



**VOTE
9**

PUBLIC ENTERPRISES



**BUDGET
2017**
**ESTIMATES
OF NATIONAL
EXPENDITURE**



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



Estimates of National Expenditure

2017

National Treasury

Republic of South Africa

22 February 2017



ISBN: 978-0-621-45118-4
RP: 09/2017

The Estimates of National Expenditure 2017 is compiled with the latest available information from departmental and other sources. Some of this information is unaudited or subject to revision.

The Estimates of National Expenditure e-publications for individual votes are available on www.treasury.gov.za. Compared to the Estimates of National Expenditure publication, the e-publications for each vote contain more comprehensive coverage of all public entities. Also included are tables containing information on programme specific personnel expenditure, conditional grants to provinces and municipalities, public private partnerships and information on donor funding. Expenditure information at the level of site service delivery is included, where appropriate.

Foreword

The 2017 Budget is presented at a time when indications are that the global economy could grow moderately better than the last forecast. Global GDP is expected to grow at 3.4 per cent in 2017, 0.3 percentage points higher than 2016. But uncertainty persists. The trade policies that the United States of America will pursue are unclear. The exact nature of Britain's exit from the European Union and economic impact are unknown. There is also evidence that globalisation is losing favour in some parts of the world and protectionism is growing. The global economy could be very different in future, depending on how these trends evolve.

Given the uncertainty, we have revised down South Africa's GDP growth projections and expect that tax revenue will be lower over the MTEF period as a result. We have also reduced the expenditure ceiling by R10.3 billion in 2017/18 and R15.9 billion in 2018/19, in line with government's fiscal objective of reducing the deficit, achieving a primary surplus and stabilising debt. Since its introduction in 2012, the expenditure ceiling in each financial year has never been breached.

Government is committed to delivering on its priorities despite the lowered revenue forecast and expenditure ceiling. It is critical that we allocate our limited resources wisely and use them effectively. In the 2017 Budget process, measures were taken to free-up resources and baselines were reduced across all departments by R7.5 billion in 2017/18, R7 billion in 2018/19 and R6.7 billion in 2019/20. The contingency reserve was also drawn down, and provisionally reserved funds were reallocated. However, the bulk of the funds allocated to priority areas within and across functions were reprioritised from lower-priority budget areas.

To ensure that funding remains focused on frontline service delivery, efforts have been intensified to improve efficiency in expenditure. Budget limits on compensation of employees introduced in the 2016 Appropriation Act are carried over to 2017. Departments will manage personnel headcount and employee earnings in line with these budget allocations.

Overall non-interest expenditure is still set to grow by an annual average of 1.4 per cent in real terms, from R1.24 trillion in 2017/18 to R1.43 trillion in 2019/20. Proposals in the budget include net increases in funding for the Post-School Education and Training, Basic Education, Economic Affairs and Health functions. The Post-School Education and Training function is the fastest growing, at 9.4 per cent over the medium term. The funding is mainly for universities to subsidise fee increases and for the National Student Financial Aid Scheme.

The publication is a concrete expression of the collaborative effort of highly dedicated civil servants across government throughout the process to prepare the Budget. We are particularly appreciative of this, as well as the contributions from the Ministers' Committee on the Budget and the Directors-General in central government. We are also thankful to all National Treasury staff who, under the expert guidance and leadership of the Minister of Finance, Pravin Gordhan, and his Deputy, Mcebisi Jonas, worked tirelessly to produce this crucial document.

The wide-ranging coverage of the Estimates of National Expenditure provides a coherent and summarised account of the prioritisation, spending plans and service delivery commitments of all 40 national votes and of government agencies. These plans constitute an important mechanism through which Parliament and the public hold institutions, including the National Treasury and its entities, to account.

Within the current difficult fiscal context not everything we believe would be beneficial to do, can be done now. Thus it is imperative that activities planned on budget be done effectively and efficiently.



Lungisa Fuzile
Director-General: National Treasury

Introduction

The Estimates of National Expenditure publications

The Estimates of National Expenditure (ENE) publications describe in detail government's expenditure plans over the next three financial years, also known as the medium-term expenditure framework (MTEF) period. The 2017 MTEF period is from 2017/18 to 2019/20.

The ENE publications contain information on: what government institutions aim to achieve over the medium term, and why; how they plan to spend their budget allocations in support of this; and what outputs and outcomes the spending is intended to produce. The publications also provide information on how institutions have spent their budgets in previous years, tables with performance data and targets, personnel data and detailed expenditure trends and estimates by programme, subprogramme and economic classification for each department and the entities that report to the vote's executive authority. Explanatory narratives detail the institution's mandate, purpose (and that of its programmes), together with programme-level objectives and descriptions of subprogrammes. Summary data tables at the end of each vote contain data on infrastructure, provincial and municipal conditional grants, departmental public private partnerships, donor funding, and expenditure at the level of site service delivery, where applicable.

A separate 2017 ENE Overview publication is also available on www.treasury.gov.za and summarises the ENE information across all votes. The 2017 ENE Overview contains a narrative explanation and budget-wide summary tables; a description of the budgeting approach; and it also has a write-up on how to interpret the information that is contained in each section of the publications.

Public Enterprises

**National Treasury
Republic of South Africa**



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Vote 9

Public Enterprises

Budget summary

R million	2017/18				2018/19	2019/20
	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	155.5	152.6	–	2.9	162.5	173.6
Legal and Governance	25.2	25.2	–	–	26.4	28.3
Portfolio Management and Strategic Partnerships	86.0	86.0	–	–	88.3	94.6
Total expenditure estimates	266.7	263.8	–	2.9	277.2	296.5
Executive authority	Minister of Public Enterprises					
Accounting officer	Director General of Public Enterprises					
Website address	www.dpe.gov.za					

The Estimates of National Expenditure e-publications for individual votes are available on www.treasury.gov.za. These publications provide more comprehensive coverage of vote specific information, particularly about goods and services, transfers and subsidies, personnel, entities, donor funding, public private partnerships, conditional grants to provinces and municipalities, and expenditure information at the level of site service delivery, where appropriate.

Vote purpose

Drive investment, productivity and transformation in the department's portfolio of state-owned companies to unlock growth, drive industrialisation, create jobs and develop skills.

Mandate

The Department of Public Enterprises is the shareholder representative for government at the state-owned companies in its portfolio. The department's mandate is to fulfil oversight responsibilities at these state-owned companies to ensure that they contribute to the realisation of government's strategic objectives, as articulated in the National Development Plan (NDP), the medium-term strategic framework (MTSF), the new growth path and the industrial policy action plan. State-owned companies are crucial to driving the state's strategic objectives of creating jobs, and enhancing equity and transformation. The department does not directly execute programmes but seeks to use state ownership in the economy to support the achievement these objectives.

Selected performance indicators

Table 9.1 Performance indicators by programme and related outcome

Indicator	Programme	Outcome	Past			Current	Projections		
			2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Number of shareholder compacts ¹ signed per year	Portfolio Management and Strategic Partnerships	Outcome 6: An efficient competitive and responsive economic infrastructure network	7	7	6	6	6	6	6
Number of corporate plans ² reviewed per year	Portfolio Management and Strategic Partnerships		8	7	6	6	6	6	6
Number of quarterly financial reviews per year	Portfolio Management and Strategic Partnerships		32	28	24	24	24	24	24

- Shareholder compacts: The South African Express Airways compact is not yet finalised due to the delayed process where the compact needs to be signed by both the Minister of Public Enterprises and the Minister of Finance. The compact regulates the relationship between the shareholders, in this case the state, and the board of directors of the state-owned companies.
- Corporate plans: The South African Express Airways 2016/17 corporate plan is to be resubmitted subsequent to the finalisation of the 2016/17 shareholder compact, which is not yet finalised. The corporate plan sets out the company's long-term plans to meet certain objectives, such as business growth and sales volumes.

Expenditure analysis

The Department of Public Enterprises oversees six state-owned companies: Alexkor, Denel, the South African Forestry Company, Eskom, South African Express Airways and Transnet. These companies are key drivers of economic growth over the short and medium term. The department monitors state-owned companies to ensure

that the right investments are made to create jobs and sustain economic growth. In delivering on its mandate, the department contributes to the NDP objectives as expressed in outcome 4 (decent employment through inclusive growth) and outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 medium-term strategic framework. The department's focus over the medium term is on strengthening its oversight capacity and ensuring that state-owned companies under its authority are contributing to investment in key infrastructure.

