

Vote 22

Defence

	2004/05 To be appropriated	2005/06	2006/07
MTEF allocations	R20 257 326 000	R22 123 617 000	R22 360 684 000
Statutory amounts	-	-	-
Responsible Minister	Minister of Defence		
Administering Department	Department of Defence		
Accounting Officer	Secretary for Defence		

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 purpose and measurable objectives

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.

Measurable objective: Defend and protect South Africa by maintaining and providing prepared and supported landward combat forces, services and facilities that meet the requirements of government.

Programme 3: Air Defence

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

Measurable objective: Defend and protect South Africa by maintaining and providing prepared and supported air combat forces, services and facilities that meet the requirements of government.

Programme 4: Maritime Defence

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

Measurable objective: Defend and protect South Africa by maintaining and providing prepared and supported maritime combat forces, services and facilities that meet the requirements of government.

Programme 5: Military Health Support

Purpose: Provide prepared and supported medical combat support elements and services.

Measurable objective: In support of the defence of South Africa, provide prepared and supported military medical health capabilities, services and facilities that meet the requirements of government.

Programme 6: Defence Intelligence

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

Measurable objective: Defend and protect South Africa by the provision of defence intelligence and counter-intelligence products and services that meet the requirements of government.

Programme 7: Joint Support

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

Measurable objective: Support departmental activities through the preparation, maintenance and provision of joint logistic, technological and military policing capabilities, services and facilities that meet the requirements of government.

Programme 8: Command and Control

Purpose: Provide and maintain an operational command and control capability for the operational deployment of combat forces.

Measurable objective: In support of government initiatives, command and control all ordered operations by the Defence Force as directed.

Programme 9: Special Defence Account

Purpose: Provide for special defence activities and purchases.

Measurable objective: Meet South Africa's defence needs through the acquisition and maintenance of appropriate defence equipment and through activities that meet the requirements of government.

Strategic overview and key policy developments: 2000/01 – 2006/07

The goal of the Department of Defence is effective defence of South Africa, embodied in four objectives, which aim to:

- defend the country against aggression by focusing on the successful defence of South Africa's sovereignty and territorial integrity against potential external military aggression or threat
- promote security through the external deployment of forces for enhancing regional security
- provide affordable collateral support to other state organs when requested, in order to contribute to the protection of the country's people and resources run an effective and efficient department, which is administered within the prescripts of the law and government policy.

Strategic defence procurement

The process of modernising the defence equipment of the department began when Cabinet approved the strategic armaments procurement programme in September 1999. From 2000/01 to

2011/12, this provides for 4 corvettes, 3 submarines, 30 light utility helicopters, 24 trainer aircraft, and 28 fighter aircraft. The budget allocations obtained by the department to fund this programme total R48,7 billion, of which the largest annual projected expenditure is R7,0 billion in 2005/06, detailed under the *Special Defence Account* programme. In order to ensure full operational capability of the corvettes, approval was obtained in 2002/03 to procure four additional maritime helicopters. The first of the corvettes arrived in Simon's Town on 4 November 2003. The process of fitting the vessel with combat systems will take about 18 months. The remaining corvettes will be delivered during 2004. The light utility helicopters will be delivered between 2004 and 2006. Delivery of the submarines is scheduled for the period 2005 to 2007, while delivery of the trainer aircraft is scheduled for between 2005 and 2006. The delivery of the fighter aircraft is scheduled to take place between 2008 and 2011.

Departmental focus

In the long term, the Department of Defence remains focused on attaining the optimal level of competencies, technology and force structure necessary to defend and protect the Republic of South Africa and its territorial integrity. Over the medium term, the strategic imperatives are to create an affordable and sustainable force structure and to rightsize and rejuvenate its human resources. It will focus on modernising, optimising and balancing its force elements, thus ensuring alignment with constitutional and government imperatives. The department's air and maritime defence capabilities will be enhanced during the medium term, by commissioning the weapon systems acquired through the strategic armaments procurement programme and the acquisition of four maritime helicopters. Other capabilities will be enhanced by utilising the R300,0 million allocation for the department in 2006/07 for general capacity-building.

In the short term, the focus is to prepare, maintain and employ defence capabilities and to finalise the department's restructuring. The restructuring of the department began with the review of the military strategy in 2001, which has since become an annual activity. Reviews include the Military Council periodically reprioritising ordered operations. Feasibility studies on a new force design and structure were conducted in 2002/03 and Cabinet and Parliament's Joint Standing Committee on Defence is considering the implementation of the various recommendations of the studies. The process is ongoing and the target date for completing the implementation of accepted proposals is 31 March 2009.

Human resources

Cabinet approved the Human Resources 2010 Strategy and the Military Skills Development System (MSDS) in March 2003. The MSDS aims to rejuvenate *Landward Defence*, and address the skills shortage among young historically disadvantaged South Africans by recruitment and training. More than 2 000 members are already undergoing basic training. When they have completed their training, some of these members will be granted the opportunity to serve in the South African National Defence Force's (SANDF's) Regular Force, and the remainder may choose to serve in Reserve Force units. An intake of approximately 2 500 members is planned for 2004. The introduction of the MSDS and, if approved, an employer-initiated retrenchment package in 2004, will enable the Department of Defence to renew the SANDF's manpower component while at the same time reducing costs. During the past six years the department has reduced its personnel numbers by more than 12 800. This was achieved through voluntary severance packages, employer-initiated packages and resignations. It is anticipated that personnel will be redeployed to the South African Police Service's (SAPS) Protection and Security Services division between 2004 and 2007.

Defence Act

The Defence Bill was tabled before Parliament and came into effect as the Defence Act (42 of 2002) on 23 May 2003, except for sections 55 and 57 that address remuneration and compensation issues. These sections are undergoing further review and should be promulgated during 2004. The new Act corrects aspects that were contrary to the spirit of the Constitution, particularly the lack of civilian oversight of the SANDF and the provision for involuntary conscription. In practice the processes and activities in the Department of Defence were aligned with the provisions and intentions of the Constitution, and have now been formalised in the new Act.

Peacekeeping and foreign policy initiatives

The Department of Defence's key policy developments are directed towards supporting government's foreign policy initiatives and NEPAD, focusing on external deployments and specifically peace missions.

In recognition of the capability and credibility of the Department of Defence and its role in the Southern African region, the United Nations requested its participation in peace support operations in the Democratic Republic of the Congo (DRC). At the request of former president Mandela, operations were further extended to support the peace process in Burundi. Military observers and staff officers are also attached to UN missions in Eritrea, Ethiopia/Somalia and Liberia. A total of over 3 000 members are currently deployed in external peace support missions.

The policy agreements regarding the SADC Mutual Defence Pact were signed during the August 2003 SADC Summit held in Dar Es Salaam. The objective of the pact is to operationalise the mechanisms of the organ for mutual co-operation on defence and security matters through conflict resolution, military preparedness, collective self-defence, as well as collective action and defence co-operation. The department also initiated a meeting to determine SADC's approach in implementing, among others, the African Union (AU) Africa Standby Force and Military Staff Council, and an early warning system. One of the functions of the early warning system is to report potential conflict situations in the region. The process of increasing the number of military attaché representatives to Africa and permanent members of the UN Peace and Security Council, including the upgrading of ranks, is also under way.

Support to other departments

The Department of Defence continues to provide humanitarian support and other assistance in emergencies, both to other state departments and other countries when requested. The department is gradually withdrawing from routine deployments, in co-operation with the SAPS, in relation to crime prevention, stability restoration, rural security and border line control. Future support to the SAPS will be intelligence-driven and of shorter duration. The withdrawal process includes the planned disbandment of commando units, with members either being transferred to the Protection and Security Services division of the SAPS or moved to conventional Reserve Force units. The planned completion date for these changes is 31 March 2009.

Expenditure estimates

Table 22.1: Defence

Programme	Expenditure outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome			2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04				
1 Administration	466 681	531 781	592 574	674 247	681 747	719 700	756 891	778 983
2 Landward Defence	2 945 232	3 230 653	3 344 882	3 205 160	3 204 160	3 325 508	3 454 090	3 486 624
3 Air Defence	1 947 583	1 984 477	2 065 942	2 152 676	2 152 676	2 222 296	2 329 256	2 456 151
4 Maritime Defence	827 466	903 604	970 583	1 052 944	1 052 094	1 092 571	1 149 406	1 219 771
5 Military Health Support	975 729	1 050 045	1 223 598	1 256 666	1 256 666	1 305 559	1 378 318	1 454 649
6 Defence Intelligence	118 871	137 919	131 335	143 243	143 243	145 820	153 996	162 794
7 Joint Support	1 529 572	1 833 499	1 956 368	2 067 721	2 062 071	2 303 398	2 294 040	2 422 588
8 Command and Control	369 401	541 079	742 801	1 228 959	1 333 959	1 218 866	1 021 755	1 052 403
9 Special Defence Account	4 751 556	5 831 592	7 807 718	8 018 388	8 018 388	7 923 608	9 585 865	9 326 721
Total	13 932 091	16 044 649	18 835 801	19 800 004	19 905 004	20 257 326	22 123 617	22 360 684
Change to 2003 Budget Estimate				(250 074)	(145 074)	(231 929)	(408 772)	

Economic classification

	8 948 845	9 920 883	10 740 028	11 448 162	11 553 162	11 957 772	12 126 132	12 599 103
Current payments	8 948 845	9 920 883	10 740 028	11 448 162	11 553 162	11 957 772	12 126 132	12 599 103
Compensation of employees	5 860 903	6 309 151	6 754 069	7 314 457	7 340 427	7 770 087	7 880 786	7 972 650
Goods and services	3 068 084	3 592 685	3 958 753	4 133 705	4 212 735	4 187 685	4 245 346	4 626 453
Interest and rent on land	–	–	–	–	–	–	–	–
Financial transactions in assets and Liabilities	19 858	19 047	27 206	–	–	–	–	–
Unauthorised expenditure	–	–	–	–	–	–	–	–
Transfers and subsidies to:	4 950 988	6 052 940	8 040 747	8 294 264	8 294 264	8 232 641	9 927 282	9 687 516
Provinces and municipalities	16 832	10 859	11 960	14 234	14 234	16 024	16 915	17 642
Departmental agencies and accounts	4 932 046	6 037 860	8 022 559	8 273 800	8 273 800	8 213 806	9 907 384	9 666 706
Universities and technikons	–	–	–	–	–	–	–	–
Foreign governments & international organisations	–	–	–	–	–	–	–	–
Public corporations & private enterprises	–	–	–	–	–	–	–	–
Non-profit institutions	2 110	4 221	6 228	6 230	6 230	2 811	2 983	3 168
Households	–	–	–	–	–	–	–	–
Payments for capital assets	32 258	70 826	55 026	57 578	57 578	66 913	70 203	74 065
Buildings and other fixed structures	32 258	70 826	55 026	57 578	57 578	66 913	70 203	74 065
Machinery and equipment	–	–	–	–	–	–	–	–
Cultivated assets	–	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–	–
Land and subsoil assets	–	–	–	–	–	–	–	–
Total	13 932 091	16 044 649	18 835 801	19 800 004	19 905 004	20 257 326	22 123 617	22 360 684

Expenditure trends

After an average annual growth of 12,4 per cent from 2000/01 to 2003/04, the growth of this vote slows to an annual average of 4,1 per cent over the medium term. The allocation to the Department of Defence increases by 1,1 per cent between 2005/06 and 2006/07. Fluctuations in the growth rate are mainly due to the way milestone payments of the strategic armaments procurement programme are scheduled and the involvement of the department in peace missions in Africa. The strengthening of the South African rand against major currencies during 2003 and its positive effect on the strategic armaments procurement programme largely contributes to the slowing of

growth from 2002/03 onwards. This enabled the department to return R1,0 billion (primarily exchange rates profits) to the National Revenue Fund during 2003/04. Were it not for the allocations made towards peace support and the procurement of helicopter systems in the 2004 Budget, the growth in the vote over the MTEF period would have been slower.

