

Vote 9

Public Enterprises

Budget summary

R million	2018/19				2019/20	2020/21
	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	152.0	148.9	0.0	3.1	162.2	172.8
State-Owned Companies Governance	39.1	39.1	–	–	42.3	45.4
Assurance and Performance						
Business Enhancement, Transformation and Industrialisation	82.9	82.9	–	–	88.6	94.6
Total expenditure estimates	273.9	270.8	0.0	3.1	293.0	312.8
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 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 government's shareholder representative for 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), government's 2014-2019 medium-term strategic framework, 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 of these objectives.

Selected performance indicators

Table 9.1 Performance indicators by programme and related outcome

Indicator	Programme	MTSF Outcome	Past			Current	Projections		
			2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Number of shareholder compacts signed per year	Business Enhancement, Transformation and Industrialisation	Outcome 6: An efficient, competitive and responsive economic infrastructure network	7	6	5 ¹	6	6	6	6
Number of corporate plans reviewed per year	Business Enhancement, Transformation and Industrialisation		7	6	5 ²	6	6	6	6
Number of quarterly financial reviews per year	Business Enhancement, Transformation and Industrialisation		28	24	24	24	24	24	24

1. The department had an annual target of 6 and only 5 was achieved due to the delay in signing the South African Express Airways shareholder compact.
2. The department had an annual target of 6 and only 5 was achieved due to the delay in signing the South African Express shareholder compact, which affected the review of the corporate plan.

Expenditure analysis

Chapter 13 of the NDP details the potential of state-owned companies in building a capable and developmental state. This vision is expressed clearly in terms of 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, with which the work of the Department of Public Enterprises is closely aligned. In this regard, over the MTEF period, the department intends to focus on strengthening its oversight capacity to ensure that the state-owned companies in its portfolio are sustainable and contribute to investment in key infrastructure; and reducing the cost structure of the economy by ensuring that state-owned companies in its portfolio pass down lower costs for doing business in South Africa. The department oversees the operations of 6 state-owned companies (Alexkor, Denel, the South African Forestry Company, Eskom, South African Express Airways and Transnet), which are key drivers of economic growth over the short and medium terms. The department also monitors the financial and non-financial performance of the state-owned companies in its portfolio to ensure that appropriate investments are made to create jobs and sustain economic growth.

Strengthening oversight of state-owned companies

The department plays an oversight role in monitoring the performance of the 6 state-owned companies in its portfolio to ensure that they contribute meaningfully to broad-based economic growth and development. One of the ways in which this role is performed is by ensuring that these state-owned companies sign shareholder compacts annually. As such, over the MTEF period, the department plans to continue assessing their corporate plans to ensure that the key performance indicators in their compacts are incorporated appropriately. Over the medium term, the department also plans to enhance its monitoring and reviewing function regarding the financial and operational performance of these companies. Where necessary, intervention measures will be developed with a view to align their performance with the NDP's vision. Such intervention is apparent in the department's close working relationship with National Treasury to recommend a suitable and optimal corporate structure for South African Express Airways.

The department's shareholder management policy was developed in 2016/17 to improve the financial and non-financial performance of state-owned companies through establishing good corporate governance and accountability, standardising shareholder functions in all state-owned companies, and improving the interface between the state and the private sector to maximise returns on state-owned companies' investments. The policy also seeks to strengthen and sharpen government's role as shareholder, regulator and policy maker in the governance of state-owned companies.

In 2017, Cabinet approved remuneration and incentive standards for non-executive directors, executive directors and prescribed officers of state-owned companies. To ensure that these standards are maintained and strengthened, the department is in the process of drafting the Shareholder Management Bill, which is expected to be finalised in 2018/19.

