 000**	**–**
Legal Claim	–	–	2 033	–	–	–	–
Alexkor	2 000	13 396	82 084	72 700	130 000	130 000	–

Expenditure trends

Over most of the period under review, expenditure is dominated by transfer payments to Alexkor. Expenditure increased at an average annual rate of 63.5 per cent between 2004/05 and 2007/08, from R22 million to R96.8 million, due to the R82.1 million that was transferred to Alexkor in 2006/07 to initiate an exploration programme and to pay for operational expenses. A further transfer of R72.7 million was made in 2007/08 for operating costs, restructuring and the payment of VAT on previous government transfers. The average annual increase in expenditure of 52.8 per cent in *Legal and Litigation* between 2004/05 and 2007/08 is due to the legal costs incurred as a result of the Alexkor-Richtersveld community settlement. Over the MTEF period, expenditure covers the anticipated legal costs associated with a number of transactions, including the disposal of the Komatiland Forest by SAFCOL.

Expenditure is expected to decrease over the MTEF period from R96.8 million in 2007/08 to R29 million in 2010/11, at an average annual rate of 33 per cent, due to the finalisation of the Alexkor settlement.

Programme 4: Manufacturing Enterprises

Purpose: Analyse state owned enterprise (SOE) strategies against government's strategic intent, develop proposals around how the SOEs can play a catalytic role in the development of the manufacturing cluster and monitor and advise on SOEs' financial and operational performance.

- *Management.*
- *Forestry Sector* oversees the South African Forestry Company Limited (SAFCOL).
- *Defence Sector* oversees Denel.

Expenditure estimates

Table 30.6 Manufacturing Enterprises

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Management	4 233	2 426	2 331	1 936	1 925	2 025	2 155
Forestry Sector	1 122	2 788	4 917	2 222	1 384	923	990
Defence Sector	1 075	2 002 698	571 224	1 161 215	8 332	8 905	9 459
Total	**6 430**	**2 007 912**	**578 472**	**1 165 373**	**11 641**	**11 853**	**12 604**
Change to 2007 Budget estimate				221 895	2 871	928	573
Economic classification							
Current payments	**6 201**	**7 861**	**11 426**	**10 357**	**11 641**	**11 853**	**12 604**
Compensation of employees	4 721	5 800	6 902	5 041	5 788	6 224	6 694
Goods and services	1 480	2 061	4 524	5 316	5 853	5 629	5 910
of which:							
Communication	*73*	*35*	*65*	*91*	*162*	*165*	*173*
Consultants, contractors and special services	*853*	*125*	*2 941*	*3 225*	*4 600*	*4 162*	*4 370*
Inventory	–	–	–	*1*	–	–	–
Operating leases	–	–	–	*43*	–	–	–
Travel and subsistence	*187*	*54*	*180*	*1 024*	*862*	*880*	*924*
Transfers and subsidies	**34**	**2 000 026**	**567 007**	**1 155 000**	**–**	**–**	**–**
Provinces and municipalities	34	26	7	–	–	–	–
Public corporations and private enterprises	–	2 000 000	567 000	1 155 000	–	–	–
Payments for capital assets	**195**	**25**	**39**	**16**	**–**	**–**	**–**
Machinery and equipment	195	25	39	16	–	–	–
Total	**6 430**	**2 007 912**	**578 472**	**1 165 373**	**11 641**	**11 853**	**12 604**
Details of major transfers and subsidies							
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**–**	**–**	**–**	**222 000**	**–**	**–**	**–**
Denel	–	–	–	222 000	–	–	–
Capital	**–**	**2 000 000**	**567 000**	**933 000**	**–**	**–**	**–**
Denel	–	2 000 000	567 000	933 000	–	–	–

Expenditure trends

Expenditure is dominated by transfer payments to Denel. Expenditure increased substantially from R6.4 million in 2004/05 to R1.2 billion in 2007/08. Denel received R2 billion for capitalisation in 2005/06 and R567 million in 2006/07 to further support the entity's turnaround strategy. However, it was subsequently established that the R2 billion would not attract VAT and the department did not draw the VAT funds. In 2007/08, Denel received an allocation of R1.2 billion that consisted of R222 million for the payment of an indemnity granted to Denel/Saab Aerostructures and R933 million as a final capital investment.

Programme expenditure is expected to decrease at an average annual rate of 77.9 per cent, from R1.2 billion in 2007/08 to R12.6 million in 2010/11. This leaves R36 million for management and oversight functions by the department in the manufacturing enterprises sector.

Programme 5: Transport Enterprises

Purpose: Oversee the activities of Transnet, South African Airways (SAA) and South African Express Airways (SAX) in terms of corporate strategy and structure, operational performance, industry structure, corporate governance and policy, financial and risk management, corporate transactions, and benchmarking. Develop proposals around how the SOEs can play a catalytic role in the development of the associated manufacturing cluster through leveraging their capital investment programmes via the competitive supplier development programme.

- *Management.*
- *Transport Sector* oversees Transnet
- *Aviation Sector* oversees South African Airways (SAA) and South African Express Airways (SAX).