Compensation of employees grew on average annually by 7,7 per cent from 2000/01 to 2003/04, and slowed at an average of 1,3 per cent from 2004/05 to 2006/07. The higher initial growth is due to the relatively large improvements in conditions of service over that specific period. Lower growth rates over the latter period are based on personnel reduction targets. Expenditure on goods and services grew rapidly by an annual average of 10,4 per cent between 200/01 and 2003/04. Expenditure over the MTEF on goods and services slows with an average growth of 3,8 per cent. The largest spending pressure in transfers and subsidies to departmental agencies and accounts is the provision for the strategic armaments procurement programme, detailed under the *Special Defence Account*. Transfers to non-profit institutions increased by 100,0 per cent in 2001/02 and then increased by 47,5 per cent in 2002/03. The provision for 2002/03 included a transfer payment to the Northern Cape provincial government to assist with the relocation of the San community from Schmidtsdrift to Platfontein in the Northern Cape. A further transfer payment to the Northern Cape provincial government was made for this purpose in 2003/04, which explains the decrease in 2004/05.

Departmental receipts

This is derived mainly from the sale of redundant or obsolete equipment and defence material, the rental of accommodation to personnel, as well as board and lodging.

Table 22.2: Departmental receipts

	Revenue outcome			Adjusted appropriation	Medium-term revenue estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04			
Tax receipts	-	-	-	-	-	-	-
Sales of goods and services produced by department (excl capital assets)	150 594	124 647	188 844	193 943	201 701	209 769	218 159
Sales of scrap, waste, arms and other used current goods (excl capital assets)	-	-	-	-	-	-	-
Transfers received	-	-	-	-	-	-	-
Fines, penalties and forfeits	1 426	1 245	1 350	3 375	3 510	3 650	3 796
Interest, dividends and rent on land	1 326	700	1 309	851	885	920	957
Sales of capital assets	20 554	160 775	202 111	230 000	200 000	150 000	100 000
Financial transactions in assets and liabilities	-	-	-	-	-	-	-
Total departmental receipts	173 900	287 367	393 614	428 169	406 096	364 340	322 913

Programme 1: Administration

Administration oversees the activities of the department by formulating policy, providing strategic direction, and organising the department in terms of its structure and force design. It provides services in the areas of: corporate management, planning, finance, human resources, legal issues, audit and inspection, procurement and acquisition, religious guidance, corporate communications and defence foreign relations.

Expenditure estimates

Table 22.3: Administration

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Minister ¹	598	646	685	746	791	831	872
Deputy Minister ²	486	525	557	607	643	675	709
Political Direction	9 235	9 260	11 662	11 531	12 042	12 662	13 382
Departmental Direction	4 479	3 281	4 280	5 509	5 534	5 831	6 161
Policy and Planning	21 344	34 905	39 508	51 262	49 938	52 640	55 559
Financial Services	128 585	124 800	139 469	155 233	170 618	178 830	168 684
Human Resources Support Services	176 291	193 623	219 339	245 560	256 930	272 490	288 204
Legal Services	48 172	47 245	54 609	61 375	65 485	69 416	73 271
Inspection Services	13 708	16 808	19 425	26 409	37 050	38 472	40 157
Acquisition Services	10 826	38 305	26 161	28 574	30 989	33 285	35 129
Corporate Communications	15 161	14 678	15 815	19 832	20 342	21 500	22 708
South African National Defence Force Command and Control	3 972	5 937	5 655	6 092	6 281	6 630	7 000
Religious Services	3 128	3 010	2 977	4 059	4 153	4 358	4 603
Reserve Component	6 680	6 381	6 959	9 165	9 518	9 606	10 141
Defence Foreign Relations	24 016	32 377	45 473	48 293	49 386	49 665	52 403
Total	466 681	531 781	592 574	674 247	719 700	756 891	778 983
Change to 2003 Budget Estimate				13 930	31 226	33 594	

1 Payable as from 1 April 2003. Salary: R597 228. Car allowance: R149 307.

2 Payable as from 1 April 2003. Salary: R485 412. Car allowance: R121 353.

Economic classification

	466 118	531 244	591 949	673 399	718 760	755 949	778 020
Current payments							
Compensation of employees	365 987	411 746	455 032	523 696	560 897	578 469	592 556
Goods and services	97 002	112 982	131 416	149 703	157 863	177 480	185 464
Interest and rent on land	–	–	–	–	–	–	–
Financial transactions in assets and liabilities	3 129	6 516	5 501	–	–	–	–
Unauthorised expenditure	–	–	–	–	–	–	–
Transfers and subsidies to:	563	537	625	848	940	942	963
Provinces and municipalities	563	537	625	848	940	942	963
Departmental agencies and accounts	–	–	–	–	–	–	–
Universities and technikons	–	–	–	–	–	–	–
Foreign governments & international organisations	–	–	–	–	–	–	–
Public corporations & private enterprises	–	–	–	–	–	–	–
Non-profit institutions	–	–	–	–	–	–	–
Households	–	–	–	–	–	–	–
Payments for capital assets	–	–	–	–	–	–	–
Buildings and other fixed structures	–	–	–	–	–	–	–
Machinery and equipment	–	–	–	–	–	–	–
Cultivated assets	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–
Land and subsoil assets	–	–	–	–	–	–	–
<i>Of which: Capitalised compensation</i>	–	–	–	–	–	–	–
Total	466 681	531 781	592 574	674 247	719 700	756 891	778 983

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04			

Details of transfer payments and subsidies:

Provinces and municipalities							
Municipalities							
Current	563	537	625	848	940	942	963
Regional Services Council levies	563	537	625	848	940	942	963
Total	563	537	625	848	940	942	963

Expenditure trends

Spending on *Administration* is expected to increase by an average of 8,9 per cent per year from 2000/01 to 2006/07, but by 4,0 per cent per year on average from 2004/05 to 2006/07. This downward trend in growth is the result of the benefits of restructuring centralised functions. Compensation of employees is expected to continue dominating the programme budget, but will decrease from 78,4 per cent in 2000/01 to 76,1 per cent in 2006/07 due to the reduction in personnel numbers.

The Political Direction subprogramme increased by 25,9 per cent from 2001/02 to 2002/03 due to the introduction of the Communications section and posts in the Ministry being filled. The Departmental Direction subprogramme increases by 30,4 per cent from 2001/02 to 2002/03 and a further 28,7 per cent from 2002/03 to 2003/04 due to the filling of posts in the Secretariat.

The Policy and Planning subprogramme increased by 29,8 per cent from 2002/03 to 2003/04 due to posts being filled in the Secretariat to service the memoranda of understanding entered into with defence forces of other countries, and the staffing of boards and committees such as the Military Bargaining Council and the Military Arbitration Board.

The Legal Services subprogramme increases by 15,6 per cent from 2001/02 to 2002/03 and by 12,4 per cent from 2002/03 to 2003/04 due to the establishment of a Reserve Force component to alleviate the increased workload caused by increased operational commitments. Legal representatives support all Reserve Force deployments.

Spending on Inspection Services increases by 36,0 per cent from 2002/03 to 2003/04 and by 40,3 per cent from 2003/04 to 2004/05 due to the establishment of the Anti-Fraud directorate and supplementary funding for crime prevention.

With the current emphasis on maintaining and using Reserve Forces and staffing regional offices, the Reserve Component subprogramme increased by 31,7 per cent from 2002/03 to 2003/04. The increases of 34,8 per cent between 2000/01 and 2001/02 and 40,4 per cent between 2001/02 and 2002/03 in Defence Foreign Relations were due to exchange rate fluctuations that impacted negatively on the cost of military attaché offices abroad.

Programme 2: Landward Defence

Landward Defence supplies landward defence capabilities for South Africa in the areas covered by its 10 subprogrammes.

Expenditure estimates

Table 22.4: Landward Defence

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Strategic Direction	482 013	204 449	183 175	201 864	180 439	221 888	229 333
Infantry Capability	1 305 374	1 319 027	1 333 715	1 338 483	1 454 584	1 472 075	1 476 877
Armour Capability	70 575	97 454	111 749	112 573	124 270	125 649	126 087
Artillery Capability	55 923	80 524	92 481	93 743	102 930	104 900	104 984
Air Defence Artillery Capability	32 672	59 298	70 405	71 777	82 285	83 679	84 669
Engineering Capability	168 785	157 975	173 437	170 231	178 496	181 714	183 980
Operational Intelligence	23 021	45 143	49 875	54 624	59 896	62 643	63 745
Command and Control Capability	279 514	37 662	113 539	37 345	39 024	40 408	40 598
Support Capability	415 244	1 115 858	1 106 951	980 741	954 007	1 009 713	1 024 439
General Training Capability	112 111	113 263	109 555	143 779	149 577	151 421	151 912
Total	2 945 232	3 230 653	3 344 882	3 205 160	3 325 508	3 454 090	3 486 624
Change to 2003 Budget Estimate				16 753	24 796	(93 890)	

Economic classification

Current payments	2 937 807	3 226 123	3 340 137	3 198 708	3 318 392	3 446 622	3 478 794
Compensation of employees	2 362 136	2 442 376	2 507 306	2 587 653	2 744 530	2 809 324	2 812 446
Goods and services	563 815	777 241	817 847	611 055	573 862	637 298	666 348
Interest and rent on land	–	–	–	–	–	–	–
Financial transactions in assets and liabilities	11 856	6 506	14 984	–	–	–	–
Unauthorised expenditure	–	–	–	–	–	–	–
Transfers and subsidies to:	7 425	4 530	4 745	6 452	7 116	7 468	7 830
Provinces and municipalities	7 425	4 530	4 745	6 452	7 116	7 468	7 830
Departmental agencies and accounts	–	–	–	–	–	–	–
Universities and technikons	–	–	–	–	–	–	–
Foreign governments & international organisations	–	–	–	–	–	–	–
Public corporations & private enterprises	–	–	–	–	–	–	–
Non-profit institutions	–	–	–	–	–	–	–
Households	–	–	–	–	–	–	–
Payments for capital assets	–	–	–	–	–	–	–
Buildings and other fixed structures	–	–	–	–	–	–	–
Machinery and equipment	–	–	–	–	–	–	–
Cultivated assets	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–
Land and subsoil assets	–	–	–	–	–	–	–
<i>Of which: Capitalised compensation</i>	–	–	–	–	–	–	–
Total	2 945 232	3 230 653	3 344 882	3 205 160	3 325 508	3 454 090	3 486 624

Details of transfer payments and subsidies:

Provinces and municipalities							
Municipalities							
Current	7 425	4 530	4 745	6 452	7 116	7 468	7 830
Regional Services Council levies	7 425	4 530	4 745	6 452	7 116	7 468	7 830
Total	7 425	4 530	4 745	6 452	7 116	7 468	7 830

Expenditure trends

Over the medium term, *Landward Defence* is projected to comprise on average 15,9 per cent of the total vote. Expenditure declines from 21,1 per cent in 2000/01 to 16,2 per cent of the departmental budget in 2003/04. The decline of the programme budget of 4,2 per cent in 2003/04 is because the SA Army maintains its main equipment through the *Special Defence Account* programme from 2003/04 onwards. This is also reflected in the average decreases between 2002/03 and 2004/05 of 7,2 per cent per annum and 16,2 per cent per annum in the Support Capability subprogramme and goods and services classification respectively.