Strengthening oversight capacity

In February 2015, the department developed a new strategy to improve the performance of state-owned companies in order to sustainably enhance their contribution to the implementation of the NDP. The strategy calls for the department to strengthen its ability to execute its oversight mandate and increase its capacity to perform the oversight function. Several initiatives are underway in this regard.

The department is developing a government shareholder policy, which is expected to standardise the shareholder function, improve the interface between the state and the private sector, and streamline and maximise the impact of the state's investments in the economy. A draft of the policy has been prepared and consultations with departments in the economic cluster are under way. Oversight activities such as the development of a government shareholder policy, involve significant travel and the technical research provided by consultants. Spending on travelling over the medium term is expected to reach R17.7 million in 2019/20, declining at an average annual rate of 6.5 per cent once the policy has been prepared, while spending on consultants is set to reach R36.8 million, growing at an average annual rate of 2.3 per cent. However, the department's overall spending on goods and services is expected to decrease over the medium term by R2.7 million, and payments for capital assets by R116 000, as the department cuts spending as part of curtailing overall aggregate spending.

The department is reorganising its internal operational model so that it is structurally equipped to support the new strategy. As such, over the medium term, the department expects to prioritise capacity in the *Portfolio Management and Strategic Partnerships* programme. The department has also implemented measures to ensure vacant positions are filled timeously, including introducing an electronic recruitment system. To ease the effects of the baseline reductions, the department is in the process of realigning its departmental organisational structure and is considering implementing reductions on non-core goods and services items. The department's approved personnel establishment is set to decrease from 218 in 2016/17 to 212 in 2019/20. Spending on compensation of employees is 57.4 per cent of the total budget in 2016/17 and is expected to grow to reach R184.5 million in 2019/20.

Increasing investments of state-owned companies

The capital expenditure programme in state-owned companies, under the oversight of the department, is an important policy instrument to accelerate economic growth. The programme is intended to enhance the capacity of infrastructure networks, such as rail and electricity, to improve the competitiveness of the economy in the medium to long term. The department as a shareholder determines key infrastructure projects to be pursued that contribute to national policy imperatives and it ensures that state-owned companies invest in such infrastructure.

Investments by state-owned companies have significantly increased from approximately R25 billion a year in 2005 to more than R160 billion in 2015. This has largely been driven by Eskom and Transnet, which invested more than R90 billion in 2015. The implementation of Eskom's build programme, a key example of investment in public-sector infrastructure, has played a pivotal role in addressing the energy challenges experienced in the past two financial years, with the company commissioning additional units to boost its base load and peak capacity. In 2015/16, Eskom's continued implementation of the electrification programme meant that the number of households connected to the grid had increased to 90 per cent. Transnet continues to spearhead the delivery of government's economic growth objectives with regard to the Operation Phakisa programmes, with particular focus on growing GDP and creating jobs through the oceans economy, and has allocated R2 billion towards improving port infrastructure. The implementation of the market demand strategy continues to be a key driver in improving the performance of ports. Despite economic challenges, spending on the capital and infrastructure investment programmes, which is designed to expand freight logistics infrastructure, remains stable. In 2016/17, state-owned companies are expected to spend R90 billion on replacing existing infrastructure and creating additional capacity.

The department continues to advocate for a supportive policy framework that will promote the sustainability of state-owned companies and ensure they deliver on their obligations to support long-term growth. It also approves and provides support on state-owned companies' proposals on funding options and ensures that they are implemented. In addition, the department evaluates financial and non-financial performance, monitors costs escalations, engages with other executive authorities to ensure payment of electricity debts, and monitors the implementation of turnaround plans. These activities are mainly funded through the *Legal and Governance*, and *Portfolio Management and Strategic Partnerships* programmes. The combined budget of these programmes is set to increase from R112.2 million in 2016/17 to R122.9 million in 2019/20.

Expenditure trends

Table 9.2 Vote expenditure trends by programme and economic classification

Programmes														
1. Administration														
2. Legal and Governance														
3. Portfolio Management and Strategic Partnerships														
Programme	Annual budget	Adjusted appropriation	Audited outcome	Annual budget	Adjusted appropriation	Audited outcome	Annual budget	Adjusted appropriation	Audited outcome	Annual budget	Adjusted appropriation	Revised estimate	Average: Outcome/Annual budget (%)	Average: Outcome/Adjusted appropriation (%)
R million	2013/14			2014/15			2015/16			2016/17			2013/14 - 2016/17	
Programme 1	127.1	131.0	133.3	152.1	156.9	145.6	158.6	161.9	145.8	158.0	155.8	155.8	97.4%	95.8%
Programme 2	23.8	22.3	23.2	24.0	24.3	20.3	23.8	23.5	19.7	26.0	25.9	25.9	91.3%	92.8%
Programme 3	82.8	137.7	112.9	80.3	138.4	130.2	85.1	23 117.2	23 094.2	90.0	86.3	86.3	6 926.0%	99.8%
Total	233.8	291.1	269.4	256.4	319.5	296.1	267.5	23 302.6	23 259.7	274.0	268.0	268.0	2 335.3%	99.6%
Change to 2016 Budget estimate	(6.0)													
Economic classification														
Current payments	231.4	231.2	208.4	252.2	252.1	227.9	263.8	264.6	217.8	270.1	263.9	263.9	90.2%	90.7%
Compensation of employees	127.8	129.0	124.9	146.4	147.1	141.2	152.3	153.1	140.0	160.1	153.9	153.9	95.5%	96.0%
Goods and services	103.6	102.2	83.6	105.9	105.0	86.7	111.5	111.5	77.9	110.0	110.0	110.0	83.1%	83.5%
Transfers and subsidies	0.1	57.4	57.6	0.1	63.4	63.8	0.1	34.4	35.5	0.1	0.3	0.3	-	101.1%
Public corporations and private enterprises	-	57.3	57.3	-	63.1	63.1	-	33.1	33.1	-	-	-	-	100.0%
Households	0.1	0.2	0.4	0.1	0.3	0.7	0.1	1.3	2.4	0.1	0.3	0.3	903.6%	188.3%
Payments for capital assets	2.3	2.5	3.2	4.1	4.1	4.3	3.6	3.6	6.3	3.7	3.7	3.7	128.9%	127.2%
Machinery and equipment	2.3	2.3	2.8	4.1	4.1	4.2	3.5	3.5	5.7	3.6	3.6	3.6	121.3%	120.8%
Software and other intangible assets	-	0.2	0.5	-	-	0.1	0.1	0.1	0.6	0.1	0.1	0.1	624.8%	384.2%
Payments for financial assets	-	-	0.1	-	-	-	-	23 000.0	23 000.0	-	-	-	-	100.0%
Total	233.8	291.1	269.4	256.4	319.5	296.1	267.5	23 302.6	23 259.7	274.0	268.0	268.0	2 335.3%	99.6%

Expenditure estimates

Table 9.3 Vote expenditure estimates by programme and economic classification

Programmes									
1. Administration									
2. Legal and Governance									
3. Portfolio Management and Strategic Partnerships									
Programme	Revised estimate	Average growth rate (%)	Average: Expenditure/Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/Total (%)	
R million	2016/17	2013/14 - 2016/17		2017/18	2018/19	2019/20	2016/17 - 2019/20		
Programme 1	155.8	5.9%	2.4%	155.5	162.5	173.6	3.7%	58.4%	
Programme 2	25.9	5.1%	0.4%	25.2	26.4	28.3	3.0%	9.6%	
Programme 3	86.3	-14.4%	97.2%	86.0	88.3	94.6	3.1%	32.0%	
Total	268.0	-2.7%	100.0%	266.7	277.2	296.5	3.4%	100.0%	
Change to 2016 Budget estimate				(12.8)	(12.8)	(13.1)			

Table 9.3 Vote expenditure estimates by programme and economic classification

Economic classification	Revised estimate	Average	Average:	Medium-term expenditure estimate			Average	Average:
		growth rate (%)	Expenditure/ Total (%)	2017/18	2018/19	2019/20	growth rate (%)	Expenditure/ Total (%)
R million	2016/17	2013/14 - 2016/17					2016/17 - 2019/20	
Current payments	263.9	4.5%	3.8%	263.8	275.6	293.2	3.6%	98.9%
Compensation of employees	153.9	6.1%	2.3%	166.9	171.5	184.5	6.2%	61.1%
Goods and services	110.0	2.5%	1.5%	96.9	104.1	108.6	-0.4%	37.9%
Transfers and subsidies	0.3	-82.2%	0.7%	-	-	-	-67.6%	-
Provinces and municipalities	-	-	-	-	-	-	122.4%	-
Households	0.3	27.6%	-	-	-	-	-100.0%	-
Payments for capital assets	3.7	14.9%	0.1%	2.9	1.6	3.3	-3.8%	1.0%
Machinery and equipment	3.6	16.4%	0.1%	2.8	1.5	3.2	-3.9%	1.0%
Software and other intangible assets	0.1	-12.3%	-	0.1	0.1	0.1	1.2%	-
Total	268.0	-2.7%	100.0%	266.7	277.2	296.5	3.4%	100.0%