In 2017/18, the department initiated an organisational process aimed at realigning its functions to enable it to perform its oversight role with greater efficiency. The department expects to implement its realigned organisational structure in April 2018. Carrying out the oversight function involves extensive travel and the use of consultants. Spending on these items, along with spending on compensation of employees, which is set to increase at an average annual rate of 8.1 per cent, from R156.9 million in 2017/18 to R198.3 million in 2020/21, constitute the department's largest cost drivers. The department's overall spending on goods and services is expected to increase at an average annual rate of 1.3 per cent, from R106.6 million in 2017/18 to R111 million in 2020/21. Spending on goods and services comprises travel and subsistence, which increases from R13.4 million in 2017/18 to R19.6 million in 2020/21; and consultants, which decreases from R46.2 million in 2017/18 to R36.1 million in 2020/21. As per Cabinet's decision to lower the aggregate national expenditure ceiling, allocations to the *Administration* programme have been reduced by a total of R10.4 million over the MTEF period, mainly on consultancy services in line with cost containment measures. This is not expected to have a negative impact on the department's performance as its personnel will conduct certain activities that were previously outsourced to consultants.

The department's oversight activities are mainly funded in the *State-Owned Companies Governance Assurance and Performance*; and *Business Enhancement, Transformation and Industrialisation* programmes. The combined budget for these programmes is expected to increase at an average annual rate of 7 per cent, from R114.3 million in 2017/18 to R140 million in 2020/21.

Expenditure trends

Table 9.2 Vote expenditure trends by programme and economic classification

Programmes																		
1. Administration																		
2. State-Owned Companies Governance Assurance and Performance																		
3. Business Enhancement, Transformation and Industrialisation																		
Programme	Annual budget			Adjusted appropriation			Audited outcome			Annual budget			Adjusted appropriation			Audited outcome		
R million	2014/15			2015/16			2016/17			2017/18			2014/15 - 2017/18					
Programme 1	152.1	156.9	144.7	158.6	161.9	145.9	151.0	155.8	151.6	150.2	152.4	152.4	97.2%	94.8%				
Programme 2	24.0	24.3	26.0	23.8	23.5	19.4	38.7	25.9	33.7	37.9	35.9	35.9	92.4%	104.8%				
Programme 3	80.3	138.4	125.4	85.1	23 117.2	23 094.4	84.3	86.3	68.5	78.6	78.4	78.4	7 117.7%	99.8%				
Total	256.4	319.5	296.1	267.5	23 302.6	23 259.7	274.0	268.0	253.8	266.7	266.7	266.7	2 261.6%	99.7%				
Change to 2017 Budget estimate																		
Economic classification																		
Current payments	252.2	252.1	227.9	263.8	264.6	217.8	270.1	263.9	249.5	263.8	263.5	263.5	91.3%	91.8%				
Compensation of employees	146.4	147.1	141.2	152.3	153.1	140.0	168.4	162.2	148.3	166.9	156.9	156.9	92.5%	94.7%				
Goods and services	105.9	105.0	86.7	111.5	111.5	77.9	101.8	101.8	101.2	96.9	106.6	106.6	89.5%	87.6%				
Transfers and subsidies	0.1	63.4	63.8	0.1	34.4	35.5	0.1	0.3	0.4	0.0	0.3	0.3	30 701.8%	101.7%				
Provinces and municipalities	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	190.0%	172.7%				
Public corporations and private enterprises	-	63.1	63.1	-	33.1	33.1	-	-	-	-	-	-	-	100.0%				
Households	0.1	0.3	0.7	0.1	1.3	2.4	0.1	0.3	0.4	-	0.3	0.3	1 209.5%	176.9%				
Payments for capital assets	4.1	4.1	4.3	3.6	3.6	6.3	3.7	3.7	3.9	2.9	2.9	2.9	122.0%	121.8%				
Machinery and equipment	4.1	4.1	4.2	3.5	3.5	5.7	3.6	3.6	3.8	2.8	2.8	2.8	118.3%	117.8%				
Software and other intangible assets	-	-	0.1	0.1	0.1	0.6	0.1	0.1	0.1	0.1	0.1	0.1	288.5%	330.9%				
Payments for financial assets	-	-	0.0	-	23 000.0	23 000.0	-	-	-	-	-	-	-	100.0%				
Total	256.4	319.5	296.1	267.5	23 302.6	23 259.7	274.0	268.0	253.8	266.7	266.7	266.7	2 261.6%	99.7%				