Expenditure estimates

Table 30.7 Transport Enterprises

Subprogramme				**Adjusted**			
		Audited outcome		**appropriation**	**Medium-term expenditure estimate**		
R thousand	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
Management	–	–	–	1 820	2 212	2 365	2 541
Transport Sector	1 054	1 315	2 355	5 320	11 563	11 783	12 155
Aviation Sector	–	–	2 315	746 855	591 894	5 059	5 344
Total	**1 054**	**1 315**	**4 670**	**753 995**	**605 669**	**19 207**	**20 040**
Change to 2007 Budget estimate				743 869	592 571	5 500	5 476
Economic classification							
Current payments	**1 054**	**1 315**	**4 670**	**9 579**	**20 669**	**19 207**	**20 040**
Compensation of employees	732	742	2 306	5 212	6 243	6 714	7 221
Goods and services	322	573	2 364	4 367	14 426	12 493	12 819
Of which:							
Communication	*25*	*39*	*52*	*47*	*144*	*147*	*154*
Computer services	*–*	*–*	*70*	*–*	*–*	*–*	*–*
Consultants, contractors and special services	*120*	*186*	*1 857*	*3 422*	*13 460*	*11 508*	*11 783*
Inventory	*–*	*–*	*30*	*21*	*–*	*–*	*–*
Maintenance, repairs and running costs	*–*	*–*	*15*	*–*	*–*	*–*	*–*
Travel and subsistence	*50*	*154*	*46*	*505*	*538*	*549*	*577*
Transfers and subsidies	**–**	**–**	**–**	**744 400**	**585 000**	**–**	**–**
Public corporations and private enterprises	–	–	–	744 400	585 000	–	–
Payments for capital assets	**–**	**–**	**–**	**16**	**–**	**–**	**–**
Machinery and equipment	–	–	–	16	–	–	–
Total	**1 054**	**1 315**	**4 670**	**753 995**	**605 669**	**19 207**	**20 040**
Details of major transfers and subsidies							
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**–**	**–**	**–**	**744 400**	**104 000**	**–**	**–**
South African Airways	–	–	–	744 400	–	–	–
South African Express Airways	–	–	–	–	104 000	–	–
Capital	**–**	**–**	**–**	**–**	**481 000**	**–**	**–**
South African Express Airways	–	–	–	–	481 000	–	–

Expenditure trends

From 2007/08 and onwards, expenditure is dominated by transfers to South African Airways (SAA) and South African Express Airways (SAX). Expenditure increased considerably in 2007/08 as R744 million was allocated to SAA for restructuring and its turnaround programme. The budget decreases in 2008/09, but remains high at R605.7 million for a transfer payment of R585 million to SAX. In 2009/10 and 2010/11, expenditure is expected to average below R20 million a year as a result of no budget for transfers, leaving funds for management and oversight functions by the department in the transport sector.

Programme 6: Joint Project Facility

Purpose: Identify synergies, and co-ordinate and develop cross-cutting projects that leverage the assets, activities and capabilities of the SOE to the benefit of the SOE and the economy as a whole. Projects under the *Joint Project Facility* programme are:

Competitive supplier development programme is responsible for finding innovative ways of leveraging SOE procurement spend to build local world class manufacturing capabilities to supply the SOEs with capital goods in their infrastructure build programmes.

Human resources and capacity building focuses on ensuring that there are enough skills in South Africa to meet the requirements of the SOEs infrastructure build programmes by identifying skills requirements in the long term (20-year horizon) and exploring ways of maximising the training infrastructure within SOEs to develop the necessary skilled artisans and technicians.

Property project focuses on optimising the value of and developmental impacts on non-core properties and has established a policy framework and a set of BEE guidelines to guide the disposals.

Rest of Africa aims to develop infrastructure projects in key countries in Africa.

Information communications technology seeks to use SOE ICT infrastructure to the advantage of the SOEs and the country as a whole. Developing call centres in rural areas and providing cheap broadband infrastructure for South Africa are two key outputs.

Environmental issues project develops proposals to ensure that the government policy balances the needs of environmental conservation with the need to rapidly build more infrastructure to grow the economy and become globally competitive.

SA power project focuses on the creation of a local industrial manufacturing base for power equipment and related plant to meet the requirements of the infrastructure build programme from locally produced equipment.

The pipelines project, which was previously included as a JPF subprogramme in ENE 2007, is now included as part of the Transnet portfolio and is not reflected individually as a project.

Expenditure estimates

Table 30.8 Joint Project Facility

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Management	–	–	–	2 533	1 772	1 906	2 051
Joint Project Facility	–	–	11 409	11 835	27 051	32 545	25 007
Total	**–**	**–**	**11 409**	**14 368**	**28 823**	**34 451**	**27 058**
Change to 2007 Budget estimate				(310)	8 400	13 327	4 725

Table 30.8 Joint Project Facility (continued)