The 8,7 per cent, 10,4 per cent and 14,6 per cent increases in the Infantry, Armour and Air Defence Artillery capabilities respectively, between 2003/04 and 2004/05, are mainly due to the additional training required to prepare the infantry to participate in external peace support missions and to perform duties in support of internal operations, namely borderline control and support to the SAPS.

The 9,8 per cent increase in the Artillery Capability subprogramme from 2003/04 to 2004/05 is mainly due to the commissioning of the Artillery Targeting Acquisition System. Peace-keeping operations cause the Operational Intelligence subprogramme to increase by 9,7 per cent from 2003/04 to 2004/05. During the same period the Strategic Direction subprogramme decreases by 10,6 per cent, due to the redistribution of funds to other capabilities to sustain internal deployments.

The increase of 6,1 per cent between 2003/04 and 2004/05 in compensation of employees is largely because an additional R120,0 million was allocated to fund the Military Skills Development System.

Service delivery objectives and indicators

Recent outputs

Landward Defence continued to provide combat ready soldiers to the Chief of Joint Operations for deployment during internal and external operations during 2002/03. During the same period troops were also deployed during the launch of the African Union, the World Summit on Sustainable Development and the Cricket World Cup. For internal operations, 10 Regular Force companies and nine Reserve Force platoons were constantly deployed. Together these internal operations utilised approximately 1 765 troops daily. They conducted 869 roadblocks, 7 503 foot patrols, 9 006 vehicle patrols, 8 885 farm visits, 220 national key point visits, 1 036 cordon and search operations, 1 286 listening posts, 968 vehicle control points and 88 air patrols. The SA Army hosted and/or participated in eight single, combined and multinational training exercises. Combat readiness states and force preparedness levels have all been achieved as planned.

Medium-term output targets

Landward Defence

Measurable objective: Defend and protect South Africa by maintaining and providing prepared and supported landward combat forces, services and facilities that meet the requirements of government.

Subprogramme	Output	Measure/Indicator	Target
Strategic Direction	Landward defence strategic direction	The degree to which landward defence policies, strategies and plans are implemented	100%
Infantry Capability	Combat ready infantry units	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules

Subprogramme	Output	Measure/Indicator	Target
Armour Capability	Combat ready armoured units	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Artillery Capability	Combat ready artillery units	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Air Defence Artillery Capability	Combat ready air defence artillery units	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Engineering Capability	Combat ready engineering units	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Operational Intelligence	Combat ready operational intelligence units	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Command and Control Capability	Centralised brigade command and control of forces	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Support Capability	Logistic support	The degree of compliance with service level agreements	100%
General Training Capability	Trained SA Army personnel	The degree to which the planned training is achieved	3 340 learners for 2004/05

Programme 3: Air Defence

Air Defence supplies air defence capabilities for South Africa in the areas covered by its 11 subprogrammes.

Expenditure estimates

Table 22.5: Air Defence

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited 2000/01	Audited 2001/02	Preliminary outcome 2002/03		2004/05	2005/06	2006/07
R thousand							
Strategic Direction	44 562	34 260	2 925	3 597	5 816	6 095	6 388
Operational Direction	235 658	345 952	68 349	73 292	27 612	60 595	97 211
Helicopter Capability	146 469	215 549	240 658	250 499	268 216	261 796	280 916
Transport and Maritime Capability	89 491	149 270	171 883	189 010	205 061	203 873	217 554
Air Combat and Reconnaissance Capability	164 856	197 010	232 705	235 110	196 758	240 245	270 389
Operational Support and Intelligence Capability	63 206	88 840	98 292	94 506	103 029	104 603	105 998
Command and Control Capability	168 717	136 260	130 684	147 854	144 442	151 967	160 151
Base Support Capability	684 716	391 832	501 435	424 816	521 571	529 524	537 145
Command Post	21 501	15 247	29 662	79 418	34 031	34 618	35 207
Training Capability	176 234	205 773	198 879	198 275	226 580	235 733	243 363
Technical Support Services	152 173	204 484	390 470	456 299	489 180	500 207	501 829
Total	1 947 583	1 984 477	2 065 942	2 152 676	2 222 296	2 329 256	2 456 151
Change to 2003 Budget Estimate				14 677	17 685	25 331	
Economic classification							
Current payments	1 944 834	1 982 821	2 064 019	2 151 132	2 220 483	2 327 271	2 454 059
Compensation of employees	899 279	908 451	1 021 086	1 093 017	1 164 293	1 165 809	1 164 758
Goods and services	1 045 183	1 073 406	1 041 210	1 058 115	1 056 190	1 161 462	1 289 301
Interest and rent on land	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	372	964	1 723	-	-	-	-
Unauthorised expenditure	-	-	-	-	-	-	-

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited 2000/01	Audited 2001/02	Preliminary outcome 2002/03		2004/05	2005/06	2006/07
R thousand							
Transfers and subsidies to:	2 749	1 656	1 923	1 544	1 813	1 985	2 092
Provinces and municipalities	2 749	1 656	1 923	1 544	1 813	1 985	2 092
Departmental agencies and accounts	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-
Foreign governments & international organisations	-	-	-	-	-	-	-
Public corporations & private enterprises	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-
Payments for capital assets	-	-	-	-	-	-	-
Buildings and other fixed structures	-	-	-	-	-	-	-
Machinery and equipment	-	-	-	-	-	-	-
Cultivated assets	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-
<i>Of which: Capitalised compensation</i>	-	-	-	-	-	-	-
Total	1 947 583	1 984 477	2 065 942	2 152 676	2 222 296	2 329 256	2 456 151

Details of transfer payments and subsidies:

Provinces and municipalities							
Municipalities							
Current	2 749	1 656	1 923	1 544	1 813	1 985	2 092
Regional Services Council levies	2 749	1 656	1 923	1 544	1 813	1 985	2 092
Total	2 749	1 656	1 923	1 544	1 813	1 985	2 092

Expenditure trends

Air Defence will increase on average by 3,9 per cent per annum from 2000/01 to 2006/07. The expenditure trend of goods and services remains largely unchanged during 2004/05 while expenditure on compensation of employees increases by 6,5 per cent. This is mainly attributed to the introduction of the technical incentive scheme to retain highly qualified technical personnel to service the new aircraft acquired through the strategic armaments procurement programme.

The decreases of 80,2 per cent between 2001/02 and 2002/03 as well as 62,3 per cent between 2003/04 and 2004/05 in the Operational Direction subprogramme are mainly due to the redistribution of funds towards all the relevant subprogrammes for the incentive scheme. The subsequent increase in the Operational Direction subprogramme from 2005/06 onwards reflects the provision made to receive the training and fighter aircraft to be supplied in terms of the strategic armaments procurement programme. The 57,1 per cent decrease in the Command Post subprogramme between 2003/04 and 2004/05 is because the Forward Air Command Posts and the Air Operations Teams have been closed down. The personnel are being incorporated under the Base Support Capability subprogramme, which explains the increase of 22,8 per cent between 2003/04 and 2004/05 in this subprogramme.

The Helicopter Capability subprogramme increases on average by 3,9 per cent per annum between 2003/04 and 2006/07, to continue the development of the Rooivalk helicopter. The Transport and Maritime Capability subprogramme increases by 4,8 per cent on average per annum between 2003/04 and 2006/07 to provide for envisaged increased spending on transporting VIPs.

The increase of 61,7 per cent between 2003/04 and 2004/05 in the Strategic Direction subprogramme is mainly due to the relocation of the Defence Research Centre contract of R2,0 million from the Air Combat and Reconnaissance Capability subprogramme.

Service delivery objectives and indicators

Recent outputs

During 2002/03 the SA Air Force (SAAF) exceeded its target of 29 918 flying hours by reaching a total of 35 145 flying hours. This included a successfully completed rescue mission to Antarctica during mid-2002. The SAAF also presented its 100th pilots' wings course since World War II. Fifty-four students received their wings, of whom twenty-three were pilots, including four SAAF reserve officers. The SAAF hosted and/or participated in six single, combined or multinational training exercises. In terms of diplomatic air mobility, the SAAF flew a total of 1 803 hours. Combat readiness states and force preparedness levels were achieved during 2002/03 as planned.

Medium-term output targets

Air Defence

Measurable objective: Defend and protect South Africa by maintaining and providing prepared and supported air combat forces, services and facilities that meet the requirements of government.			
Subprogramme	Output	Measure/Indicator	Target
Strategic Direction	Air defence strategic direction	The degree to which air defence policies, strategies and plans are implemented	100%
Operational Direction	Air defence operational direction	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Helicopter Capability	Combat ready helicopter squadrons	Number of planned flying hours	13 640 flying hours for 2004/05
Transport and Maritime Capability	Combat ready transport, VIP transport, maritime and reserve squadrons	Number of planned flying hours	17 223 flying hours for 2004/05
Air Combat and Reconnaissance Capability	Air combat and reconnaissance readiness	Number of planned flying hours	2 614 flying hours in 2004/05
Operational Support and Intelligence Capability	Air space control and airfield defence readiness	The degree to which ground protection is achieved	100% in accordance with target
Command and Control Capability	Centralised command and control of forces	The degree to which the planned number of specialised personnel is available	100% in accordance with target
Base Support Capability	Management of air bases and SAAF stations	The degree to which aviation regulatory and support requirements for all aircraft movements are complied with	100%
Command Post	Combat ready air operations command posts	The degree to which command and control of all planned flying hours is incident-free	100%
Training Capability	Trained South African Air Force personnel	The degree to which the planned training is achieved	2 766 learners for 2004/05
Technical Support Services	Technical support	The degree of compliance with the system group business plan	100%

Programme 4: Maritime Defence

Maritime Defence supplies maritime defence capabilities for South Africa in the areas covered by its five subprogrammes.