Goods and services expenditure trends and estimates

Table 9.4 Vote goods and services expenditure trends and estimates

R thousand	Audited outcome			Adjusted appropriation	Average	Average:	Medium-term expenditure estimate			Average	Average:
	2013/14	2014/15	2015/16		growth rate (%)	Expenditure/ Total (%)	2017/18	2018/19	2019/20	growth rate (%)	Expenditure/ Total (%)
	2013/14	2014/15	2015/16	2016/17	2013/14 - 2016/17					2016/17 - 2019/20	
Administrative fees	870	2 155	2 334	1 472	19.2%	1.9%	2 298	2 457	2 624	21.3%	2.1%
Advertising	4 361	1 421	2 326	1 629	-28.0%	2.7%	1 567	1 656	1 749	2.4%	1.6%
Minor assets	357	73	224	200	-17.6%	0.2%	12	13	14	-58.8%	0.1%
Audit costs: External	2 087	2 822	3 559	3 650	20.5%	3.4%	3 400	3 593	2 795	-8.5%	3.2%
Bursaries: Employees	463	271	724	960	27.5%	0.7%	1 032	1 091	1 152	6.3%	1.0%
Catering: Departmental activities	1 622	763	698	1 320	-6.6%	1.2%	1 232	1 314	1 454	3.3%	1.3%
Communication	3 714	4 543	4 165	4 447	6.2%	4.7%	5 659	5 002	6 337	12.5%	5.1%
Computer services	4 125	6 129	3 958	5 705	11.4%	5.6%	2 570	2 459	2 182	-27.4%	3.1%
Consultants: Business and advisory services	12 910	25 081	14 800	34 446	38.7%	24.4%	32 142	34 865	36 839	2.3%	33.0%
Legal services	1 878	2 108	829	3 162	19.0%	2.2%	3 804	3 410	3 614	4.6%	3.3%
Contractors	909	2 627	2 039	9 514	118.7%	4.2%	5 784	6 554	6 784	-10.7%	6.8%
Agency and support/outourced services	2 625	985	1 659	1 080	-25.6%	1.8%	1 441	1 522	1 607	14.2%	1.3%
Entertainment	19	4	-	116	82.8%	-	75	68	74	-13.9%	0.1%
Fleet services (including government motor transport)	1 190	975	771	1 018	-5.1%	1.1%	997	1 062	1 121	3.3%	1.0%
Inventory: Clothing material and accessories	25	-	1	-	-100.0%	-	-	-	-	-	-
Inventory: Materials and supplies	5	45	5	-	-100.0%	-	-	-	-	-	-
Inventory: Medical supplies	1	-	3	-	-100.0%	-	-	-	-	-	-
Inventory: Medicine	-	1	2	-	-	-	-	-	-	-	-
Consumable supplies	823	725	356	775	-2.0%	0.7%	732	774	817	1.8%	0.7%
Consumables: Stationery, printing and office supplies	2 376	1 526	1 566	1 339	-17.4%	1.9%	1 382	1 460	1 542	4.8%	1.4%
Operating leases	2 288	1 196	1 223	1 709	-9.3%	1.8%	1 248	571	864	-20.3%	1.0%
Rental and hiring	-	306	367	98	-	0.2%	15	16	17	-44.2%	-
Property payments	7 504	8 441	10 196	9 636	8.7%	10.0%	10 259	10 853	11 460	5.9%	10.1%
Transport provided: Departmental activity	-	69	3 619	71	-	1.0%	100	106	112	16.4%	0.1%
Travel and subsistence	22 879	17 645	15 620	21 606	-1.9%	21.7%	13 256	17 857	17 650	-6.5%	16.8%
Training and development	1 859	2 602	3 769	1 800	-1.1%	2.8%	1 650	1 744	1 841	0.8%	1.7%
Operating payments	1 505	1 983	710	3 038	26.4%	2.0%	4 008	3 235	3 472	4.6%	3.3%
Venues and facilities	7 177	2 218	2 338	1 218	-44.6%	3.6%	2 253	2 390	2 523	27.5%	2.0%
Total	83 572	86 714	77 861	110 009	9.6%	100.0%	96 916	104 072	108 644	-0.4%	100.0%

Transfers and subsidies expenditure trends and estimates

Table 9.5 Vote transfers and subsidies trends and estimates

R thousand	Audited outcome			Adjusted appropriation	Average	Average:	Medium-term expenditure estimate			Average	Average:
	2013/14	2014/15	2015/16		growth rate (%)	Expenditure/ Total (%)	2017/18	2018/19	2019/20	growth rate (%)	Expenditure/ Total (%)
	2013/14	2014/15	2015/16	2016/17	2013/14 - 2016/17					2016/17 - 2019/20	
Provinces and municipalities											
Municipal bank accounts											
Current	2	-	-	1	-20.6%	-	10	11	11	122.4%	9.3%
Municipality bank account: Fines and penalties	2	-	-	1	-20.6%	-	-	-	-	-100.0%	0.3%
Vehicle licences	-	-	-	-	-	-	10	11	11	-	9.0%
Public corporations and private enterprises											
Other transfers to public corporations											
Current	57 250	63 141	33 106	-	-100.0%	97.6%	-	-	-	-	-
Denel	57 250	63 141	33 106	-	-100.0%	97.6%	-	-	-	-	-

Table 9.5 Vote transfers and subsidies trends and estimates

R thousand	Audited outcome			Adjusted appropriation 2016/17	Average growth rate (%) 2013/14 - 2016/17	Average: Expenditure/Total (%) 2013/14 - 2016/17	Medium-term expenditure estimate			Average growth rate (%) 2016/17 - 2019/20	Average: Expenditure/Total (%) 2016/17 - 2019/20
	2013/14	2014/15	2015/16				2017/18	2018/19	2019/20		
Households											
Social benefits											
Current	300	611	1 923	63	-40.6%	1.8%	-	-	-	-100.0%	17.7%
Employee social benefits	300	611	1 923	63	-40.6%	1.8%	-	-	-	-100.0%	17.7%
Households											
Other transfers to households											
Current	60	96	447	259	62.8%	0.5%	-	-	-	-100.0%	73.0%
Employee social benefits	13	-	61	148	125.0%	0.1%	-	-	-	-100.0%	41.7%
Gifts and donations	47	96	386	111	33.2%	0.4%	-	-	-	-100.0%	31.3%
Total	57 612	63 848	35 476	323	-82.2%	100.0%	10	11	11	-67.6%	100.0%

Personnel information

Table 9.6 Vote personnel numbers and cost by salary level and programme¹

Number of posts estimated for 31 March 2017		Number and cost ² of personnel posts filled / planned for on funded establishment												Number					
Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate			Medium-term expenditure estimate						Average growth rate (%) 2016/17 - 2019/20	Average: Salary level/Total (%) 2016/17 - 2019/20				
		2015/16	Unit cost	Unit cost	2016/17	Unit cost	Unit cost	2017/18	Unit cost	Unit cost	2018/19	Unit cost	Unit cost			2019/20	Unit cost	Unit cost	
Public Enterprises	219	26	200	140.0	0.7	218	153.9	0.7	220	166.9	0.8	211	171.5	0.8	212	184.5	0.9	-0.9%	100.0%
Salary level																			
1 – 6	15	20	13	7.2	0.6	18	5.2	0.3	18	5.7	0.3	18	6.2	0.3	18	6.7	0.4	-	8.4%
7 – 10	76	6	77	32.5	0.4	82	37.7	0.5	82	40.9	0.5	82	44.3	0.5	83	47.8	0.6	0.4%	38.2%
11 – 12	42	-	40	25.9	0.6	42	29.5	0.7	44	33.3	0.8	41	34.0	0.8	41	36.8	0.9	-0.8%	19.5%
13 – 16	86	-	70	71.3	1.0	76	81.5	1.1	76	87.1	1.1	70	86.9	1.2	70	93.3	1.3	-2.7%	33.9%
Other	-	-	-	3.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Programme	219	26	200	140.0	0.7	218	153.9	0.7	220	166.9	0.8	211	171.5	0.8	212	184.5	0.9	-0.9%	100.0%
Programme 1	117	26	113	73.5	0.7	124	80.9	0.7	124	87.6	0.7	124	94.6	0.8	124	102.1	0.8	-	57.6%
Programme 2	21	-	19	17.1	0.9	21	20.0	1.0	20	20.0	1.0	20	21.5	1.1	20	23.1	1.2	-1.6%	9.4%
Programme 3	81	-	68	49.4	0.7	73	53.0	0.7	76	59.4	0.8	67	55.4	0.8	68	59.4	0.9	-2.3%	33.0%