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R thousand	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Economic classification							
Current payments	**–**	**–**	**11 408**	**14 368**	**28 823**	**34 451**	**27 058**
Compensation of employees	–	–	2 817	2 315	5 017	5 409	5 833
Goods and services	–	–	8 591	12 053	23 806	29 042	21 225
of which:							
Communication	–	–	*100*	*72*	*145*	*148*	*156*
Consultants, contractors and special services	–	–	*7 800*	*9 821*	*22 060*	*27 200*	*19 142*
Inventory	–	–	–	*46*	–	–	–
Operating leases	–	–	–	*49*	–	–	–
Travel and subsistence	–	–	*466*	*1 315*	*1 425*	*1 514*	*1 740*
Transfers and subsidies	**–**	**–**	**1**	**–**	**–**	**–**	**–**
Provinces and municipalities	–	–	1	–	–	–	–
Total	**–**	**–**	**11 409**	**14 368**	**28 823**	**34 451**	**27 058**

Expenditure trends

Expenditure mainly reflects contributions for different projects in the joint project facility (JPF), which was established during 2005/06 and was funded by the SOEs in that year (not included in expenditure table). In 2006/07, the unit was included as a subprogramme under the *Manufacturing Enterprises* programme, but through the realignment of the functions within the department a new programme was created in 2007/08 and historical expenditure was adjusted accordingly.

Expenditure increased by 25.9 per cent, from R11.4 million in 2006/07 to R14.4 million in 2007/08 as provision is made for *Management* only from 2007/08. Expenditure is projected to grow to R27 million in 2010/11, an average annual increase of 23.5 percent over the MTEF period, mainly due to additional capacity and outsourcing of technical and specialist expertise required to meet the objectives of the JPF over the MTEF period.

Public entities and other agencies

Transnet

Transnet is the SOE responsible for core transport operations in South Africa. Its main business units include Transnet Freight Rail (rail transport), Transnet Port Terminals, Transnet National Ports Authority and Transnet Pipelines. In addition, Transnet holds a range of smaller companies in road logistics, warehousing, IT, wagon manufacturing, telecommunications infrastructure and property. Transnet's implementation of its strategy to transform the company from a diversified conglomerate into a focused freight transport company is nearly complete. This includes Transnet's exit from civil aviation, which involves the completed transfer of South African Airways (SAA) to the state and the transfer of South African Express Airways (SAX) to the state during 2008/09. Accordingly, Transnet has undergone a new corporate branding exercise to reflect the new look of the company.

At the end of 2006/07, the effects of Transnet's turnaround strategy were reflected in the areas of profitability, efficiency and liquidity, with most indicators reflecting an improvement over the previous year. For example, profit after tax improved significantly by 31.8 per cent, while the return on assets increased to 11 per cent. Improvements have also been observed in Transnet's financial position. The gearing ratio decreased to 39 per cent.

Selected performance indicators

Indicators	Annual statements			Corporate plan			
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Gross profit margin	29%	40%	41%	35.1%	37.8%	42.9%	–
EBIT margin	21%	31%	30%	23%	24%	28%	–
Net profit margin	23%	19%	22%	9%	9%	12%	–
Return on equity	27%	16%	17%	7%	7%	9%	–

As part of its turnaround strategy, Transnet has budgeted to invest approximately R78 billion over the five year period from 2007/08 to 2011/12. The largest share, approximately 45 per cent of Transnet's capital investment over the five years, will go towards improving the freight rail business, expanding the ports capacity as well as addressing the historical underinvestment in infrastructure and rolling stock.

Transnet capital investment plans, 2007/08-2011/12

R million	2007/08	2008/09	2009/10	2010/11	2011/12	Five year total
Freight rail	7 878	8 869	7 210	5 603	5 262	34 822
Rail engineering	699	774	796	866	947	4 082
Port terminals	3 136	2 642	1 343	1 338	1 054	9 513
National ports authority	3 949	5 691	4 631	2 452	1 812	18 535
Pipelines	900	3 282	3 289	2 302	188	9 961
Other business	373	223	211	153	141	1 101
Total	**16 935**	**21 481**	**17 480**	**12 714**	**9 404**	**78 014**

Eskom

Eskom's primary mandate is to ensure the security of electricity supply for industrial and household needs in South Africa. As an SOE, Eskom has government as the sole shareholder but has been self-financing in recent times, relying on its balance sheet to support its operations in electricity generation, transmission and distribution. Eskom has performed well in terms of both its financial performance and position. This is evident in the growth in revenue and profit margins over the past five years.

Selected performance indicators

Indicators	Annual statements			Corporate plan			
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Gross profit margin	72.2%	70.0%	67.8%	71.7%	72.4%	72.2%	72.0%
EBIT margin	21.1%	23.1%	27.1%	23.0%	22.5%	23.9%	24.2%
Net profit margin	12.5%	12.9%	15.9%	14.2%	13.7%	15.2%	13.9%
Return on equity	11.4%	9.3%	11.4%	10.5%	10.0%	10.6%	9.4%

The acceleration in economic activity within South Africa, as indicated by higher rates of GDP growth, has placed considerable demand pressures on an already strained electricity generation capacity. This has resulted in an eroded reserve margin and subsequent capacity shortages during times of peak demand in winter and during the maintenance schedule peak in summer. This was particularly evident in January 2008 as unplanned production disruptions and coal shortages exacerbated the underlying capacity issue in electricity generation, forcing Eskom to implement rolling blackouts to maintain the stability of the national power grid.