Expenditure estimates

Table 22.6: Maritime Defence

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Maritime Direction	153 959	159 310	192 389	215 761	220 898	223 269	231 276
Maritime Combat Capability	198 040	209 380	234 354	250 734	280 514	324 997	381 093
Maritime Logistic Support Capability	159 395	161 899	168 359	202 200	167 900	170 701	171 491
Maritime Training Capability	132 752	136 482	98 601	111 489	140 685	142 208	143 286
Base Support Capability	183 320	236 533	276 880	272 760	282 574	288 231	292 625
Total	827 466	903 604	970 583	1 052 944	1 092 571	1 149 406	1 219 771
Change to 2003 Budget Estimate				2 069	8 481	57 762	

Economic classification

	825 972	902 669	969 608	1 051 591	1 090 967	1 147 802	1 218 167
Current payments							
Compensation of employees	648 936	621 240	620 383	658 634	693 743	711 737	722 298
Goods and services	176 646	280 998	348 790	392 957	397 224	436 065	495 869
Interest and rent on land	–	–	–	–	–	–	–
Financial transactions in assets and liabilities	390	431	435	–	–	–	–
Unauthorised expenditure	–	–	–	–	–	–	–
Transfers and subsidies to:	1 494	935	975	1 353	1 604	1 604	1 604
Provinces and municipalities	1 494	935	975	1 353	1 604	1 604	1 604
Departmental agencies and accounts	–	–	–	–	–	–	–
Universities and technikons	–	–	–	–	–	–	–
Foreign governments & international organisations	–	–	–	–	–	–	–
Public corporations & private enterprises	–	–	–	–	–	–	–
Non-profit institutions	–	–	–	–	–	–	–
Households	–	–	–	–	–	–	–
Payments for capital assets	–	–	–	–	–	–	–
Buildings and other fixed structures	–	–	–	–	–	–	–
Machinery and equipment	–	–	–	–	–	–	–
Cultivated assets	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–
Land and subsoil assets	–	–	–	–	–	–	–
<i>Of which: Capitalised compensation</i>	–	–	–	–	–	–	–
Total	827 466	903 604	970 583	1 052 944	1 092 571	1 149 406	1 219 771

Details of transfer payments and subsidies:

Provinces and municipalities							
Municipalities							
Current							
Regional Services Council levies	1 494	935	975	1 353	1 604	1 604	1 604
Total	1 494	935	975	1 353	1 604	1 604	1 604

Expenditure trends

Maritime Defence will on average comprise 5,3 per cent per annum of the total vote over the medium term, and will grow on average by 5,0 per cent annually over this period. The programme's most immediate priority is to allocate resources to the operating budget to prepare for the acceptance of the 3 MEKO Class Patrol Corvettes in 2004/05, which are being acquired through the strategic armaments procurement programme. This is evident in the 15,0 per cent

average annual increase in the Maritime Combat Capability subprogramme over the medium term, which provides for the quality assurance, naval weapon acceptance, and electronic warfare analysis.

The increase of 26,2 per cent from 2003/04 to 2004/05 in the Maritime Training Capability subprogramme is attributed mainly to the planned increase in the Military Skills Development System intake and the increased requirement to train the personnel that will serve on the new vessels acquired for the SA Navy.

The decrease of 17,0 per cent between 2003/04 and 2004/05 in the Maritime Logistic Support Capability subprogramme is due to the relocation of personnel caused by the closing of the Durban Fleet Maintenance Unit and Naval Armament Depot.

Service delivery objectives and indicators

Recent outputs

The SA Navy provided a total of 20 589 sea-hours during 2002/03 against the target of 34 607 hours. Included in these hours were the Navy's assistance to the SAPS and the Department of Environmental Affairs and Tourism to curb the illegal smuggling of marine resources. The SA Navy also hosted and participated in 16 major maritime training exercises, operations and fishery patrols. All were concluded successfully. A notable success was the operation to assist the Royal Australian Navy to apprehend a vessel and its crew involved in the illegal harvesting of the endangered Patagonian tooth fish. Specific objectives, such as building capacity to prepare personnel, facilities and equipment for acquiring the new vessels, reducing inventories and implementing measures to retain personnel, have also been achieved. Combat readiness states and force preparedness levels, especially the requirements for vessel availability, were achieved during 2002/03 as planned.

Medium-term output targets

Maritime Defence

Measurable objective: Defend and protect South Africa by maintaining and providing prepared and supported maritime combat forces, services and facilities that meet the requirements of government.

Subprogramme	Output	Measure/Indicator	Target
Maritime Direction	Maritime defence strategic direction	The degree to which maritime defence policies, strategies and plans are implemented	100%
Maritime Combat Capability	Maritime combat readiness	Number of planned sea hours The degree to which the required combat readiness levels are achieved	28 641 sea hours in 2004/05 100% as specified in the readiness schedules
Maritime Logistic Support Capability	Logistic support	The degree of compliance with service level agreements	100%
Maritime Training Capability	Trained SA Navy personnel	The degree to which the planned training is achieved	6 552 learners in 2004/05
Base Support Capability	Management of maritime bases	Degree to which maritime regulatory requirements are met	100%

Programme 5: Military Health Support

Military Health Support provides medical combat support and other medical services. It maintains military health and training facilities, including specialist facilities such as the institutes for maritime and aviation medicine. It supplies various support functions, including to the departments of health and agriculture, when required.

Expenditure estimates

Table 22.7: Military Health Support

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Strategic Direction	96 494	84 331	94 169	105 662	90 399	91 895	93 842
Military Health Support	16 934	27 841	45 425	55 641	43 825	44 488	52 648
Area Military Health Service	349 559	357 707	425 101	439 890	442 484	460 079	462 709
Specialist/Tertiary Health Service	378 347	464 417	491 263	522 614	522 980	540 511	553 762
Product Support Capability	62 307	44 292	69 006	32 433	49 290	58 624	92 304
Base Support Capability	10 525	13 410	20 606	20 995	57 363	73 169	82 219
Military Health Training Capability	61 563	58 047	78 028	79 431	99 218	109 552	117 165
Total	975 729	1 050 045	1 223 598	1 256 666	1 305 559	1 378 318	1 454 649
Change to 2003 Budget Estimate				2 477	1 150	1 430	

Economic classification

	973 812	1 048 785	1 222 154	1 255 200	1 303 912	1 376 532	1 452 862
Current payments							
Compensation of employees	674 921	688 512	774 580	916 473	941 000	955 436	965 905
Goods and services	295 114	356 158	443 248	338 727	362 912	421 096	486 957
Interest and rent on land	–	–	–	–	–	–	–
Financial transactions in assets and liabilities	3 777	4 115	4 326	–	–	–	–
Unauthorised expenditure	–	–	–	–	–	–	–
Transfers and subsidies to:	1 917	1 260	1 444	1 466	1 647	1 786	1 787
Provinces and municipalities	1 917	1 260	1 444	1 466	1 647	1 786	1 787
Departmental agencies and accounts	–	–	–	–	–	–	–
Universities and technikons	–	–	–	–	–	–	–
Foreign governments & international organisations	–	–	–	–	–	–	–
Public corporations & private enterprises	–	–	–	–	–	–	–
Non-profit institutions	–	–	–	–	–	–	–
Households	–	–	–	–	–	–	–
Payments for capital assets	–	–	–	–	–	–	–
Buildings and other fixed structures	–	–	–	–	–	–	–
Machinery and equipment	–	–	–	–	–	–	–
Cultivated assets	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–
Land and subsoil assets	–	–	–	–	–	–	–
<i>Of which: Capitalised compensation</i>	–	–	–	–	–	–	–
Total	975 729	1 050 045	1 223 598	1 256 666	1 305 559	1 378 318	1 454 649

Details of transfer payments and subsidies:

Provinces and municipalities							
Municipalities							
Current							
Regional Services Council levies	1 917	1 260	1 444	1 466	1 647	1 786	1 787
Total	1 917	1 260	1 444	1 466	1 647	1 786	1 787

Expenditure trends

Military Health Support increases on average by 6,9 per cent per annum between 2000/01 and 2006/07. The South African Military Health Service (SAMHS) will continue to provide an acceptable medical service, despite the fact that the programme's budget has not kept pace with

projected increases in the patient load (including patients engaged in commitments in the DRC and Burundi, and those with opportunistic illnesses related to HIV and Aids) and the medical inflation rate. Maintaining the level of service has been made possible because the SAMHS has acquired the services of numerous health practitioners doing community service. Thus the provision for expenditure on compensation of employees increases only by 2,7 per cent from 2003/04 to 2004/05, and on average by 1,8 per cent per annum over the medium term. The programme budget has been put under further pressure since medical services have been provided to extended families from 2003/04 onwards.

The average annual increase of 41,7 per cent over the medium term in the Product Support Capability subprogramme is due to the creation of a reserve of medical stock and equipment at medical depots, which is mainly used for deployments.

The increase of 173,2 per cent in 2004/05 in the Base Support Capability subprogramme is the result of the establishment of the Joint Support Base Thaba Tshwane North. This will be funded by a 14,4 per cent decrease in the same year in the Strategic Direction subprogramme, where the base was previously provided for.

The increase in the Military Health Training Capability subprogramme of 24,9 per cent between 2003/04 and 2004/05 is related to the renewed drive to train support personnel within the SAMHS to provide an acceptable level of medical service.

Service delivery objectives and indicators

Recent outputs

During 2002/03, the SAMHS provided comprehensive health services and care to members of the SANDF and their dependants, which included approximately 1,1 million consultations, 1,0 million prescriptions and 102 000 in-patient days. During the same period a total of 2 499 patients were admitted to non-military hospitals, and 18 860 cases were referred to private facilities when military capacity was not available. During the first eight months of the 2003/04 financial year, health care was provided to 141 people from foreign countries. The Regional Military Health Training Centre in Thaba Tshwane, which will provide training to medical orderlies of the SADC member countries, was also completed. This will ensure that health training for operational emergency care orderlies will comply with South African national health care standards.

Medium-term output targets

Military Health Support

Measurable objective: In support of the defence of South Africa, provide prepared and supported military medical health capabilities, services and facilities that meet the requirements of government.

Subprogramme	Output	Measure/Indicator	Target
Strategic Direction	Military health strategic direction	The degree to which health services policies, strategies and plans are implemented	100%
Military Health Support	Combat-ready medical elements	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules
Area Military Health Service	Local multi-disciplinary health facilities and services	Degree of compliance with departmental health requirements	100%
Specialist/Tertiary Health Service	Tertiary military health services	Degree of adherence to codes of conduct	100%
Product Support Capability	Logistic support	The degree of compliance with service level agreements	100%
Base Support Capability	Management of medical bases	Degree to which health regulatory requirements are met	100%
Military Health Training Capability	Trained SAMHS personnel	Degree to which planned training is achieved	100% as per SAMHS training plan

Programme 6: Defence Intelligence

Defence Intelligence provides defence intelligence and counter-intelligence for operational security in support of the department. It also provides for personnel vetting.

Expenditure estimates

Table 22.8: Defence Intelligence

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Strategic Direction	376	383	214	170	156	164	180
Operations	9 203	10 990	11 991	12 685	11 510	11 412	12 345
Defence Intelligence Support Services	109 292	126 546	119 130	130 388	134 154	142 420	150 269
Total	118 871	137 919	131 335	143 243	145 820	153 996	162 794
Change to 2003 Budget Estimate				(10 236)	(19 309)	(22 184)	

Economic classification

Current payments	118 556	137 728	131 140	142 989	145 639	153 815	162 613
Compensation of employees	113 856	104 531	104 374	107 039	114 572	122 461	129 209
Goods and services	4 645	33 001	26 699	35 950	31 067	31 354	33 404
Interest and rent on land	–	–	–	–	–	–	–
Financial transactions in assets and liabilities	55	196	67	–	–	–	–
Unauthorised expenditure	–	–	–	–	–	–	–
Transfers and subsidies to:	315	191	195	254	181	181	181
Provinces and municipalities	315	191	195	254	181	181	181
Departmental agencies and accounts	–	–	–	–	–	–	–
Universities and technikons	–	–	–	–	–	–	–
Foreign governments & international organisations	–	–	–	–	–	–	–
Public corporations & private enterprises	–	–	–	–	–	–	–
Non-profit institutions	–	–	–	–	–	–	–
Households	–	–	–	–	–	–	–
Payments for capital assets	–	–	–	–	–	–	–
Buildings and other fixed structures	–	–	–	–	–	–	–
Machinery and equipment	–	–	–	–	–	–	–
Cultivated assets	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–
Land and subsoil assets	–	–	–	–	–	–	–
<i>Of which: Capitalised compensation</i>	–	–	–	–	–	–	–
Total	118 871	137 919	131 335	143 243	145 820	153 996	162 794

Details of transfer payments and subsidies:

Provinces and municipalities							
Municipalities							
Current	315	191	195	254	181	181	181
Regional Services Council levies	315	191	195	254	181	181	181
Total	315	191	195	254	181	181	181

Expenditure trends

Defence Intelligence grows by an average of 5,4 per cent from 2000/01 to 2006/07. It comprises 0,7 per cent of the department's total budget over the medium term.