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

2. Rand million.

Departmental receipts

Table 9.7 Departmental receipts by economic classification

R thousand	Audited outcome			Adjusted estimate 2016/17	Revised estimate 2016/17	Average growth rate (%) 2013/14 - 2016/17	Average: Receipt item/Total (%) 2013/14 - 2016/17	Medium-term receipts estimate			Average growth rate (%) 2016/17 - 2019/20	Average: Receipt item/Total (%) 2016/17 - 2019/20
	2013/14	2014/15	2015/16					2017/18	2018/19	2019/20		
Departmental receipts	373	203	3 377	1 083	41	-52.1%	100.0%	105	112	114	40.6%	100.0%
Sales of goods and services produced by department	57	68	72	288	37	-13.4%	5.9%	85	89	90	34.5%	80.9%
Sales by market establishments	-	41	45	234	23	-	2.7%	30	31	32	11.6%	31.2%
of which:												
Sales by market establishments	-	41	45	154	23	-	2.7%	30	31	32	11.6%	31.2%
Other sales	-	-	-	80	-	-	-	-	-	-	-	-
Administrative fees	-	-	-	1	-	-	-	1	2	2	-	1.3%
of which:												
Licence agency fees	-	-	-	1	-	-	-	1	2	2	-	1.3%
Other sales	57	27	27	53	14	-37.4%	3.1%	54	56	56	58.7%	48.4%
of which:												
Garage rent	35	-	-	38	-	-100.0%	0.9%	38	39	39	-	31.2%
Commission insurance	13	25	25	15	14	2.5%	1.9%	16	17	17	6.7%	17.2%
Replacement of security cards	9	2	2	-	-	-100.0%	0.3%	-	-	-	-	-

Table 9.7 Departmental receipts by economic classification

	Audited outcome			Adjusted estimate	Revised estimate	Average growth rate (%)	Average: Receipt item/ Total (%)	Medium-term receipts estimate			Average growth rate (%)	Average: Receipt item/ Total (%)
	2013/14	2014/15	2015/16					2016/17	2013/14 - 2016/17	2017/18		
R thousand												
Sales of scrap, waste, arms and other used current goods	3	-	-	-	-	-100.0%	0.1%	6	6	6	-	4.8%
of which:												
Sales of scrap paper	3	-	-	-	-	-100.0%	0.1%	6	6	6	-	4.8%
Transfers received	-	-	-	244	-	-	-	-	-	-	-	-
Interest, dividends and rent on land	31	3	7	11	1	-68.2%	1.1%	5	6	6	81.7%	4.8%
Interest	31	3	7	11	1	-68.2%	1.1%	5	6	6	81.7%	4.8%
Sales of capital assets	-	130	187	300	-	-	7.9%	-	-	-	-	-
Transactions in financial assets and liabilities	282	2	3 111	240	3	-78.0%	85.1%	9	11	12	58.7%	9.4%
Total	373	203	3 377	1 083	41	-52.1%	100.0%	105	112	114	40.6%	100.0%

Programme 1: Administration

Programme purpose

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

Expenditure trends and estimates

Table 9.8 Administration expenditure trends and estimates by subprogramme and economic classification

Subprogramme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)	
	2013/14	2014/15	2015/16				2016/17	2013/14 - 2016/17	2017/18			2018/19
R thousand												
Ministry	31 342	28 411	28 937	27 778	-3.9%	20.1%	28 605	29 447	31 623	4.4%	18.1%	
Management	9 269	15 152	12 834	11 329	6.9%	8.4%	9 827	10 496	11 445	0.3%	6.7%	
Corporate Services	27 056	28 075	30 108	35 010	9.0%	20.7%	36 769	38 457	40 944	5.4%	23.4%	
Chief Financial Officer	11 281	12 578	13 866	16 965	14.6%	9.4%	16 398	17 126	18 266	2.5%	10.6%	
Human Resources	17 618	23 396	22 167	23 854	10.6%	15.0%	20 999	21 589	23 109	-1.1%	13.8%	
Communications	14 227	16 072	12 014	16 004	4.0%	10.0%	15 047	15 887	16 778	1.6%	9.8%	
Strategic Planning, Monitoring and Evaluation	4 807	4 377	4 824	4 701	-0.7%	3.2%	7 096	7 513	8 027	19.5%	4.2%	
Intergovernmental Relations	6 711	5 830	5 708	5 119	-8.6%	4.0%	4 607	4 818	5 176	0.4%	3.0%	
Internal Audit	3 743	3 565	5 314	6 062	17.4%	3.2%	6 701	7 210	7 677	8.2%	4.3%	
Office Accommodation	7 240	8 101	9 988	8 970	7.4%	5.9%	9 419	9 965	10 523	5.5%	6.0%	
Total	133 294	145 557	145 760	155 792	5.3%	100.0%	155 468	162 508	173 568	3.7%	100.0%	
Change to 2016				(2 200)			(5 901)	(5 696)	(5 813)			
Budget estimate												
Economic classification												
Current payments	129 632	140 959	137 685	151 840	5.4%	96.5%	152 594	160 905	170 243	3.9%	98.2%	
Compensation of employees	66 659	73 805	73 461	80 927	6.7%	50.8%	87 553	94 634	102 094	8.1%	56.4%	
Goods and services ¹	62 973	67 154	64 224	70 913	4.0%	45.7%	65 041	66 271	68 149	-1.3%	41.8%	
of which:												
Communication	3 220	4 053	3 716	3 649	4.3%	2.5%	4 730	4 000	5 279	13.1%	2.7%	
Consultants: Business and advisory services	7 887	16 248	9 366	13 575	19.8%	8.1%	11 461	12 169	10 908	-7.0%	7.4%	
Contractors	809	2 471	1 978	5 745	92.2%	1.9%	4 433	4 823	4 913	-5.1%	3.1%	
Operating payments	1 076	1 977	649	3 038	41.3%	1.2%	4 008	3 235	3 472	4.6%	2.1%	
Property payments	7 504	8 441	10 196	9 636	8.7%	6.2%	10 259	10 853	11 460	5.9%	6.5%	
Travel and subsistence	14 951	11 695	9 240	10 897	-10.0%	8.1%	7 447	8 163	8 914	-6.5%	5.5%	
Transfers and subsidies¹	318	317	1 714	234	-9.7%	0.4%	10	11	11	-63.9%	-	
Provinces and municipalities	2	-	-	1	-20.6%	-	10	11	11	122.4%	-	
Households	316	317	1 714	233	-9.7%	0.4%	-	-	-	-100.0%	-	
Payments for capital assets	3 249	4 274	6 341	3 718	4.6%	3.0%	2 864	1 592	3 314	-3.8%	1.8%	
Machinery and equipment	2 768	4 192	5 731	3 604	9.2%	2.8%	2 758	1 480	3 196	-3.9%	1.7%	
Software and other intangible assets	481	82	610	114	-38.1%	0.2%	106	112	118	1.2%	0.1%	
Payments for financial assets	95	7	20	-	-100.0%	-	-	-	-	-	-	
Total	133 294	145 557	145 760	155 792	5.3%	100.0%	155 468	162 508	173 568	3.7%	100.0%	
Proportion of total programme expenditure to vote expenditure	49.5%	49.2%	0.6%	58.1%	-	-	58.3%	58.6%	58.5%	-	-	

Table 9.8 Administration expenditure trends and estimates by subprogramme and economic classification

Details of transfers and subsidies				Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
Audited outcome			2016/17				2013/14 - 2016/17	2017/18	2018/19		
R thousand	2013/14	2014/15	2015/16								
Households											
Social benefits											
Current	269	221	1 267	36	-48.8%	0.3%	-	-	-	-100.0%	-
Employee social benefits	269	221	1 267	36	-48.8%	0.3%	-	-	-	-100.0%	-
Households											
Other transfers to households											
Current	47	96	447	197	61.2%	0.1%	-	-	-	-100.0%	-
Employee social benefits	-	-	61	86	-	-	-	-	-	-100.0%	-
Gifts and donations	47	96	386	111	33.2%	0.1%	-	-	-	-100.0%	-
Provinces and municipalities											
Municipalities											
Municipal bank accounts											
Current	2	-	-	1	-20.6%	-	10	11	11	122.4%	-
Municipality bank account: fines and penalties	2	-	-	1	-20.6%	-	-	-	-	-100.0%	-
Vehicle licences	-	-	-	-	-	-	10	11	11	-	-

1. Estimates of National Expenditure data tables are available and can be downloaded from www.treasury.gov.za. These data tables contain detailed information by goods and services, and transfers and subsidies item by programme.