In response, Eskom is embarking on an extensive capacity expansion programme to address the reserve margin and raise it to acceptable and sustainable levels. Over the next five years Eskom's capital expansion programme will amount to R342.9 billion, with 74 per cent (R249 million) earmarked for generation, 12 per cent (R43 million) for transmission and 10 per cent (R36 million) for distribution.

Eskom capital investment plans, 2008/09 - 2012/13

R million	2008/09	2009/10	2010/11	2011/12	2012/13	Five year total
Generation	34 354	60 346	55 112	49 828	50 130	249 770
Transmission	5 054	10 509	12 183	9 636	6 077	43 459
Distribution	6 078	6 617	7 446	7 939	8 815	36 895
Corporation	1 390	3 263	4 994	2 886	211	12 744
Total	**46 876**	**80 735**	**79 735**	**70 289**	**65 233**	**342 868**

The capacity expansion programme is expected to deliver an additional 22 000 MW by 2017. The National Energy Regulator of South Africa (NERSA) has approved a 14.2 per cent tariff increase with effect from April 2008. The increase in revenue will contribute to a limited extent towards financing the capital expansion programme.

In addition to the broader capacity programme, in response to the challenges posed by climate change, Eskom is looking at alternative sources of electricity generation to augment the current coal-powered generation process. These include nuclear, renewable sources and solar power. Furthermore, the Department of Minerals and Energy has issued directives on renewable energy that Eskom must observe.

Denel

Denel (Pty) Ltd was incorporated as a private company in April 1992 when it separated from the Armaments Corporation of South Africa (Armscor). At the time, the industrial and manufacturing activities of Armscor were integrated into Denel.

Denel's mandate is to supply South Africa's armed forces with strategic defence capabilities. In addition, Denel and the local defence industry play a major role in contributing towards advanced manufacturing. Denel's turnaround strategy was initiated in 2005 and includes a shift in the enterprises focus away from major systems development towards the manufacture of sub-systems and components for local and global markets. The turnaround strategy is already showing marked improvements in Denel's performance and the business is projected to achieve a positive earnings before interest and tax (EBIT) margin by 2010/11.

Forming partnerships with global defence companies is a key strategic objective for Denel. In this respect, Denel has finalised equity partnerships with Saab in the aerostructures business, Carl Zeiss of Germany acquired 70 per cent of Denel Optronics, and negotiations with an equity partner in Denel Munitions are at an advanced stage. In terms of consolidation of the local industry, Denel and Advanced Technology and Engineering (ATE) are in merger negotiations regarding the consolidation of the unmanned aerial vehicle industry segment.

Selected performance indicators

Indicators	Annual performance			Corporate plan			
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Gross profit margin	3.7%	(4.7%)	23.1%	14.2%	22.5%	25.2%	25.5%
EBIT margin	(36.8%)	(38.8%)	(11.8%)	(12.2%)	(6.4%)	(1.3%)	1.1%
Net profit/(loss) margin	(43.8%)	(49.1%)	(16.8%)	(14.3%)	(8.3%)	(4.1%)	(1.7%)
Return on equity	–	(222.6%)	(86.7%)	(48.3%)	(54.7%)	(34.1%)	(15.4%)

Expenditure estimates

Table 30.9 Denel

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	**3 644 000**	**2 961 000**	**3 361 000**	**3 891 000**	**4 187 000**	**4 602 000**	**5 036 000**
Sale of goods and services other than capital assets *of which:*	3 572 000	2 774 000	3 269 000	3 808 000	4 166 000	4 581 000	5 015 000
Sales by market establishments	*3 572 000*	*2 774 000*	*3 269 000*	*3 808 000*	*4 166 000*	*4 581 000*	*5 015 000*
Other non-tax revenue	72 000	187 000	92 000	83 000	21 000	21 000	21 000
Total revenue	**3 644 000**	**2 961 000**	**3 361 000**	**3 891 000**	**4 187 000**	**4 602 000**	**5 036 000**
Expenses							
Current expense	**5 192 000**	**4 305 000**	**3 903 000**	**4 400 000**	**4 525 000**	**4 777 000**	**5 105 000**
Compensation of employees	2 015 000	2 047 000	1 889 000	1 679 000	1 684 000	1 780 000	1 827 000
Goods and services	2 909 000	1 910 000	1 733 000	2 479 000	2 581 000	2 702 000	2 972 000
Depreciation	164 000	160 000	138 000	143 000	175 000	173 000	176 000
Interest, dividends and rent on land	104 000	188 000	143 000	99 000	85 000	122 000	130 000
Total expenses	**5 210 000**	**4 324 000**	**3 910 000**	**4 436 000**	**4 534 000**	**4 790 000**	**5 123 000**
Surplus / (Deficit)	**(1 566 000)**	**(1 363 000)**	**(549 000)**	**(545 000)**	**(347 000)**	**(188 000)**	**(87 000)**
Tax payment	13 000	19 000	6 000	13 000	9 000	13 000	18 000
Balance sheet data							
Carrying value of assets	1 742 000	1 361 000	949 000	1 227 000	1 370 000	1 399 000	1 419 000
of which: Acquisition of assets	*161 000*	*141 000*	*173 000*	*450 000*	*266 000*	*199 000*	*193 000*
Investments	667 000	239 000	399 000	572 000	858 000	823 000	818 000
Inventory	1 016 000	984 000	1 067 000	997 000	928 000	993 000	1 040 000
Receivables and prepayments	920 000	1 363 000	1 751 000	1 322 000	1 062 000	1 178 000	1 252 000
Cash and cash equivalents	306 000	730 000	338 000	79 000	63 000	66 000	71 000
Total assets	**4 651 000**	**4 677 000**	**4 504 000**	**4 197 000**	**4 281 000**	**4 459 000**	**4 600 000**
Capital and reserves	(16 000)	615 000	633 000	1 129 000	634 000	551 000	565 000
Borrowings	1 368 000	846 000	834 000	85 000	1 238 000	1 578 000	1 725 000
Trade and other payables	1 398 000	1 213 000	1 235 000	1 362 000	1 062 000	1 178 000	1 252 000
Provisions	1 298 000	1 625 000	1 350 000	1 315 000	720 000	722 000	710 000
Managed funds	603 000	378 000	452 000	306 000	627 000	430 000	348 000
Total equity and liabilities	**4 651 000**	**4 677 000**	**4 504 000**	**4 197 000**	**4 281 000**	**4 459 000**	**4 600 000**