Service delivery objectives and indicators

Recent outputs

The Defence Intelligence division is now co-operating more closely with the intelligence structures of the SADC region. The main emphasis is on producing intelligence in support of operations in the region, developing strategic partnerships with member countries of the SADC. Its core function is to disseminate defence-related intelligence products to the department, other national clients such as the National Intelligence Co-ordinating Committee and international partners. The number of products has increased as the number of mission ready exercises for the deployment of combat forces externally has increased over the past few years. A number of counter-intelligence surveillance and technical operational tasks were successfully completed and over 1 000 special collection requests were successfully dealt with during 2002/03.

Medium-term output targets

Defence Intelligence

Measurable objective: Defend and protect South Africa by the provision of defence intelligence and counter-intelligence products and services that meet the requirements of government.

Subprogramme	Output	Measure/Indicator	Target
Strategic Direction	Defence intelligence strategic direction	The degree to which defence intelligence policies, strategies and plans are implemented	100%
Operations	Defence intelligence and counter-intelligence	Proportion of intelligence reports generated according to the approved intelligence schedule	100%
Defence Intelligence Support Services	Trained defence intelligence personnel	Degree to which planned training is achieved	100% as per training plan

Programme 7: Joint Support

Joint Support provides support capabilities, facilities and services to the department. It establishes, provides training in, and maintains, the following areas: joint logistics, ICT, military police, vocational training, joint training and acquisition services. It assists organisations related to the department, such as the Armaments Corporation of South Africa (Armcor), the Reserve Force Council, the South African First Aid League, St Johns Ambulance Brigade, the Medical Fund for Military Members retired before 1964, and the Defence, Intelligence, Diplomacy and Trade Education and Training Authority (DIDTeta).

Expenditure estimates

Table 22.9: Joint Support

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Strategic Direction	13 486	10 403	8 562	5 896	4 637	4 845	5 318
Joint Logistic Services	429 287	468 979	543 028	562 310	623 334	657 577	692 517
Command and Management Information Services	596 109	769 404	795 178	805 258	816 352	863 222	915 688
Military Police	166 665	186 156	190 318	205 247	213 310	225 660	237 492
Service Corps	46 769	45 786	46 259	47 610	49 707	52 701	55 670
Acquisition Services	2 261	3 547	1 860	2 392	2 488	2 418	2 529
Joint Training	14 773	104 623	103 534	99 418	99 768	104 518	109 851
Assistance	890	2 322	3 710	3 930	350	350	350
Departmental Support	254 210	235 554	250 543	323 807	493 452	382 749	403 173
British Military Advisory and Training	5 122	6 725	13 376	11 853	–	–	–
Total	1 529 572	1 833 499	1 956 368	2 067 721	2 303 398	2 294 040	2 422 588
Change to 2003 Budget Estimate				28 530	214 271	90 571	
Economic classification							
Current payments	1 312 751	1 550 701	1 678 536	1 746 513	1 941 089	1 896 727	2 002 531
Compensation of employees	585 016	811 754	941 367	1 009 741	1 086 271	1 128 596	1 160 817
Goods and services	727 464	738 628	737 073	736 772	854 818	768 131	841 714
Interest and rent on land	–	–	–	–	–	–	–
Financial transactions in assets and liabilities	271	319	96	–	–	–	–
Unauthorised expenditure	–	–	–	–	–	–	–
Transfers and subsidies to:	184 563	211 972	222 806	263 630	295 396	327 110	345 992
Provinces and municipalities	1 963	1 483	1 737	1 988	2 387	2 608	2 839
Departmental agencies and accounts	180 490	206 268	214 841	255 412	290 198	321 519	339 985
Universities and technikons	–	–	–	–	–	–	–
Foreign governments & international organisations	–	–	–	–	–	–	–
Public corporations & private enterprises	–	–	–	–	–	–	–
Non-profit institutions	2 110	4 221	6 228	6 230	2 811	2 983	3 168
Households	–	–	–	–	–	–	–
Payments for capital assets	32 258	70 826	55 026	57 578	66 913	70 203	74 065
Buildings and other fixed structures	32 258	70 826	55 026	57 578	66 913	70 203	74 065
Machinery and equipment	–	–	–	–	–	–	–
Cultivated assets	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–
Land and subsoil assets	–	–	–	–	–	–	–
<i>Of which: Capitalised compensation</i>	–	–	–	–	–	–	–
Total	1 529 572	1 833 499	1 956 368	2 067 721	2 303 398	2 294 040	2 422 588

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04			
Details of transfer payments and subsidies:							
Provinces and municipalities							
Municipalities							
Current	1 963	1 483	1 737	1 988	2 387	2 608	2 839
Regional Services Council levies	1 963	1 483	1 737	1 988	2 387	2 608	2 839
Departmental agencies and accounts (Entities)							
Current	180 490	206 268	214 841	255 412	290 198	321 519	339 985
Armaments Corporation of South Africa Ltd	180 490	194 875	209 441	249 635	284 098	315 364	333 584
Defence, Intelligence, Diplomacy and Trade Education and Training	-	11 393	5 400	5 777	6 100	6 155	6 401
Non-profit institutions							
Current	2 110	4 221	6 228	6 230	2 811	2 983	3 168
SAN Community	-	2 000	3 400	3 600	-	-	-
St Johns Ambulance Brigade	31	40	95	45	40	40	40
International Committee of the Red Cross	50	-	-	-	-	-	-
SA First-Aid League	29	32	95	35	35	35	35
Medical Fund	300	249	700	250	275	275	275
Part Time Force Council	1 700	1 900	1 938	2 300	2 461	2 633	2 818
Total	184 563	211 972	222 806	263 630	295 396	327 110	345 992

Expenditure trends

Although spending on the *Joint Support* programme increased by an annual average of 10,6 per cent from 2000/01 to 2003/04, it is projected to grow by 5,4 per cent per year between 2003/04 and 2006/07. In 2004/05 the programme will comprise 11,4 per cent of the Department of Defence's budget.

The Joint Logistic Services subprogramme increases on average by 8,3 per cent per year between 2000/01 and 2006/07. This increase is attributed to the provision of joint logistical support and equipment for peace support operations in Africa. Peace support operations are also the reason for the average annual increase of 12,1 per cent in the expenditure on compensation of employees between 2000/01 and 2006/07. The average increase of 5,9 per cent per year from 2004/05 to 2006/07 in the Command and Management Information Services subprogramme is mainly due to State Information Technology Agency (Sita) tariff increases. The average increase of 8,0 per cent per year between 2000/01 and 2006/07 in the Departmental Support subprogramme is primarily related to the increased transfer payments to Armscor and the DIDTeta. The transfer payment for relocating the San community from Schmidtsdrift to Platfontein amounted to R3,6 million in 2003/04. This is the final transfer payment and is reflected in the decrease of 91,1 per cent between 2003/04 and 2004/05 in the Assistance subprogramme.

Service delivery objectives and indicators

Recent outputs

Project Inzuzo, aimed at rectifying the discrepancies found in relation to identification marking of military vehicles and misuse thereof, was launched during 2002/03, and a 90 per cent success rate was achieved. During the same period, barcode-assisted receipts and issues were successfully

implemented at 13 general support bases. The Service Corps provided considerable impetus to the process of resettling the San community. A total of 1 934 opportunities for reskilling were provided by the Service Corps in 2002/03 to members and ex-members of the Department of Defence, while the Youth Foundation Training programme was started with 205 members. The number of cases reported to the military police during 2002/03 was 4 040, of which 68 per cent were finalised.

Medium-term output targets

Joint Support

Measurable objective: Support departmental activities through the preparation, maintenance and provision of joint logistic, technological and military policing capabilities, services and facilities that meet the requirements of government.

Subprogramme	Output	Measure/Indicator	Target
Strategic Direction	Joint Support Strategic Direction	The degree to which joint support policies, strategies and plans are implemented	100%
Joint Logistic Services	Integrated Logistic System Support	The degree of compliance with service level agreements	100% according to service level agreements
Command and Management Information Services	Centralised command and management information services	Degree of compliance with service level agreements	100%
Military Police	Military Policing	Percentage of cases finalised	60%
Service Corps	Demilitarisation service to individuals	The degree to which planned reskilling is achieved	100% as per plan
Acquisition Services	Procurement of defence equipment	Degree of adherence to time schedules	At least 90% on time
Joint Training	Professional and non-combat functional learning services	The degree to which the planned training is achieved	1 780 learners for 2004/05
Assistance	Assistance to defence-related organisations	Degree of adherence to time schedules	At least 90% on time
Departmental Support	Legal services	Degree of adherence to time schedules	At least 90% on time

Programme 8: Command and Control

Command and Control provides an operational command and control capability for deploying combat forces. It exercises command and control over all defence operations, through permanent Regional Joint Task Force headquarters for internal missions and temporary Joint Task Force headquarters for external missions. It also provides a special operations capability.

Expenditure estimates

Table 22.10: Command and Control

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04			
Command and Control	87 539	98 539	109 620	107 410	108 324	118 208	140 870
Special Operations	75 239	99 144	115 360	121 814	135 368	138 940	141 360
Peace Support Operations							
UN Peace Mission in the DRC	–	45 686	38 712	255 764	332 538	332 538	332 538
Protection Support Detachment in Burundi (FIBER)	–	118 170	261 935	496 889	367 462	167 462	167 462
World Summit on Sustainable Development	–	–	9 424	–	–	–	–
Destruction of Small Arms and Ammunition	–	342	–	–	–	–	–
Conventional Operations	206 623	179 198	207 750	247 082	275 174	264 607	270 173
Total	369 401	541 079	742 801	1 228 959	1 218 866	1 021 755	1 052 403
Change to 2003 Budget Estimate				506 999	501 969	299 397	

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Economic classification							
Current payments	368 995	540 812	742 485	1 228 630	1 218 530	1 021 414	1 052 057
Compensation of employees	210 772	320 541	329 941	418 204	464 781	408 954	424 661
Goods and services	158 215	220 271	412 470	810 426	753 749	612 460	627 396
Interest and rent on land	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	8	-	74	-	-	-	-
Unauthorised expenditure	-	-	-	-	-	-	-
Transfers and subsidies to:	406	267	316	329	336	341	346
Provinces and municipalities	406	267	316	329	336	341	346
Departmental agencies and accounts	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-
Foreign governments & international organisations	-	-	-	-	-	-	-
Public corporations & private enterprises	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-
Payments for capital assets	-	-	-	-	-	-	-
Buildings and other fixed structures	-	-	-	-	-	-	-
Machinery and equipment	-	-	-	-	-	-	-
Cultivated assets	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-
<i>Of which: Capitalised compensation</i>	-	-	-	-	-	-	-
Total	369 401	541 079	742 801	1 228 959	1 218 866	1 021 755	1 052 403

Details of transfer payments and subsidies:

Provinces and municipalities							
Municipalities							
Current	406	267	316	329	336	341	346
Regional Services Council levies	406	267	316	329	336	341	346
Total	406	267	316	329	336	341	346

Expenditure trends

Command and Control will on average increase by 19,1 per cent per annum from 2000/01 to 2006/07. Because of the provision for Peace Support Operations, the programme will consume 6,0 per cent of the total vote in 2004/05. The expected decreased spending on goods and services of 7,0 per cent between 2003/04 and 2004/05 is related to peace support. During 2003/04 substantial amounts were spent on preparing equipment for peace support operations. This expenditure will not be repeated in 2004/05.