Personnel information

Table 9.9 Administration personnel numbers and cost by salary level¹

Number of posts estimated for 31 March 2017			Number and cost ² of personnel posts filled / planned for on funded establishment												Number				
Number of funded posts	Number of posts additional to the establishment		Actual			Revised estimate			Medium-term expenditure estimate						Average growth rate (%)	Average: Salary level/Total (%)			
			2015/16			2016/17			2017/18		2018/19		2019/20						
			Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Unit cost	Number	Unit cost	Number	Unit cost					
Administration																			
Salary level	117	26	113	73.5	0.7	124	80.9	0.7	124	87.6	0.7	124	94.6	0.8	124	102.1	0.8	-	100.0%
1 – 6	15	20	13	5.5	0.4	18	5.2	0.3	18	5.7	0.3	18	6.2	0.3	18	6.7	0.4	-	14.5%
7 – 10	48	6	51	22.2	0.4	54	25.6	0.5	54	27.8	0.5	54	30.1	0.6	54	32.6	0.6	-	43.5%
11 – 12	26	-	25	17.7	0.7	26	20.1	0.8	26	21.8	0.8	26	23.6	0.9	26	25.6	1.0	-	21.0%
13 – 16	28	-	24	26.4	1.1	26	30.1	1.2	26	32.3	1.2	26	34.8	1.3	26	37.3	1.4	-	21.0%
Other	-	-	-	1.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

2. Rand million.

Programme 2: Legal and Governance

Programme purpose

Provide legal services and corporate governance systems, and facilitate the implementation of all legal aspects of transactions that are strategically important to the department and state-owned companies. Ensure alignment with government's strategic intent by, among others, monitoring the performance indicators of state-owned companies.

Objective

- Ensure effective shareholder oversight of state-owned companies by:
 - providing legal services and coordinated governance systems on an ongoing basis
 - facilitating the implementation of all legal aspects of transactions that are strategically important to the department and state-owned companies on an ongoing basis
 - ensuring that financial and operational risk-management processes are embedded throughout the department as and when required over the medium term
 - addressing constraints on state-owned companies' contract negotiations and management to improve commercial competence and contribute to economic growth and development on an ongoing basis
 - providing assistance for developing and negotiating shareholder compact frameworks annually in terms of the Public Finance Management Act (1999)
 - providing guidance on appropriate delegation frameworks between the boards of state-owned companies and executive management on an ongoing basis

- advising the Minister of Public Enterprises on an ongoing basis on the appointments of boards of directors including remuneration; preparations for annual general meetings; and conducting annual reviews of ownership policies, governance, appointments and the performance of the boards and executive management.

Subprogrammes

- *Management* comprises of the office of the deputy director general, which provides strategic leadership and management of the programme personnel.
- *Legal* provides internal and external legal services and support to sector teams. This entails providing legal services, including transaction and contract management support, as well as work specifically related to the commercial activities of the state-owned companies within their portfolios.
- *Governance* develops, monitors and advises on legislative, corporate governance and shareholder management systems for the department and its portfolio of state-owned companies. Risk and compliance management is a unit within this subprogramme and is responsible for developing and implementing risk and compliance management guidelines and systems. The risk management unit also identifies both operational and shareholder risk.

Expenditure trends and estimates

Table 9.10 Legal and Governance expenditure trends and estimates by subprogramme and economic classification

Subprogramme	Audited outcome			Adjusted appropriation	Average growth rate (%)		Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
	2013/14	2014/15	2015/16		2013/14 - 2016/17	2016/17 - 2019/20	2017/18	2018/19	2019/20		
R thousand											
Management	3 021	2 879	2 756	3 167	1.6%	13.3%	3 043	3 207	3 442	2.8%	12.1%
Legal	12 704	11 703	10 663	13 091	1.0%	54.0%	13 385	13 961	15 024	4.7%	52.4%
Governance	7 434	5 731	6 311	9 648	9.1%	32.7%	8 815	9 216	9 859	0.7%	35.5%
Total	23 159	20 313	19 730	25 906	3.8%	100.0%	25 243	26 384	28 325	3.0%	100.0%
Change to 2016 Budget estimate				(101)			(1 464)	(1 491)	(1 518)		
Economic classification											
Current payments	23 146	20 313	19 730	25 844	3.7%	99.9%	25 243	26 384	28 325	3.1%	99.9%
Compensation of employees	15 178	16 834	17 087	19 998	9.6%	77.5%	19 953	21 475	23 071	4.9%	79.8%
Goods and services ¹	7 968	3 479	2 643	5 846	-9.8%	22.4%	5 290	4 909	5 254	-3.5%	20.1%
of which:											
Catering; Departmental activities	46	4	3	19	-25.5%	0.1%	14	14	17	-3.6%	0.1%
Communication	139	124	113	169	6.7%	0.6%	205	221	234	11.5%	0.8%
Consultants; Business and advisory services	2 458	393	612	1 853	-9.0%	6.0%	1 511	1 634	1 781	-1.3%	6.4%
Legal services	1 878	1 435	710	2 162	4.8%	6.9%	2 562	2 097	2 228	1.0%	8.5%
Travel and subsistence	1 723	1 394	1 171	1 481	-4.9%	6.5%	924	864	910	-15.0%	3.9%
Venues and facilities	231	66	34	147	-14.0%	0.5%	60	65	68	-22.7%	0.3%
Transfers and subsidies¹	13	-	-	62	68.3%	0.1%	-	-	-	-100.0%	0.1%
Households	13	-	-	62	68.3%	0.1%	-	-	-	-100.0%	0.1%
Total	23 159	20 313	19 730	25 906	3.8%	100.0%	25 243	26 384	28 325	3.0%	100.0%
Proportion of total programme expenditure to vote expenditure	8.6%	6.9%	0.1%	9.7%	-	-	9.5%	9.5%	9.6%	-	-
Details of transfers and subsidies											
Households											
Other transfers to households											
Current	13	-	-	62	68.3%	0.1%	-	-	-	-100.0%	0.1%
Employee social benefits	13	-	-	62	68.3%	0.1%	-	-	-	-100.0%	0.1%

1. Estimates of National Expenditure data tables are available and can be downloaded from www.treasury.gov.za. These data tables contain detailed information by goods and services, and transfers and subsidies item by programme.

Personnel information

Table 9.11 Legal and Governance personnel numbers and cost by salary level¹

Number of posts estimated for 31 March 2017		Number and cost ² of personnel posts filled / planned for on funded establishment											Number						
		Actual			Revised estimate			Medium-term expenditure estimate					Average growth rate (%)	Average: Salary level/Total (%)					
Number of funded posts	Number of posts additional to the establishment	2015/16			2016/17			2017/18			2018/19			2019/20			2016/17 - 2019/20		
		Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost			
Legal and Governance																			
Salary level	21	–	19	17.1	0.9	21	20.0	1.0	20	20.0	1.0	20	21.5	1.1	20	23.1	1.2	-1.6%	100.0%
1 – 6	–	–	–	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7 – 10	4	–	4	1.5	0.4	4	1.6	0.4	4	1.7	0.4	4	1.9	0.5	4	2.0	0.5	–	19.8%
11 – 12	2	–	2	1.4	0.7	2	1.5	0.7	2	1.6	0.8	2	1.7	0.9	2	1.9	0.9	–	9.9%
13 – 16	15	–	13	13.9	1.1	15	17.0	1.1	14	16.6	1.2	14	17.9	1.3	14	19.2	1.4	-2.3%	70.4%

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

2. Rand million.

Programme 3: Portfolio Management and Strategic Partnerships

Programme purpose

Align the strategies of the state-owned companies with government policy and strategy, and monitor and benchmark their financial and operational performance and capital investment plans. Align shareholder oversight with overarching government economic, social and environmental policies, and build focused strategic partnerships between the state-owned companies, strategic customers, suppliers and financial institutions.