Expenditure trends

Before 2005/06, the Denel Group posted significant losses that resulted in an erosion of Denel's reserves. These were subsequently restored to R615 million during 2005/06 due to government's recapitalisation of R2 billion and the impact of implementing the new international financial reporting standards, which specifically affected the revaluation and review of the useful lives of property, plant and equipment. To support Denel's turnaround strategy, government made transfers, included in Balance Sheet data, of R567 million in 2006/07 and R933 million in 2007/08 for further capitalisation and a transfer of R222 million in 2007/08 for the payment on an indemnity granted to Denel/Saab Aerostructures.

There have been marked improvements in Denel's financial performance between 2005/06 and 2006/07. A net loss of R549 million was incurred in 2006/07 compared to the R1.4 billion loss reported in 2005/06. Turnover increased by 17.9 per cent from R2.8 billion in 2005/06 to R3.3 billion in 2006/07. The group's solvency position has improved to R633 million, with a positive cash balance of R338 million. Denel has realised R1 billion in revenue from the disposal of non-core assets and businesses to date.

Alexkor

Alexkor primarily mines diamonds in the Alexander Bay area. This includes both marine mining and land mining operations.

The Richtersveld community laid a claim for the return of its land in terms of the Restitution of Land Rights Act (1994). Following a protracted period of negotiations, the deed of settlement in the land claim was signed on 22 April 2007. Subsequently, on 9 October 2007, the Land Claims Court declared that the deed of settlement was binding on the Richtersveld community, Alexkor, and the South African government. Further details of the settlement can be found in the text box in this chapter.

In terms of the settlement, Alexkor will retain its marine mining rights and the mining assets. Together, Alexkor and the Richtersveld community will respectively place their marine mining rights and land mining rights under the control of a joint board of a pooling and sharing joint venture (PSJV) for purposes of mining both the marine and land diamond resources. Alexkor will furthermore pledge its land and marine mining assets and some of its personnel to the PSJV. Alexkor will initially have a 51 per cent interest and the Richtersveld community a 49 per cent interest in the PSJV. The PSJV will put in place a mine development plan and programme to upgrade the land and sea diamond resources and will develop a business plan to constitute a viable mining venture. Alexkor is required to contribute R200 million for the capitalisation of the PSJV. Amounts of R100 million per year for 2008/09 and 2009/10 have been allocated to Alexkor. In terms of the court settlement an additional amount of R60 million was allocated to Alexkor for the development of the township.

Financial performance will improve significantly in 2007/08, with the entity posting a net loss of R23.5 million, down from the R253.9 million loss recorded during the previous year. Financial improvement would result in spite of Alexkor recording a reduction in revenue from R133.7 million in 2006/07 to R105.4 million in 2007/08, principally attributable to the lower carat production from marine operations as a result of fewer sea days and poor performance of land mining operations. As a consequence of the negative operating cash flows and substantial operating losses, Alexkor's cash reserves were expected to be depleted by the end of August 2007. In response to this, R44.7 million was transferred by government to Alexkor in 2007/08 to cover the company's working capital shortfall until March 2008. The R82.1 million transferred from government in 2006/07 was used for maintaining the current land operations and the initiation of an exploration programme.

Alexkor will have to undertake a phased restructuring to rationalise its operations as it transfers the Alexander Bay Trading activities and land mining rights to the Richtersveld community during the period before the PSJV was established. To facilitate the restructuring of Alexkor, R44.7 million was allocated in the 2007 Adjusted Estimates as operating capital. Over and above this amount, in 2007/08 R16.1 million was allocated for restructuring and a further R11.9 million allocated for VAT on various government transfers made in the past.

Alexkor's assets, as well as the depreciation, will reduce from 2008/09 onwards as a result of assets being transferred to the PSJV with the Richtersveld community.