The average annual increase of 15,8 per cent between 2000/01 and 2004/05 on Special Operations relates to the procurement of highly specialised equipment and ammunition, and the introduction of an incentive scheme to attract and retain Special Forces operators.

The Conventional Operations subprogramme increases by 15,4 per cent per year on average between 2001/02 and 2004/05 because of an additional allocation received for internal deployments. Planning is under way to gradually withdraw from routine internal operations in

support of the SAPS. This is evident in the decrease of 3,8 per cent in the subprogramme from 2004/05 to 2005/06.

Service delivery objectives and indicators

Recent outputs

Apart from the normal day-to-day management of the Joint Operations division, which co-ordinates all operations undertaken, this programme's output consists mainly of internal and external operations.

External operations

A number of observers and staff officers were posted to various UN and AU peace missions. The two largest operations conducted during 2002/03, and still ongoing, are:

Operation Fibre relates to the deployment of the South African Protection Support Detachment to Burundi, which has involved more than 700 members, who are rotated every four months. The aim of the deployment changed in 2002/03 from VIP protection to ensuring the establishment of a climate for free and fair elections. This change resulted in an increase of personnel deployed from over 700 to approximately 1 500.

Operation Mistral relates to the contribution made to the UN mission in the DRC. Approximately 1 500 members are deployed in various locations in the DRC.

Internal operations

Although planning is under way to gradually withdraw from the two internal operations, the following operations were conducted and are still ongoing:

Operation Intexo (border protection) continues as part of the SANDF's commitment to combating transnational crime. This includes SA Air Force and SA Navy operations along the coast and within South Africa's exclusive economic zone.

Operation Stipper (rural safeguarding) continues, although involvement is gradually decreasing in line with the agreement with the SAPS. However, the SAPS is currently reliant on the military for support, especially when it comes to the need to deploy specialist equipment only issued to the military.

An average of 1765 soldiers were deployed daily on these two internal operations.

The success of the two internal operations includes the confiscation of 1 877 weapons, 78 202kg of dagga and 5 970 Mandrax tablets between 1 April 2002 and 9 February 2003. During the same period 3,7kg of gold dust, 110kg of copper, 1 751 stolen livestock and 766 stolen vehicles were recovered, and 51 522 illegal immigrants apprehended.

Medium-term output targets

Command and Control

Measurable objective: In support of government initiatives, command and control all ordered operations by the Defence Force as directed.			
Subprogramme	Output	Measure/Indicator	Target
Command and Control	Centralised command and control	The degree to which ordered operations are successfully executed	100%
Special Operations	Combat ready and supported Special Forces	The degree to which the required combat readiness states are achieved	100% as specified in the readiness schedules

Subprogramme	Output	Measure/Indicator	Target
Peace Support Operations	Peace support	The degree to which ordered operations are successfully executed	100%
Conventional Operations	Military support to other entities	The degree of adherence to time schedules	100% on time

Programme 9: Special Defence Account

The *Special Defence Account* programme provides for special defence activities and purchases, including procuring defence main equipment and strategic armaments, operating and maintaining defence main equipment, and financing sensitive defence activities.

Expenditure estimates

Table 22.11: Special Defence Account

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Procurement Services	1 505 934	1 394 338	1 071 407	1 414 781	1 835 175	1 847 259	2 534 647
Strategic Defence Procurement	2 899 200	4 223 384	6 475 900	5 889 034	5 501 866	7 026 622	5 886 714
Operating	305 230	172 299	209 313	661 299	521 141	643 121	833 054
Intelligence Related	41 192	41 571	51 098	53 274	65 426	68 863	72 306
Total	4 751 556	5 831 592	7 807 718	8 018 388	7 923 608	9 585 865	9 326 721
Change to 2003 Budget Estimate				(825 273)	(1 012 198)	(800 783)	

Economic classification

Current payments	-	-	-	-	-	-	-
Compensation of employees	-	-	-	-	-	-	-
Goods and services	-	-	-	-	-	-	-
Interest and rent on land	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	-
Unauthorised expenditure	-	-	-	-	-	-	-
Transfers and subsidies to:	4 751 556	5 831 592	7 807 718	8 018 388	7 923 608	9 585 865	9 326 721
Provinces and municipalities	-	-	-	-	-	-	-
Departmental agencies and accounts	4 751 556	5 831 592	7 807 718	8 018 388	7 923 608	9 585 865	9 326 721
Universities and technikons	-	-	-	-	-	-	-
Foreign governments & international organisations	-	-	-	-	-	-	-
Public corporations & private enterprises	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-
Payments for capital assets	-	-	-	-	-	-	-
Buildings and other fixed structures	-	-	-	-	-	-	-
Machinery and equipment	-	-	-	-	-	-	-
Cultivated assets	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-
<i>Of which: Capitalised compensation</i>	-	-	-	-	-	-	-
Total	4 751 556	5 831 592	7 807 718	8 018 388	7 923 608	9 585 865	9 326 721

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Details of transfer payments and subsidies:							
Departmental agencies and accounts (Entities)							
Current	4 751 556	5 831 592	7 807 718	8 018 388	7 923 608	9 585 865	9 326 721
Special Defence Account	4 751 556	5 831 592	7 807 718	8 018 388	7 923 608	9 585 865	9 326 721
Total	4 751 556	5 831 592	7 807 718	8 018 388	7 923 608	9 585 865	9 326 721

Expenditure trends

The *Special Defence Account* grows on average by 19,1 per cent per annum from 2000/01 to 2003/04 whereafter it slows, growing by an average of 5,2 per cent per annum over the MTEF period. The programme is projected to spend 39,1 per cent of the total departmental budget in 2004/05. This is attributable to the strategic armaments procurement programme projected expenditure in that year. The total cost over the years 2000/01 to 2011/12 is projected to be approximately R48,7 billion. The table below reflects the revised annual cost projections.

Projected costs in relation to the strategic armaments procurement programme							
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	
R million	2 899	4 223	6 476	5 889	5 502	7 027	
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Total
R million	5 887	3 928	3 171	1 404	1 219	1 119	48 744

There is no expenditure on compensation of employees associated with the *Special Defence Account* programme. It is a holding account for financing equipment acquisition (including some without military specifications), strategic armaments acquisition and sensitive military activities.

The Procurement Services subprogramme increases by 29,7 per cent between 2003/04 and 2004/05, because of additional funding provided for combat support helicopters, the upgrading of Casspir armoured personnel carriers and the new portable ground to air missiles. An additional R300,0 million is allocated in 2006/07 for general improvement in capacity.

The increase of 215,9 per cent in the Operating subprogramme between 2002/03 and 2003/04 reflects the provisions for the migration from the 800MHz radio-communication frequency and the repair of military soft-skin vehicles. Financing defence intelligence foreign visits and certain sensitive activities under the *Special Defence Account* results in an increase of 22,8 per cent in the Intelligence Related subprogramme from 2003/04 to 2004/05.

Service delivery objectives and indicators

Recent outputs

The first output of the strategic armaments procurement programme was delivered on 4 November 2003 when the SAS Amatola corvette arrived in South Africa. Other armament acquisition projects completed during 2002/03 include the development of heavy recovery vehicles, and the delivery of parachute-deployable Gecho vehicles and trailers, the SS77 machine gun, the Mamba armoured personnel carrier, and a number of five-axle trailers for transporting battle tanks, G6 mobile artillery and Rooikat armoured cars.

Medium-term output targets

Special Defence Account

Measurable objective: Meet South Africa's defence needs through the acquisition and maintenance of appropriate defence equipment and through activities that meet the requirements of government.

Subprogramme	Output	Measure/Indicator	Target
Procurement Services	Procurement of defence equipment	The degree of timely delivery of equipment according to the acquisition master plan	100%
Strategic Defence Procurement	Procurement of strategic defence equipment	The degree of timely delivery of equipment according to the acquisition master plan	100%
Operating	Maintenance of defence equipment	The degree of timely maintenance of equipment according to the acquisition master plan	100%
Intelligence Related	Defence intelligence products	Proportion of intelligence reports generated according to the approved intelligence schedule	100%

Payments for capital assets

In terms of the Government Finance Statistics system of classifying payments, capital assets consists of purchases of assets that can be used repeatedly or continuously in the production process for at least one year, as well as of land and soil assets. To date such defence expenditure, not intended for residential purposes, was classified as current payments. This is what is reflected in the expenditure tables in all 2004 Budget documentation. For comparison purposes estimations of the value of capital assets that are currently still classified as current assets, namely goods and services, are reflected in table 22.20.

Public entities reporting to the Minister

Castle Control Board

The Castle Control Board operates in accordance with the provisions of the Castle Management Act (207 of 1993). The objectives of the board are to preserve and protect the military and cultural heritage of the Castle of Good Hope, to optimise its tourism potential, and to maximise public access to the parts which are not used by the Department of Defence.

Since its inception, the Castle Control Board has received no direct contribution from any government department or agency. It raises funds by charging visitors, and it also receives donations. Its costs include those associated with the operation of the military museum in the Castle. The Department of Public Works is responsible for restoring and maintaining the Castle.

Armaments Corporation of South Africa

The Armaments Corporation of South Africa (Armcor) was established in terms of section 2 of the Armaments Development and Production Act (57 of 1968). South African development and production of military defence equipment was transferred to Denel (Pty) Ltd in 1992. The primary function of Armcor is to acquire defence products and services for the SANDF, and to co-manage, with the Department of Defence, the development of technologies for future weapon systems and products. This shift in primary function necessitated a revision of the Armcor Act to reflect its new role. Parliament passed the new Armcor Act in September 2003.

In support of its primary functions, Armcor provides the department with: tender board functions; a procurement secretariat; legal, financial, quality and asset management services; project security; and arms control compliance assurance. Armcor is accordingly tasked with the acquisition

process relating to the strategic armaments procurement programme and facilitating the defence industrial participation programme.

Armcor also manages subsidiary companies, which directly support defence technology and acquisition strategies as well as the disposal of excess, forfeited or redundant defence material for the SANDF. Armcor is the sole shareholder in Armcor Business (Pty) Ltd which has the following divisions, aiming to meet the strategic needs as indicated:

Defence, Science and Technology Institute Group

- The Institute for Maritime Technologies aims to satisfy strategic needs for techno-military maritime support, products and services, and to establish applicable technology and systems to further the interests of the SANDF.
- Protechnik Laboratories conducts research, development and implementation in the fields of chemical and biological defence and non-proliferation of chemical weapons.
- Defence Institute assists the defence community in developing solutions for decision-making problems over the full life-cycle of defence capabilities.
- Hazmat Protective Systems manufactures and distributes filter canisters, cartridges and masks and also impregnates activated carbon.
- Ergonomics Technologies provides services on ergonomics to enhance and optimise human-machine interaction within the working environment.
- Flamengro provides computer-based simulation and failure analysis support and consultative services to the Department of Defence and the defence industry during product and system development.
- Armour Development provides a research and development capability for armour protection and anti-armour attacks.

Test and Evaluation Group

- Alkantpan offers an all-purpose ballistic test range, and compiles specifications and analysis test data.
- Gerotek Test Facilities provides specialised services such as testing and evaluation of vehicles and vehicle components, research and development on vehicle testing technologies and methods, VHF/UHF and microwave antenna testing and evaluation, and environmental testing and verification of military products against specification.
- Sidibane/Gerotrains offers restaurant and conference facilities and independent driver-assessments and development facilities.