Objectives

- Contribute to enhancing the performance of state-owned companies by:
 - approving and evaluating corporate plans to determine whether the performance of state-owned companies aligns with agreed key performance indicators, and provide advice and guidance to their boards, on an ongoing basis
 - monitoring the implementation of corporate plans and shareholder compact targets quarterly
 - assessing shareholder and enterprise risks and advising boards on areas of concern quarterly.

Energy enterprises

- Provide shareholder management and oversight of the Eskom business, including the generation, transmission and distribution of electricity, with particular emphasis on ensuring the security of supply, over the medium term.
- Ensure the legal regulatory compliance of Eskom by engaging on an ongoing basis with relevant stakeholders such as the Department of Energy, the Department of Environmental Affairs, the Department of Water and Sanitation, and the National Energy Regulator of South Africa regarding policies and regulations affecting Eskom.
- Reduce Eskom's dependence on funding from the fiscus by monitoring cost escalations for its capital investment programme and operations in order to roll out the build programme in a cost effective manner, on a quarterly basis.
- Exercise oversight to ensure that Eskom's capital investments support local suppliers by monitoring the implementation of the competitive supplier development programme and assessing progress in the company's quarterly report.
- Support Eskom on an ongoing basis to address municipal debt challenges to ensure financial sustainability.

Eskom

- Support the security of electricity supply by:
 - examining Eskom's maintenance plans, operational practices, electricity generation and distribution efficiency, and its reserve margin, on an ongoing basis

- ensuring that Eskom supplies electricity by monitoring, evaluating and engaging with the company on system security and the new build programme to alleviate constraints on an ongoing basis
- facilitating engagement between Eskom and other spheres of government to address municipal debt on an ongoing basis
- monitoring the rollout of the capital investment programme to ensure that it is delivered on time, is of appropriate quality and is within budget on an ongoing basis.

Manufacturing enterprises

- Ensure continuous alignment between shareholder strategic intent and the objectives of state-owned companies in the defence, mining and forestry sector by annually reviewing their enterprise strategies and mandates in the context of industry and sectoral policy shifts, and alert their boards and enterprises to material deviations, if any.
- Support state-owned companies in delivering on their objectives, as set out in shareholder compacts and corporate plans, by benchmarking key performance measures annually and analysing quarterly and annual reports in order to assess the extent of progress made.
- Promote collaboration among state-owned companies in order to contribute towards achieving national economic development objectives.

Denel

- Oversee the development of a long-term growth strategy to achieve financial stability and the growth of manufacturing export products on an ongoing basis.
- Leverage off the company's advances in manufacturing capability through securing work packages in support of the industrialisation drive aligned with the industrial policy action plan over the medium term.
- Ensure Denel's ongoing sustainability by monitoring the implementation of the multi-year turnaround plan over the medium term.
- Ensure a balance between the need to develop indigenous capabilities in response to national defence equipment requirements and the need to cooperate and collaborate with international armaments companies in the context of high development costs and the importance of having access to selected markets on an ongoing basis.

Alexkor

- Ensure increased diamond production and promote the financial stability of the Alexkor and Richtersveld Mining Company's Pooling and Sharing Joint Venture by monitoring the implementation of Alexkor's strategy to promote financial sustainability and monitoring the joint venture's turnaround strategy on a quarterly basis.
- Ensure collaboration and alignment between Alexkor and the African Exploration Mining and Finance Corporation through the development of a collaborative model over the medium term.
- Contribute to developing non-mining sustainable economic activities through the support and coordinated joint efforts of the Department of Public Enterprises, the Department of Mineral Resources and the Department of Rural Development and Land Reform over the medium term.

South African Forestry Company

- Oversee the implementation of the land restitution strategy for claims over the Komatiland Forests land claims settlement model to ensure meaningful benefits to the successful land claimants over the medium term.
- Oversee the implementation of the South African Forestry Company's corporate strategy over the medium term.
- Engage with the Department of Rural Development and Land Reform; the Department of Agriculture, Forestry and Fisheries; and the Department of Trade and Industry to ensure the warehousing of the shares held by the South African Forestry Company in the four privatised forestry companies.

Transport enterprises

- Align the corporate strategies of Transnet and South African Express Airways with government's strategic intent, and monitor and benchmark their financial and operational performance by:
 - ensuring the alignment of the corporate strategies of Transnet and South African Express Airways with government's strategic intent and ensuring that these companies remain competitive, financially sustainable and deliver an optimal service to the economy on an ongoing basis
 - supporting Transnet and South African Express Airways in delivering on their objectives by identifying appropriate benchmarks and key performance measures for their respective shareholder compacts and corporate plans on an ongoing basis
 - creating an enabling environment for transport enterprises and ensuring an appropriate balance between the enterprises' interests, stability and developmental objectives by engaging with policy departments and relevant regulators on an ongoing basis
 - ensuring the effective use of existing logistics infrastructure, planning for the creation of new infrastructure and the provision of optimal services on an ongoing basis.

Transnet

- Provide oversight on Transnet's implementation of the market demand strategy to optimise the economic impact of infrastructure investment on the economy by monitoring the rollout of Transnet's capital expenditure programme, quarterly and annually, to assess any significant deviations from corporate plans, and potential cost overruns and time delays on major capital projects.
- Contribute to the national freight logistics strategy by informing the freight sector on developments and attributes to guide policy such as government's commitment investment or rail and modal optimisation over the medium term.
- Develop a strategic position with the rail economic regulator to prioritise government objectives over the medium term.

South African Express Airways

- Monitor and assist with the implementation of South African Express Airways' 20/20 vision and austerity measures on an ongoing basis.
- Engage with policy departments on the strategic direction of policy and regulation in the aviation sector to ensure that new policies take into consideration the mandate and objectives of the airline as determined by government over the medium term.
- Develop a strategic proposal regarding the optimal group structure of state-owned airlines to assist in rationalising the structure and unifying their operations over the medium term.
- Facilitate the review of commercial arrangements, as and when required, in order to support the financial position of the company and ensure its long-term financial and commercial sustainability over the medium term.

Economic impact and policy alignment

- Oversee and supervise processes to conduct macroeconomic modelling, research and impact evaluation to ensure that state-owned companies contribute to economic growth on an ongoing basis.
- Enhance the alignment of state-owned companies' investments and operational activities with national industrial policy, macroeconomic policy and the role of state-owned companies, as well as monitor implementation, in 2017/18.
- Oversee processes to ensure that state-owned companies comply with environmental laws, and optimise the impact of state-owned companies on the reduction of carbon emissions and the development of a green economy, while supporting the business needs of state-owned companies, on an ongoing basis.
- Oversee the implementation of state-owned companies' economic and social transformation agendas in support of national policies and economic growth, with specific focus on skills development, job creation,

procurement/broad based black economic empowerment and corporate social investments targeted at designated groups on an ongoing basis.

Strategic partnerships

- Oversee catalytic project implementation from pre-feasibility to completion, including the design of relevant compacts, on an ongoing basis.
- Implement innovative funding structures and design associated compacts with relevant partners over the medium term.
- Oversee Eskom and Transnet's implementation of the competitive supplier development programme, and oversee Transnet's locomotive fleet procurement design and implementation, and the development and implementation of its executive leadership programme on an ongoing basis.

Subprogrammes

- *Energy Enterprises* exercises shareholder oversight over Eskom.
- *Manufacturing Enterprises* exercises shareholder oversight over Denel, Alexkor and South African Forestry Company.
- *Transport Enterprises* exercises shareholder oversight over Transnet and South African Express Airways.
- *Economic Impact and Policy Alignment* aligns state-owned companies with overarching government economic, social and environmental policies.
- *Strategic Partnerships* ensures that state-owned companies maintain commercial sustainability and attain desired strategic outcomes and objectives.