South African Forestry Company Limited

The South African Forestry Company Limited (SAFCOL) is entrusted with the management and development of certain state commercial forests. The company's activities include forestry management, timber harvesting, timber processing and related domestic and international activities. The company sells softwood saw logs from forests in South Africa and Mozambique. SAFCOL's activities are mostly concentrated in Limpopo and Mpumalanga with SAFCOL's main operational subsidiary being Komatiland Forests.

The review of SAFCOL's role as an SOE was completed by the end of 2006/07 with Cabinet's decision that owning a forestry company is not strategic. It has therefore been decided that Komatiland Forests will be privatised and that the holding company will be wound down. As a result, projections are provided only until the end of 2008/09. The winding down of SAFCOL also entails the sale, disposal and transfer of the states' remaining shareholding in SAFCOL (Singisi, SiyaQbeka, Amathole and MTO) to employees and other stakeholders. Transaction guidelines have been finalised by the Department of Public Enterprises and SAFCOL is in the process of implementing the guidelines.

Selected performance indicators

Indicators	Annual statements			Corporate plan	
	2004/05	2005/06	2006/07	2007/08	2008/09
EBIT margin	51.5%	60.5%	165.2%	110.1%	19.4%
Net profit/(loss) margin	36.3%	46.9%	122.5%	113.9%	22.9%
Return on assets	22.8%	14.4%	39.9%	25.4%	5.3%
Return on equity	30.9%	19.3%	53.9%	28.7%	6.1%

Expenditure estimates

Table 30.10 SA Forestry Company Limited

	Audited outcome			Estimated outcome	Medium-term estimate		
R thousand	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
Revenue							
Non-tax revenue	**788 714**	**412 471**	**751 997**	**885 665**	**872 303**	**–**	**–**
Sale of goods and services other than capital assets *of which:*	640 695	359 926	653 436	796 832	831 456	–	–
Sales by market establishments	*640 695*	*359 926*	*653 436*	*796 832*	*831 456*	–	–
Other non-tax revenue	148 019	52 545	98 561	88 833	40 847	–	–
Total revenue	**788 714**	**412 471**	**751 997**	**885 665**	**872 303**	**–**	**–**
Expenses							
Current expense	**415 630**	**171 636**	**(351 875)**	**(21 680)**	**681 740**	**–**	**–**
Compensation of employees	197 140	115 123	170 123	203 731	214 816	–	–
Goods and services	187 117	36 372	(548 693)	(262 306)	428 725	–	–
Depreciation	29 428	17 752	24 654	34 732	36 752	–	–
Interest, dividends and rent on land	1 945	2 389	2 041	2 163	1 447	–	–
Total expenses	**537 032**	**243 728**	**(48 591)**	**(21 680)**	**681 740**	**–**	**–**
Surplus / (Deficit)	**251 682**	**168 743**	**800 588**	**907 345**	**190 563**	**–**	**–**
Tax payment	121 402	72 092	303 284	–	–	–	–
Balance sheet data							
Carrying value of assets	1 070 385	1 224 633	2 093 056	2 843 994	2 897 508	–	–
of which: Acquisition of assets	*28 234*	*11 295*	*44 498*	*113 473*	*91 614*	–	–
Investments	132 257	170 929	182 342	27 497	24 047	–	–
Inventory	13 923	16 827	24 477	24 972	27 177	–	–
Receivables and prepayments	109 173	87 735	135 934	144 425	150 875	–	–
Cash and cash equivalents	180 823	175 136	333 613	528 909	472 732	–	–
Total assets	**1 506 561**	**1 675 260**	**2 769 422**	**3 569 797**	**3 572 339**	**–**	**–**
Capital and reserves	1 113 124	1 249 632	2 047 372	3 158 001	3 148 564	–	–
Borrowings	10 838	11 653	25 835	17 929	13 230	–	–
Trade and other payables	317 177	351 154	664 361	355 550	356 418	–	–
Provisions	65 422	62 821	31 854	38 317	54 127	–	–
Total equity and liabilities	**1 506 561**	**1 675 260**	**2 769 422**	**3 569 797**	**3 572 339**	**–**	**–**

Expenditure trends

SAFCOL posted a net profit of R800.6 million for 2006/07, which includes a plantation revaluation surplus of R867 million. The group had a net profit of R168.7 million in 2005/06 (results for nine months due to the changing of SAFCOL's year-end to 31 March), which included a revaluation surplus of R171 million. The company's profitability is heavily dependent on plantation revaluations. Non-current assets increased by R877 million, while current assets increased due to an increase in debtors and an increase in cash on hand (cash balances of R333.6 million). There has been no change in the authorised and issued share capital of the company. The plantation revaluation surplus had a positive impact on capital and reserves, as the balance sheet shows.

Pebble Bed Modular Reactor

Pebble Bed Modular Reactor (Pty) Ltd of South Africa was established in 1999 with the aim of developing and marketing small scale, high temperature reactors both locally and internationally. PBMR is a multi-product, multi-service organisation that can contribute significantly to local economic growth and development. PBMR can also contribute towards the creation of a technology intensive nuclear manufacturing sector, which could in future export pebble bed technology.