Armcor Facilities Group

- AB Logistics provides a strategic and logistical support service to Armcor, the SANDF and the defence-related industry, and specialises in the handling of dangerous goods.
- Defence Export Support Services provides export support to the South African defence-related industry and manages the process of commercialising technologies.

Defence Support Group

- Armcor Defence Asset Management Centre provides decision-making support in the acquisition, operational and phasing-out phases of systems, by providing data and asset management services.
- Defence Materiel Disposal is the appointed agent of the Department of Defence to dispose of excessive military defence equipment.

Armcor is also a shareholder in three property companies, namely Sportrand (Pty) Ltd, Oospark (Pty) Ltd and Erasmusrand Eiendomme (Pty) Ltd.

During 2002 the Council on Defence gave approval for the Department of Defence to enter into a public-public-partnership with Armcor to manage the Simon's Town naval dockyard. The management of the dockyard should be transferred to Armcor by 1 April 2004.

On 31 March 2003 the net value of the Armcor Group's assets was R381,3 million, which is slightly higher than the R350,3 million on 31 March 2002. Investments and cash form a substantial part of the assets, and are reserved for financing specific future needs, such as the replacement of capital equipment, and marketing and promotion activities. On average total non-tax revenue increased by 24,3 per cent annually between 2000/01 and 2006/07. The decrease of non-tax revenue by 33,1 per cent expected in 2005/06 is directly linked to the reduced contractual milestone payments for strategic armaments procurement programme acquisitions. This is mirrored in the reduced current payments for the use of goods and services by 34,9 per cent in the same year.

Table 22.12: Summary of revenue and expenses for the Armaments Corporation of South Africa

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R Thousand	2000/01	2001/02	2002/03	2003/04			
Revenue							
Tax revenue	-	-	-	-	-	-	-
Non-tax revenue	326 249	456 300	721 039	978 965	1 153 200	772 048	1 201 779
Sale of goods and services other than capital assets	326 249	456 300	721 039	978 965	1 153 200	772 048	1 201 779
<i>Of which:</i>							
Sales	288 749	416 700	666 600	928 800	1 108 400	703 900	1 152 600
Other	37 500	39 600	54 439	50 165	44 800	68 148	49 179
Other non-tax revenue	-	-	-	-	-	-	-
Transfers received	184 551	194 875	209 441	249 635	284 100	315 400	334 800
Sale of capital assets	-	-	-	-	-	-	-
Total revenue	510 800	651 175	930 480	1 228 600	1 437 300	1 087 448	1 536 579
Expenses							
Current expense	491 620	619 792	880 798	1 208 000	1 417 900	1 057 807	1 504 879
Compensation of employees	201 869	220 037	239 841	269 700	300 732	325 339	349 806
Use of goods and services	279 351	377 455	625 257	924 800	1 103 668	718 768	1 140 773
Depreciation	10 400	22 300	15 700	13 500	13 500	13 700	14 300
Interest, dividends and rent on land	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Rent on land	-	-	-	-	-	-	-
Transfers and subsidies	16 695	18 008	18 686	19 400	20 600	21 836	23 146
Total expenses	508 315	637 800	899 484	1 227 400	1 438 500	1 079 643	1 528 025
Surplus / (Deficit)	2 485	13 375	30 996	1 200	(1 200)	7 805	8 554
Cash flow summary							
Adjust surplus / (deficit) for accrual transactions	10 200	22 200	15 600	17 500	17 500	17 700	18 300
Operating surplus / (deficit) before changes in working capital	12 685	35 575	46 596	18 700	16 300	25 505	26 854
Changes in working capital	200	(38 700)	48 000	15 400	(8 888)	(4 693)	(10 008)

Table 22.12: Summary of revenue and expenses for the Armaments Corporation of South Africa

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Preliminary outcome				
R Thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Cash flow from operating activities	12 885	(3 125)	94 596	34 100	7 412	20 812	16 846
<i>Of which: Transfers from government</i>	184 551	194 875	209 441	249 635	284 100	315 400	334 800
Cash flow from investing activities	(9 900)	(26 500)	(24 200)	(26 700)	(20 700)	(12 900)	(14 500)
Cash flow from financing activities	(1 200)	-	-	-	-	-	-
Net increase / (decrease) in cash and cash equivalents	1 785	(29 625)	70 396	7 400	(13 288)	7 912	2 346

Data provided by the Armaments Corporation of South Africa

Annexure

Vote 22: Defence

Table 22.13: Summary of expenditure trends and estimates per programme

Table 22.14: Summary of expenditure trends and estimates per economic classification

Table 22.15: Summary of personnel numbers and compensation of employees

Table 22.16: Summary of expenditure on training

Table 22.17: Summary of information and communications technology expenditure

Table 22.18: Summary of official development assistance expenditure

Table 22.19: Summary of expenditure on infrastructure

Table 22.20: Details of expenditure on capital assets classified as goods and services

Table 22.13: Summary of expenditure trends and estimates per programme

	Expenditure outcome				Medium-term expenditure estimate		
	Audited		Preliminary outcome	Main appropriation	Additional appropriation	Adjusted appropriation	Revised estimate
	2000/01	2001/02	2002/03				
R thousand							
1 Administration	466 681	531 781	592 574	660 317	13 930	674 247	681 747
2 Landward Defence	2 945 232	3 230 653	3 344 882	3 188 407	16 753	3 205 160	3 204 160
3 Air Defence	1 947 583	1 984 477	2 065 942	2 137 999	14 677	2 152 676	2 152 676
4 Maritime Defence	827 466	903 604	970 583	1 050 875	2 069	1 052 944	1 052 094
5 Military Health Support	975 729	1 050 045	1 223 598	1 254 189	2 477	1 256 666	1 256 666
6 Defence Intelligence	118 871	137 919	131 335	150 863	(7 620)	143 243	143 243
7 Joint Support	1 529 572	1 833 499	1 956 368	2 039 191	28 530	2 067 721	2 062 071
8 Command and Control	369 401	541 079	742 801	721 960	506 999	1 228 959	1 333 959
9 Special Defence Account	4 751 556	5 831 592	7 807 718	8 846 277	(827 889)	8 018 388	8 018 388
Total	13 932 091	16 044 649	18 835 801	20 050 078	(250 074)	19 800 004	19 905 004
Change to 2003 Budget Estimate						(250 074)	(145 074)
						(231 929)	(408 772)
						20 257 326	22 123 617
							22 360 684

Table 22.14: Summary of expenditure trends and estimates per economic classification

	Expenditure outcome				Medium-term expenditure estimate					
	Audited		Preliminary outcome	Main appropriation	Additional appropriation	Adjusted appropriation	Revised estimate			
	2000/01	2001/02	2002/03					2004/05	2005/06	2006/07
R thousand										
Current payments										
Compensation of employees	5 860 903	6 309 151	6 754 069	7 130 703	183 754	7 314 457	7 340 427	7 770 087	7 880 786	7 972 650
- Salaries and wages	5 148 928	5 516 102	5 890 116	6 338 930	160 182	6 499 112	6 525 082	6 898 683	7 011 627	7 104 517
- Social contributions	711 975	793 049	863 953	791 773	23 572	815 345	815 345	871 404	869 159	868 133
Goods and services	3 068 084	3 592 685	3 958 753	3 771 461	362 244	4 133 705	4 212 735	4 187 685	4 245 346	4 626 453
Interest and rent on land	-	-	-	-	-	-	-	-	-	-
- Interest	-	-	-	-	-	-	-	-	-	-
- Rent on land	-	-	-	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	19 858	19 047	27 206	-	-	-	-	-	-	-
Unauthorised expenditure	-	-	-	-	-	-	-	-	-	-
Total current payments	8 948 845	9 920 883	10 740 028	10 902 164	545 998	11 448 162	11 553 162	11 957 772	12 126 132	12 599 103
Transfers and subsidies to:										
Provinces and municipalities	16 832	10 859	11 960	14 234	-	14 234	14 234	16 024	16 915	17 642
- Provinces	-	-	-	-	-	-	-	-	-	-
- Provincial Revenue Funds	-	-	-	-	-	-	-	-	-	-
- Provincial agencies and funds	-	-	-	-	-	-	-	-	-	-
- Municipalities	16 832	10 859	11 960	14 234	-	14 234	14 234	16 024	16 915	17 642
- Municipalities	16 832	10 859	11 960	14 234	-	14 234	14 234	16 024	16 915	17 642
- Municipal agencies and funds	-	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	4 932 046	6 026 467	8 017 159	9 065 912	(797 889)	8 268 023	8 268 023	8 207 706	9 901 229	9 660 305
- Social security funds	-	-	-	-	-	-	-	-	-	-
- Departmental agencies (non-business entities)	4 932 046	6 026 467	8 017 159	9 065 912	(797 889)	8 268 023	8 268 023	8 207 706	9 901 229	9 660 305

Table 22.14: Summary of expenditure trends and estimates per economic classification (continued)

	Expenditure outcome				Medium-term expenditure estimate					
	Audited	Audited	Preliminary outcome	Main appropriation	Additional appropriation	Adjusted appropriation	Revised estimate	2004/05	2005/06	2006/07
	2000/01	2001/02	2002/03	2003/04	2003/04	2003/04	2003/04	2004/05	2005/06	2006/07
Universities and technicians	-	-	-	-	-	-	-	-	-	-
Foreign governments & international organisations	-	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-	-
- Public corporations	-	-	-	-	-	-	-	-	-	-
- Subsidies on production	-	-	-	-	-	-	-	-	-	-
- Other transfers	-	-	-	-	-	-	-	-	-	-
- Private enterprises	-	-	-	-	-	-	-	-	-	-
- Subsidies on production	-	-	-	-	-	-	-	-	-	-
- Other transfers	-	-	-	-	-	-	-	-	-	-
Non-profit institutions	2 110	15 614	11 628	-	12 007	12 007	12 007	8 911	9 138	9 569
Households	-	-	-	-	-	-	-	-	-	-
- Social benefits	-	-	-	-	-	-	-	-	-	-
- Other transfers to households	-	-	-	-	-	-	-	-	-	-
Total transfers and subsidies	4 950 988	6 052 940	8 040 747	(797 889)	9 092 153	8 294 264	8 294 264	8 232 641	9 927 282	9 687 516
Payments on capital assets										
Buildings and other fixed structures	32 258	70 826	55 026	1 817	55 761	57 578	57 578	66 913	70 203	74 065
- Buildings	32 258	70 826	55 026	1 817	55 761	57 578	57 578	66 913	70 203	74 065
- Other fixed structures	-	-	-	-	-	-	-	-	-	-
Machinery and equipment	-	-	-	-	-	-	-	-	-	-
- Transport equipment	-	-	-	-	-	-	-	-	-	-
- Other machinery and equipment	-	-	-	-	-	-	-	-	-	-
Cultivated assets	-	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-	-	-
<i>Of which: Capitalised compensation</i>	-	-	-	-	-	-	-	-	-	-
Total payments on capital assets	32 258	70 826	55 026	1 817	55 761	57 578	57 578	66 913	70 203	74 065
Total	13 932 091	16 044 649	18 835 801	(250 074)	20 050 078	19 800 004	19 905 004	20 257 326	22 123 617	22 360 684