Expenditure trends and estimates

Table 9.12 Portfolio Management and Strategic Partnerships expenditure trends and estimates by subprogramme and economic classification

Subprogramme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average Expenditure/ Total (%)
	2013/14	2014/15	2015/16				2016/17	2017/18	2018/19		
R thousand											
Energy Enterprises	12 919	13 113	23 012	17 016	9.6%	98.4%	17 569	16 876	18 098	2.1%	19.6%
Manufacturing Enterprises	68 096	77 541	47 193	19 682	-33.9%	0.9%	19 886	20 519	21 950	3.7%	23.1%
Transport Enterprises	14 985	20 598	18 336	23 018	15.4%	0.3%	19 624	20 208	21 734	-1.9%	23.8%
Economic Impact and Policy Alignment	9 687	10 677	11 016	13 580	11.9%	0.2%	16 782	17 877	19 122	12.1%	19.0%
Strategic Partnerships	7 256	8 253	5 487	12 982	21.4%	0.1%	12 124	12 781	13 718	1.9%	14.5%
Total	112 943	130 182	23 094 185	86 278	-8.6%	100.0%	85 985	88 261	94 622	3.1%	100.0%
Change to 2016 Budget estimate				(3 699)			(5 422)	(5 598)	(5 798)		
Economic classification											
Current payments	55 662	66 651	60 423	86 251	15.7%	1.1%	85 985	88 261	94 622	3.1%	100.0%
Compensation of employees	43 031	50 570	49 429	53 001	7.2%	0.8%	59 400	55 369	59 381	3.9%	64.0%
Goods and services ¹	12 631	16 081	10 994	33 250	38.1%	0.3%	26 585	32 892	35 241	2.0%	36.0%
of which:											
Catering: Departmental activities	267	46	16	100	-27.9%	-	78	84	141	12.1%	0.1%
Communication	355	366	336	629	21.0%	-	724	781	824	9.4%	0.8%
Consultants: Business and advisory services	2 565	8 440	4 822	19 018	95.0%	0.1%	19 170	21 062	24 150	8.3%	23.5%
Contractors	2	156	61	3 769	1135.2%	-	1 351	1 731	1 871	-20.8%	2.5%
Travel and subsistence	6 205	4 556	5 209	9 228	14.1%	0.1%	4 885	8 830	7 826	-5.3%	8.7%
Venues and facilities	875	430	252	475	-18.4%	-	341	367	388	-6.5%	0.4%
Transfers and subsidies¹	57 281	63 531	33 762	27	-92.2%	0.7%	-	-	-	-100.0%	-
Public corporations and private enterprises	57 250	63 141	33 106	-	-100.0%	0.7%	-	-	-	-	-
Households	31	390	656	27	-4.5%	-	-	-	-	-100.0%	-
Payments for financial assets	-	-	23 000 000	-	-	98.2%	-	-	-	-	-
Total	112 943	130 182	23 094 185	86 278	-8.6%	100.0%	85 985	88 261	94 622	3.1%	100.0%
Proportion of total programme expenditure to vote expenditure	41.9%	44.0%	99.3%	32.2%	-	-	32.2%	31.8%	31.9%	-	-

Table 9.12 Portfolio Management and Strategic Partnerships expenditure trends and estimates by subprogramme and economic classification

Details of transfers and subsidies		Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
		2013/14	2014/15	2015/16				2016/17	2017/18	2018/19		
R thousand												
Households												
Social benefits												
Current												
		31	390	656	27	-4.5%	-	-	-	-	-100.0%	-
Employee social benefits												
		31	390	656	27	-4.5%	-	-	-	-	-100.0%	-
Public corporations and private enterprises												
Public corporations												
Other transfers to public corporations												
Current												
		57 250	63 141	33 106	-	-100.0%	0.7%	-	-	-	-	-
Denel												
		57 250	63 141	33 106	-	-100.0%	0.7%	-	-	-	-	-

1. Estimates of National Expenditure data tables are available and can be downloaded from www.treasury.gov.za. These data tables contain detailed information by goods and services, and transfers and subsidies item by programme.

Personnel information

Table 9.13 Portfolio Management and Strategic Partnerships personnel numbers and cost by salary level¹

Number of posts estimated for 31 March 2017		Number and cost ² of personnel posts filled / planned for on funded establishment												Number					
Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate			Medium-term expenditure estimate						Average growth rate (%)	Average: Salary level/Total (%)				
		2015/16			2016/17			2017/18		2018/19		2019/20				2016/17 - 2019/20			
Portfolio Management and Strategic Partnerships		Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost			
Salary level	81	-	68	49.4	0.7	73	53.0	0.7	76	59.4	0.8	67	55.4	0.8	68	59.4	0.9	-2.3%	100.0%
1 - 6	-	-	-	1.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 - 10	24	-	22	8.8	0.4	24	10.5	0.4	24	11.4	0.5	24	12.4	0.5	25	13.2	0.5	1.4%	34.2%
11 - 12	14	-	13	6.7	0.5	14	7.9	0.6	16	9.9	0.6	13	8.7	0.7	13	9.4	0.7	-2.4%	19.7%
13 - 16	43	-	33	31.0	0.9	35	34.5	1.0	36	38.1	1.1	30	34.3	1.1	30	36.8	1.2	-5.0%	46.1%
Other	-	-	-	1.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

2. Rand million.

Entities¹

Alexkor

Alexkor was established in terms of the Alexkor Limited Act (1992) to mine marine and land diamonds in Alexander Bay. As part of the 2007 deed of settlement for the restoration of land and mineral rights between government and the Richtersveld community, Alexkor is the owner of the sea mining rights and 51 per cent of the mining operations in Richtersveld. The land mining rights and the balance of the mining operations are owned by the Richtersveld community. The mining operations are managed through an unincorporated entity, the Alexkor Pooling and Sharing Joint Venture. Alexkor is also exploring opportunities to mine coal and limestone to supply to Eskom's power stations to support the energy security objectives in outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 medium-term strategic framework.

Alexkor experienced operational challenges during 2015/16 that led to poor carat production and a 7 per cent decrease in revenue. As a result, the company reported a loss of R35 million in the period and has implemented turnaround strategies to improve carat production at the Alexander Bay operations. A mining vessel commissioned to explore deep-sea diamond resources is expected to complement current carat production and improve Alexkor's financial position.

In 2014, the company commissioned a study into non-mining activities in Northern Cape that the Richtersveld community could possibly pursue from the proceeds of the pooling and sharing joint venture. The focus areas of the study include agricultural and mariculture opportunities. The study has begun and feedback will be given once it is completed.

¹ This section has been compiled with the latest available information from the entities concerned.

Denel

Denel was incorporated as a private company in 1992 in terms of the South African Companies Act (1973), with its sole shareholder being the South African government. In terms of the 2014 Defence Review, Denel is deemed a strategic national asset in support of national security. The Department of Defence and the South African National Defence Force are its primary customers. Denel operates in the military and civil aerospace, land, maritime, and defence electronic environments. Denel's advanced industrial capabilities support outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 medium-term strategic framework and the industrial policy action plan. The defence and aerospace sector has strong upstream and downstream linkages with other key sectors in the economy, and has high export potential.

Denel has made strides in achieving sustainability and has been ranked among the top 100 global defence manufacturers for the past two consecutive years. In 2015/16, the company grew its revenue by 41 per cent, or R8.2 billion, from the previous financial year. Export revenue in that year constituted 58 per cent of total revenue and net profit was R395 million, an increase of R125 million from the previous financial year. However, this rapid growth has placed significant strain on the company's cash resources. Denel remains highly geared, with debt of R3.7 billion, up from R2.2 billion in 2014/15, of which about 45 per cent is due within the next 12 months. The department is working with the company to ensure this cash position is managed responsibly.

A model of the South African regional aircraft, a 24-passenger regional airliner, was released to the public at the 2016 Africa Aerospace and Defence Expo. A pre-feasibility study has been concluded that confirms the viability of the design and the existence of a market for this kind of aircraft. A team from Denel and the department made a presentation in July 2016 to solicit support to complete the next phase of the project.

Over the medium term, Denel is preparing to take over the management and operation of the naval dockyards in both Simon's Town and Durban through the Denel Maritime and Integrated Systems division.

South African Forestry Company

The South African Forestry Company was established in 1992 to ensure the sustainable management of the state's forestry plantation assets. The company was established in terms of the Management of State Forests Act (1992). The company's mandate is to ensure the sustainable management of plantation forests, increase downstream timber processing and play a catalytic role in rural economic development and transformation. The company's work includes research and development, plantation management and timber processing. Revenue is generated from the sale of forest products, sawn timber and value-added products. The company operates in the rural areas of Mpumalanga, Limpopo and KwaZulu-Natal and provides opportunities for economic development and rural economic transformation through providing social infrastructure for basic services such as health and education. This is aligned with outcome 7 (comprehensive rural development and land reform) of government's 2014-2019 medium-term strategic framework. Over the medium term, the company plans to invest in its processing business to ensure the availability of material to build social infrastructure.