The high temperature, gas cooled reactor technology will also enable access to two major target markets, namely electricity generation and process heat applications. Ability to generate revenue in the future is premised on the ability to sell high and intermediate temperature Pebble Bed Modular Reactor (PBMR) plants to niche markets both locally and internationally.

In order to secure future sales and build a viable commercial business, the company must first prove and demonstrate the viability of the PBMR technology through the successful construction and operation of a demonstration power plant (DPP).

The revolutionary PBMR Brayton cycle design has progressed well beyond the concept design phase. Although some detailed design work still needs to be done, plant design has progressed to the point where long lead materials and hardware have been ordered for the pressure boundary, core structures and core barrel. The supply contract for the pressure boundary was placed in December 2005. The detailed design and supply contracts for the turbo-machinery were signed in December 2006.

As a growing entity, it has become crucial for PBMR to become an organisation that has the capacity, skills, culture, systems and processes necessary to deliver on all its obligations. The current staff complement is 708 and is projected to grow to 970 over the next three years.

With the project now fully launched, priorities include the final preparation for hardware delivery, construction and commissioning of the DPP. In parallel, and of similar importance, the pilot fuel plant design needs to be finalised for construction in order to manufacture pebble fuel for a planned fuel load of the reactor core in September 2013. Commercialisation of the technology and the launch of production units will follow in approximately 2019 once the technology has been proven through the demonstration unit.

Over the MTEF period, PBMR has been allocated R1.75 billion (VAT inclusive) per year for 2008/09 and 2009/10 as transfers from government. Since its inception, and including the R3.5 billion allocation in the first two years of the MTEF, government has contributed a total of R8.3 billion (R7.4 billion plus R893.4 million in VAT) towards the PBMR project. It is expected that new investors and other shareholders in the PBMR will contribute portions consistent with the terms of the new shareholders agreement.

Broadband InfraCo

Broadband InfraCo was established in 2006/07 as an intervention to rapidly normalise telecommunications market efficiency and address the cost of broadband to other industry players and end users, by having infrastructure in the national backbone and international connectivity at reduced prices.

Work previously performed under the South African national superhighway project by the Department of Public Enterprises demonstrated two key findings in relation to broadband connectivity and the telecommunications environment in South Africa;

- South Africa significantly lags behind its international counterparts in terms of ICT penetration as well as the rate of new technology adoption.
- Broadband penetration relative to international benchmarks is virtually non-existent and significantly more expensive.

The Department of Public Enterprises has determined that in order to achieve the goals of the Accelerated Shared Growth Initiative for South Africa (ASGISA) and ensure higher ICT penetration levels and affordable broadband connectivity, government should continue to own and invest in communications infrastructure. The department thus established an infrastructure company (Broadband InfraCo) that acquired the full services network (FSN) from Eskom and Transnet. Broadband InfraCo will make available communications infrastructure and a network that will provide access for undeveloped areas and bandwidth requirements for specific projects of national importance, which could include scientific initiatives such as the Square Kilometre Array Telescope project and the South African Research Network.

Broadband InfraCo is planning to deploy a multi-terabit/s west coast submarine cable system linking South Africa with the United Kingdom. The project is a joint venture between the South African government and the private sector.

With its establishment in 2006/07, government contributed R627 million, including the purchase of the FSN. An additional amount of R727 mllion (R377 million in 2008/09, R210 million in 2009/10 and R140 million in 2010/11) has been allocated over the MTEF period, as transfers from government for Broadband InfraCo. This brings the total government equity contribution in Broadband InfraCo to R1.4 billion.

South African Airways

South African Airways (SAA) is an airline carrier and positioned as an African carrier with global reach. Its main business units include passenger and mail air services, cargo, maintenance, Airchefs and Galileo.

The indicators below show that SAA has been severely hampered by its low equity capitalisation, high gearing ratio and deteriorating financial results. With the assistance of the Seabury Group, SAA established that it needed to achieve approximately R2.7 billion in annual, recurring improvements to its operating performance in order to produce a profit margin of at least 7.5 per cent, comparable to its global peers. SAA began its turnaround plan in May 2007 and has to date implemented important costs saving measures in the areas of fleet rationalisation, with the B747-400 groundings, labour cost reduction initiatives and revenue enhancements. On completion of the turnaround plan SAA will transform into a sustainable profitable airline company. The turnaround will result in an 8.8 per cent EBIT margin and a net profit of R1.4 billion in 2010.

R744.4 million was allocated to SAA as a transfer from government in 2007/08 to provide for the restructuring of staff of SAA. Further government support was provided to SAA by the issuing of R1.3 billion and R1.6 billion government guarantees in March 2007 and November 2007 respectively.

Selected performance indicators

	Annual statements			Corporate plan			
Indicators	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
EBIT margin	5.4%	18%	(3.1%)	3.3%	9.5%	8.8%	–
Net profit margin	3.8%	0.7%	(4.3%)	(15.3%)	6.4%	6.4%	–
Return on equity	24%	5.5%	(56.2)%	(284%)	54.8%	35.9%	–

The key financial indicators for the year ended March 2006/07 are included in the table below. The effects of SAA’s turnaround strategy are expected to be reflected in improved profitability, efficiency and liquidity from 2008/09 onwards.