Table 22.15: Summary of personnel numbers and compensation of employees¹

Personnel numbers	2000/01	2001/02	2002/03	2003/04	2004/05
1 Administration	1 876	2 174	3 505	3 476	4 457
2 Landward Defence	40 813	38 646	34 067	33 952	35 384
3 Air Defence	10 932	10 979	10 662	10 346	10 496
4 Maritime Defence	8 203	7 821	6 223	6 338	6 601
5 Military Health Support	8 114	7 739	7 136	6 862	7 366
6 Defence Intelligence	979	835	793	853	705
7 Joint Support	9 833	9 147	11 486	11 387	11 283
8 Command and Control	2 040	1 383	1 418	1 385	1 173
Total	82 790	78 724	75 290	74 599	77 465
Total compensation of employees (R thousand)	5 860 903	6 309 151	6 754 069	7 314 457	7 770 087
Unit cost (R thousand)	70.8	80.1	89.7	98.1	100.3

¹ Full-time equivalent

Table 22.16: Summary of expenditure on training

R thousand	Expenditure outcome						Medium-term expenditure estimate	
	Audited		Preliminary outcome		Adjusted appropriation			
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	
1 Administration	2 618	5 085	6 286	8 872	6 731	7 338	7 814	
2 Landward Defence	9 867	7 951	7 974	11 503	38 644	54 396	57 415	
3 Air Defence	11 366	24 884	13 265	17 997	21 452	26 350	31 355	
4 Maritime Defence	4 232	6 494	8 590	10 889	17 139	12 986	13 753	
5 Military Health Support	2 546	4 631	2 693	3 659	2 788	5 647	5 654	
6 Defence Intelligence	901	1 102	946	1 603	1 196	1 277	1 405	
7 Joint Support	9 464	15 161	7 310	7 774	6 970	8 162	9 019	
8 Command and Control	70	216	276	962	961	940	970	
Total	41 064	65 524	47 340	63 259	95 881	117 096	127 385	

Table 22.17: Summary of information and communications technology expenditure

R thousand	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	2003/04		2004/05	2005/06	2006/07
	2000/01	2001/02	2002/03					
1 Administration	7 696	8 099	12 845	5 616	8 245	11 840	16 577	
Technology	6 733	6 838	12 095	5 152	4 928	6 263	8 024	
IT services	963	1 261	750	464	3 317	5 577	8 553	
2 Landward Defence	30 801	68 382	67 710	48 274	44 002	59 888	44 846	
Technology	2 876	44 021	18 690	7 064	5 233	4 908	5 423	
IT services	27 925	24 361	49 020	41 210	38 769	54 980	39 423	
3 Air Defence	28 851	25 994	35 543	36 392	26 191	26 509	28 402	
Technology	841	2 617	10 319	8 134	10 912	9 428	9 775	
IT services	28 010	23 377	25 224	28 258	15 279	17 081	18 627	
4 Maritime Defence	10 194	5 323	14 169	6 954	5 314	4 750	4 766	
Technology	1 992	3 320	7 792	4 431	2 552	2 248	2 264	
IT services	8 202	2 003	6 377	2 523	2 762	2 502	2 502	
5 Military Health Support	120	3 571	21 003	1 057	1 082	1 762	7 885	
Technology	120	2 599	18 734	907	1 082	1 762	7 885	
IT services	–	972	2 269	150	–	–	–	
6 Defence Intelligence	1 665	5 224	3 816	5 285	5 706	6 382	7 152	
Technology	349	1 776	1 536	2 206	2 063	2 109	2 114	
IT services	1 316	3 448	2 280	3 079	3 643	4 273	5 038	
7 Joint Support	423 733	355 374	421 657	373 059	291 383	303 723	324 736	
Technology	5 487	11 408	22 427	8 085	5 583	8 591	9 718	
IT services	418 246	343 966	399 230	364 974	285 800	295 132	315 018	
8 Command and Control	3 548	5 505	4 008	5 012	1 718	2 152	3 205	
Technology	1 558	3 154	2 208	3 670	316	750	1 803	
IT services	1 990	2 351	1 800	1 342	1 402	1 402	1 402	
Total	506 608	477 472	580 751	481 649	383 641	417 006	437 569	

Table 22.18: Summary of official development assistance expenditure

Donor	Programme / project name	Cash or kind	Expenditure outcome				Medium-term expenditure estimate						
			2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07				
R thousand													
Netherlands	Humanitarian aid in Mozambique	Cash	-	3 464	-	-	-	-	-	-	-	-	-
Denmark	Humanitarian aid in Mozambique	Cash	3 456	82	-	-	-	-	-	-	-	-	-
Norway	Humanitarian aid in Mozambique	Cash	396	17	-	-	-	-	-	-	-	-	-
British Aero Space Systems	Air tickets and travel cost	Kind	-	82	-	-	-	-	-	-	-	-	-
France	Training assistance	Kind	-	17	-	-	-	-	-	-	-	-	-
Netherlands	Humanitarian aid in Mozambique	Cash	-	56	-	-	-	-	-	-	-	-	-
Germany	Training assistance	Kind	-	12	-	-	-	-	-	-	-	-	-
Netherlands	Humanitarian aid in Mozambique	Cash	-	49	-	-	-	-	-	-	-	-	-
Various	Improving service delivery	Kind	-	139	103	-	-	-	-	-	-	-	-
Beckman Coulter	CX Delta machine to improve medical core	Kind	-	500	-	-	-	-	-	-	-	-	-
United States of America	Aids awareness	Kind	-	400	4 653	-	-	-	-	-	-	-	-
United States of America	Training assistance	Kind	-	146	-	-	-	-	-	-	-	-	-
Unknown	Promotional items	Kind	-	-	2	-	-	-	-	-	-	-	-
Netherlands	African mission in Burundi (ROES1=R6.39)	Cash	-	-	-	4 792	-	1 313	-	-	-	-	-
Denel	Marketing	Cash	-	84	-	-	-	-	-	-	-	-	-
Armscor	Marketing	Cash	-	115	-	-	-	-	-	-	-	-	-
Total			3 852	5 163	4 758	4 792	1 313	-	-	-	-	-	-

Table 22.19: Summary of expenditure on infrastructure

	Projects									
	Expenditure outcome		Medium-term expenditure estimate				Long-term planning			
	Audited	Audited	Adjusted appropriation	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	
R thousand										
Infrastructure programmes or large infrastructure projects	-	-	-	-	-	-	-	-	-	-
Small project groups	32 258	70 826	57 578	66 913	70 203	74 065	77 028	80 109	83 313	
Infrastructure transfers	-	-	-	-	-	-	-	-	-	
Total	32 258	70 826	57 578	66 913	70 203	74 065	77 028	80 109	83 313	

Table 22.20: Details of expenditure on capital assets classified as goods and services

Programme	Expenditure outcome			Adjusted Appropriation 2003/04	Medium-term expenditure estimate		
	Audited 2000/01	Audited 2001/02	Audited 2002/03		MTEF Baseline 2004/05	MTEF Baseline 2005/06	MTEF Baseline 2006/07
R thousands							
1 Administration	13 526	18 007	20 845	7 399	8 129	12 412	15 858
Machinery and equipment	13 464	17 795	20 538	7 106	7 911	12 267	15 737
- Transport equipment	5 395	8 079	5 634	2 568	2 437	5 414	6 607
- Other machinery and equipment	8 069	9 716	14 904	4 538	5 474	6 853	9 130
Specialised military assets	62	212	307	293	218	145	121
Cultivated assets	-	-	-	-	-	-	-
2 Landward Defence	12 896	81 993	57 439	51 223	8 017	37 791	22 338
Machinery and equipment	10 705	67 588	35 300	48 729	6 365	35 805	17 702
- Transport equipment	3 145	20 560	22 673	30 209	-	29 807	11 241
- Other machinery and equipment	7 560	47 028	12 627	18 520	6 365	5 998	6 461
Specialised military assets	2 189	14 261	22 104	2 405	1 652	1 986	4 636
Cultivated assets	2	144	35	89	-	-	-
3 Air Defence	306 507	291 206	262 489	235 962	250 433	229 970	260 255
Machinery and equipment	10 968	23 163	26 191	22 866	22 430	19 591	24 647
- Transport equipment	109	3 072	4 577	6 042	7 209	4 308	8 762
- Other machinery and equipment	10 849	20 091	21 614	16 824	15 221	15 283	15 885
Specialised military assets	295 549	268 043	236 293	213 093	228 003	210 379	235 608
4 Maritime Defence	9 331	22 248	31 876	41 257	34 999	43 135	42 801
Machinery and equipment	8 742	21 471	29 882	33 185	33 992	33 446	35 952
- Transport equipment	800	6 479	9 463	2 438	4 728	5 811	7 811
- Other machinery and equipment	7 942	14 992	20 419	30 747	29 264	27 635	28 141
Specialised military assets	589	777	1 994	8 072	1 007	9 689	6 849
5 Military Health Support	28 643	34 013	61 885	52 343	31 448	61 230	82 604
Machinery and equipment	28 311	33 577	61 457	50 978	31 448	60 342	81 715
- Transport equipment	7 592	2 593	11 125	9 500	-	12 392	27 639
- Other machinery and equipment	20 719	30 984	50 332	41 478	31 448	47 950	54 076
Specialised military assets	332	436	428	1 365	-	888	889

Table 22.20: Details of expenditure on capital assets classified as goods and services (continued)

Programme	Expenditure outcome			Adjusted Appropriation	Medium-term expenditure estimate		
	Audited	Audited	Audited		MTEF Baseline	MTEF Baseline	MTEF Baseline
	2000/01	2001/02	2002/03		2004/05	2005/06	2006/07
R thousands				2003/04			
6 Defence Intelligence	3 128	5 146	4 208	5 618	4 637	4 383	4 301
Machinery and equipment	2 382	5 065	4 063	5 425	4 562	4 306	4 219
- Transport equipment	1 780	2 891	1 865	2 490	1 963	1 676	1 548
- Other machinery and equipment	602	2 174	2 198	2 935	2 599	2 630	2 671
Specialised military assets	746	81	145	193	75	77	82
7 Joint Support	24 705	36 568	50 587	84 636	43 388	61 091	92 929
Machinery and equipment	22 072	35 113	49 390	83 812	41 736	59 447	91 142
- Transport equipment	8 467	7 383	11 272	16 073	13 025	27 648	55 305
- Other machinery and equipment	13 605	27 730	38 118	67 739	28 711	31 799	35 837
Specialised military assets	2 633	1 455	1 197	824	1 652	1 644	1 787
8 Command and Control	51 323	37 824	65 144	43 313	24 208	27 738	33 943
Machinery and equipment	49 972	36 596	64 603	42 986	24 005	27 520	33 730
- Transport equipment	45 515	27 787	18 049	34 785	1 578	4 389	7 369
- Other machinery and equipment	4 457	8 809	46 554	8 201	22 427	23 131	26 361
Specialised military assets	1 351	1 228	541	327	203	218	213
9 Special Defence Account	3 274 087	5 088 490	5 871 310	7 463 722	7 032 545	8 370 445	6 940 017
Specialised military assets							
- Landward Defence	140 320	194 975	185 023	348 490	531 731	607 952	789 880
- Air Defence	1 386 121	2 254 339	2 533 026	3 306 845	3 439 118	5 903 673	4 893 900
- Maritime Defence	1 731 684	2 618 512	3 129 975	3 799 607	3 051 076	1 849 090	1 245 867
- Joint Support	15 962	20 664	14 740	6 000	6 120	6 730	7 370
- Command and Control			8 546	2 780	4 500	3 000	3 000
Total	3 724 146	5 615 495	6 425 783	7 985 473	7 437 804	8 848 195	7 495 046