The company's financial performance remains under pressure because of slow growth in revenue and a continual increase in costs. Cash generation from operations has been under strain because of increasing logistical and labour costs, and a rigid pricing environment. This performance has constrained the business in investing in downstream operations, which is critical to sustaining forestry operations and reducing dependence on sawlog customers.

Eskom

Eskom is governed by the Conversion Act (2001), with a mandate to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. In doing this, it contributes to the realisation of outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 medium-term strategic framework.

Eskom generates 95 per cent of the electricity used in South Africa and 45 per cent of the electricity used in Africa. The company's reserve margin has been steadily declining since 1999 because of a lack of significant investment in generation capacity and an increase in economic growth, which, in turn, has led to an increase in

electricity demand. During the years of economic growth, Eskom had to rely on shifting the maintenance of power plants to meet demand and address the constrained power system in an attempt to avoid load shedding. The consequence of this was an increase in maintenance backlogs and a decline in power plant performance. This necessitated urgent government intervention to assist the company to remain financially and operationally stable. As part of the rescue package from government, Eskom had to develop a turnaround plan incorporating four key areas: financial sustainability, operational sustainability, revenue and customer sustainability, and sustainable asset creation.

Eskom's revenue grew by 10.6 per cent between 2014/15 and 2015/16, from R147.7 billion to R163.4 billion. The improvement was driven largely by additional revenue of R7.8 billion awarded by the National Energy Regulator of South Africa through the regulator clearing account. The company's liquidity position increased significantly from R17.4 billion in March 2015 to R38.7 billion in March 2016, largely due to the receipt of the R23 billion equity injection through the government support package. Eskom has already secured 77 per cent of the R69 billion funding requirement for 2016/17. The sources of funding are domestic bond private placement, development finance institutions, export credit agencies, domestic bonds, commercial paper and swap restructuring.

Eskom developed a generation turnaround strategy that aims to address the country's electricity demand while allowing the company to remain financially viable. The strategy has started to yield positive results, with Eskom's power generation plant availability significantly improving from 73 per cent in March 2015 to 78.6 per cent in March 2016. This shows a positive trend towards the achievement of the 80:10:10 strategy by 2020, which will ensure 80 per cent energy availability from the current fleet, and 10 per cent for unplanned load shedding and 10 per cent for planned load shedding. As at March 2016, there had been no load shedding for almost 11 months, which was achieved through reducing unplanned plant breakdowns from 15.2 per cent in March 2015 to 14.9 per cent in March 2016.

Since 2004, Eskom has been executing a build programme to increase capacity and ensure that the supply of electricity is secure and reliable. The company successfully commissioned Ingula's units 4, 2 and 1 in 2016/17. These have strengthened the financial position of the company and the security of electricity supply. The commissioning of Ingula added 999 megawatts (MW) of peaking capacity, further reducing the use of the more expensive open-cycle gas turbines. Medupi unit 5 (500 MW) and Ingula unit 3 (333 MW) were synchronised to the grid in September and October 2016, adding an additional 833 MW. In 2015/16, Eskom installed 345.8 kilometres of transmission lines and 2 435 megavolt amperes of transmission capacity. Once completed, the build programme will bring 11 002 MW of new capacity online by 2022.

Eskom has significantly improved its implementation of the integrated national electrification programme, which is managed by the Department of Energy. The company electrified 159 853 additional households in 2014/15, and 158 016 additional households in 2015/16. Since the inception of the universal access programme, the number of electrified households has increased to about 5 million.

Eskom acknowledges the role independent power producers play in the South African electricity market. As such, Eskom has connected 58 projects to the grid, enabling access to a further 4 375 MW. As its sole shareholder, Eskom has hosted the Pebble Bed Modular Reactor Company since April 2012 to minimise costs and ensure the implementation of its care and maintenance to protect its intellectual property and assets.

South African Express Airways

South African Express Airways is a regional carrier with a mandate to provide transportation services for passengers, cargo and mail, air charters, and other related aviation services on low-density domestic routes and African regional routes. It was established in 1994, and operates from OR Tambo International Airport (Johannesburg), King Shaka International Airport (Durban) and Cape Town International Airport, serving secondary routes in South Africa and regional routes to Botswana, Namibia, Democratic Republic of the Congo, Zimbabwe and Zambia. It also provides feeder air services that connect with the South African Airways network.

Over the MTEF period, the department and National Treasury will review the relationship between state-owned airlines with the objective of developing an optimal structure. This will assist in better coordination between the state airlines, and ensure financial stability over the medium term. Once the airline has attained financial

stability, it will commence with expanding its operations into Africa and partnering with South African Airways to establish other hubs on the continent.

The airline has experienced challenges with regards to its operational and financial performance, as well as the maintenance of proper systems of internal control. As a result of not maintaining proper internal controls, the airline was issued with a qualified audit opinion on its 2014/15 annual financial statements as a result of being unable to provide sufficient appropriate audit evidence due to a lack of adequate accounting records. It was the fourth consecutive year the airline was issued with a qualified audit opinion on its annual financial statements. The finalisation of the audit for 2015/16 has also been delayed as the airline has been unable to satisfactorily demonstrate to the Auditor-General its ability to continue operating on a going concern basis for a period of at least 12 months after the signing off of the annual financial statements as required by section 4 of the Companies Act (2008). The department is working with the airline to ensure the matter is resolved.

South African Express Airways has also been implementing a long-term strategy called 20/20 vision, which was developed in 2013 to address its poor performance and reliance on government for financial support. The main focus of the strategy is to assess, review and define a new business model to improve the sustainability of the organisation for the next 20 years. The vision is aligned with South African Airway's long-term turnaround strategy, and aims to ensure alignment between the airlines' strategies to derive the maximum shareholder value through greater collaboration, cooperation and coordination.

However, South African Express Airways did not implement the strategy as envisaged, which resulted in the airline developing short-term austerity measures in September 2014. Some of the initiatives include renegotiating contracts and agreements, optimising the network schedule and reducing the labour costs with the intention of making the airline sustainable. The austerity measures were initially expected to result in savings of R579 million over the three years up leading to 2016/17. By the end of 2015/16, the airline had saved R379 million. The airline continues to identify new initiatives to augment those already implemented. However, its achievements have been eroded by its inability to operate an optimal network as a number of aircraft were grounded because of delays in raising funds to acquire the required spares and rotables.

Through the SA Express shareholder compact, the department is working together with National Treasury to ensure that there is alignment between the targets set for South African Airways and South African Express Airways, and that the initiatives outlined in the 20/20 vision are agreed on. The performance against these targets is monitored monthly and quarterly.

Transnet

Transnet's mandate is to assist in lowering the cost of doing business in South Africa, enabling economic growth and ensuring security of supply through providing appropriate port, rail and pipeline infrastructure in a cost-effective and efficient manner, within acceptable benchmarks. The Legal Succession to the South African Transport Services Act (1989) brought about the establishment of this state-owned company. Transnet remains the largest freight logistics company in South Africa, enabling competitiveness, growth and the development of the South African economy by delivering reliable freight transport and handling services that satisfy customer demand.

Over the medium term, the company will focus on growing domestic volumes to assist government in moving rail-friendly cargo from road to rail. This will be done by improving the performance of freight corridors so that they are cost effective, reliable and efficient. Regional integration remains integral to ensure South Africa remains competitive in growing the freight logistics networks in Africa and create economic growth to yield the required skills, jobs and investments in critical economic sectors such as containers, automotives, petroleum and gas.

The objectives and strategy of Transnet are agreed on between the Minister of the Department of Public Enterprises and the board of directors through a shareholder compact. This shareholder compact is informed by the medium-term strategic framework and other national policy guidelines such the industrial policy action plan and the new growth path, with the intention to facilitate strategic interventions of government programmes to support economic growth.

Although lacklustre economic performance has exerted pressure on Transnet, its financial position remains sound. However, the poor performance of the economy put pressure on Transnet's drive to grow volumes in the

general freight business. In response, the company provided price reprieves in moving commodities, particularly to the mining industry, to preserve jobs. This resulted in Transnet postponing some of its infrastructure projects, particularly where demand is low, while also aggressively growing general freight markets to increase volumes through the road to rail migration strategy.

BUDGET 2017

ESTIMATES OF NATIONAL EXPENDITURE

Private Bag X115, Pretoria, 0001 | 40 Church Square, Pretoria, 0002
Tel +27 12 315 5944 | Fax +27 12 395 6697



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