Description	2005/06	2006/07	% Change
Total airline income	R19.1bn	R20.6bn	7.7%
Net operating profit/(loss)	R425m	(R603m)	–
Operating profit margin	2.2%	–	–
Profit after taxation	R112m	(R925m)	–
Return on assets	0.1%	–	–
Return on equity	9.5%	–	–
Levered cash flow	327	237	(27.5%)
Balance sheet gearing*	407%	289%	(29%)
Net increase/(decrease) in cash	(R1.3m)	R806m	–

**On balance sheet debt to equity*

South African Express Airways

The transfer of South African Express Airways (SAX) to government effectively completes Transnet's strategy of exiting the aviation sector in order to focus on its freight operations. SAX is a regional airline operating from its hub of operations based at OR Tambo International Airport in Johannesburg, as well as from Cape Town and Durban, from where SAX connects to secondary airports in Africa. A task team comprising the Department of Public Enterprises, National Treasury, SAX and Transnet have been looking into the transfer of SAX from Transnet to government. Agreements on the final, relevant terms and conditions are currently under discussion and are expected to be concluded early in 2008 to allow finalisation of the transfer.

R585 million is provided for in 2008/09 as a transfer from government to conclude the purchase agreement with Transnet and to provide capitalisation to SAX.

Selected performance indicators

	Annual Statements			Corporate Plan			
Indicators	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
EBIT margin	10.3%	23.3%	20%	16.6%	16.1%	14.6%	–
Net profit margin	(18.6%)	18.6%	8%	9.1%	9.3%	9.7%	–
Return on equity	31.8%	(64.7%)	(58.9%)	119.1%	59.4%	29.9%	–

Additional tables

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

Programme	Appropriation		Audited	Appropriation			Revised
	Main	Adjusted	outcome	Main	Additional	Adjusted	estimate
R thousand	2006/07		2006/07	2007/08			2007/08
1. Administration	44 329	49 705	50 681	59 260	3 435	62 695	62 695
2. Energy and Broadband Enterprises	12 327	13 123	1 842 110	11 744	2 500 136	2 511 880	2 511 880
3. Legal, Governance, Risk and Transactions	19 436	15 358	102 493	24 680	72 098	96 778	96 778
4. Manufacturing Enterprises	591 495	1 855 672	578 472	943 478	221 895	1 165 373	1 164 342
5. Transport Enterprises	5 870	936 065	4 670	10 126	743 869	753 995	753 995
6. Joint Project Facility	10 000	–	11 409	14 678	(310)	14 368	14 368
Total	**683 457**	**2 869 923**	**2 589 835**	**1 063 966**	**3 541 123**	**4 605 089**	**4 604 058**
Economic classification							
Current payments	**101 905**	**101 336**	**100 362**	**129 421**	**(805)**	**128 616**	**128 616**
Compensation of employees	57 888	54 005	47 208	62 010	–	62 010	62 010
Goods and services	44 017	47 301	53 046	67 411	(805)	66 606	66 606
Financial transactions in assets and liabilities	–	30	108	–	–	–	–
Transfers and subsidies	**581 086**	**2 766 752**	**2 486 732**	**933 620**	**3 541 373**	**4 474 993**	**4 473 962**
Provinces and municipalities	49	49	42	–	–	–	–
Departmental agencies and accounts	437	3 589	3 589	–	–	–	–
Public corporations and private enterprises	580 000	2 760 484	2 482 517	933 000	3 541 373	4 474 373	4 473 342
Households	600	2 630	584	620	–	620	620
Payments for capital assets	**466**	**1 835**	**2 741**	**925**	**555**	**1 480**	**1 480**
Machinery and equipment	466	1 809	2 517	925	555	1 480	1 480
Software and intangible assets	–	26	224	–	–	–	–
Total	**683 457**	**2 869 923**	**2 589 835**	**1 063 966**	**3 541 123**	**4 605 089**	**4 604 058**

Table 30.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	2010/11
A. Permanent and full-time contract employees							
Compensation (R thousand)	34 694	42 122	46 614	61 290	70 568	76 535	82 531
Unit cost (R thousand)	259	275	290	381	449	487	526
Personnel numbers (head count)	134	153	161	161	157	157	157
C. Interns							
Compensation of interns	276	320	594	720	924	924	924
Unit cost (R thousand)	12	8	33	36	42	42	42
Number of interns	23	41	18	20	22	22	22
Total for department							
Compensation (R thousand)	**34 970**	**42 442**	**47 208**	**62 010**	**71 492**	**77 459**	**83 455**
Unit cost (R thousand)	**223**	**219**	**264**	**343**	**399**	**433**	**466**

Table 30.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)	34 970	42 442	47 208	62 010	71 492	77 459	83 455
Training expenditure (R thousand)	683	615	750	845	992	941	953
Training as percentage of compensation	2%	1%	2%	1%	1%	1%	1%
Total number trained in department (head count)	104	125	139	165			
of which:							
Employees receiving bursaries (head count)	14	59	34	34			
Internships trained (head count)	23	41	18	20			