Expenditure estimates

Table 9.3 Vote expenditure estimates by programme and economic classification

Programmes									
1. Administration									
2. State-Owned Companies Governance Assurance and Performance									
3. Business Enhancement, Transformation and Industrialisation									
Programme	Revised estimate	Average growth rate (%)	Average: Expenditure/Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/Total (%)	
R million	2017/18	2014/15 - 2017/18	2017/18	2018/19	2019/20	2020/21	2017/18 - 2020/21	2020/21	
Programme 1	152.4	-1.0%	2.5%	152.0	162.2	172.8	4.3%	55.8%	
Programme 2	35.9	13.8%	0.5%	39.1	42.3	45.4	8.2%	14.2%	
Programme 3	78.4	-17.2%	97.1%	82.9	88.6	94.6	6.4%	30.0%	
Total	266.7	-5.8%	100.0%	273.9	293.0	312.8	5.5%	100.0%	
Change to 2017 Budget estimate				(3.2)	(3.5)	(3.7)			
Economic classification									
Current payments	263.5	1.5%	4.0%	270.8	289.7	309.3	5.5%	98.8%	
Compensation of employees	156.9	2.2%	2.4%	171.4	184.5	198.3	8.1%	62.0%	
Goods and services	106.6	0.5%	1.5%	99.4	105.2	111.0	1.3%	36.8%	
Transfers and subsidies	0.3	-82.7%	0.4%	0.0	0.0	0.0	-66.9%	0.0%	
Provinces and municipalities	0.0	-	0.0%	0.0	0.0	0.0	6.3%	0.0%	
Households	0.3	8.4%	0.0%	-	-	-	-100.0%	0.0%	
Payments for capital assets	2.9	-11.0%	0.1%	3.1	3.3	3.6	7.4%	1.1%	
Machinery and equipment	2.8	-12.2%	0.1%	3.0	3.2	3.4	7.5%	1.1%	
Software and other intangible assets	0.1	-	0.0%	0.1	0.1	0.1	5.4%	0.0%	
Total	266.7	-5.8%	100.0%	273.9	293.0	312.8	5.5%	100.0%	

Expenditure trends and estimates for significant spending items

Table 9.4 Expenditure trends and estimates for significant spending items

R thousand	Audited outcome			Adjusted appropriation	Average growth rate (%)		Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total Vote (%)
	2014/15	2015/16	2016/17		2017/18	2014/15 - 2017/18	2018/19	2019/20	2020/21		
Compensation of employees	143 541	139 977	148 321	159 658	3.6%	2.5%	171 478	184 546	198 384	7.5%	62.3%
Consultants: Business and advisory services	25 080	14 800	19 823	42 221	19.0%	0.4%	31 970	34 259	36 128	-5.1%	12.6%
Travel and subsistence	17 485	19 233	17 571	13 417	-8.4%	0.3%	17 856	18 790	19 588	13.4%	6.1%
Total	186 106	174 010	185 715	215 296	14.2%	3.2%	221 304	237 595	254 100	15.8%	81.0%

Goods and services expenditure trends and estimates

Table 9.5 Vote goods and services expenditure trends and estimates

R thousand	Audited outcome			Adjusted appropriation	Average growth rate (%)		Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
	2014/15	2015/16	2016/17		2017/18	2014/15 - 2017/18	2018/19	2019/20	2020/21		
Administrative fees	921	2 334	1 488	1 598	20.2%	1.7%	1 209	1 262	1 332	-5.9%	1.3%
Advertising	2 686	2 326	1 824	978	-28.6%	2.1%	2 169	2 263	2 361	34.1%	1.8%
Minor assets	73	224	87	61	-5.8%	0.1%	157	165	174	41.8%	0.1%
Audit costs: External	2 822	3 559	3 328	3 100	3.2%	3.4%	3 404	3 554	3 749	6.5%	3.3%
Bursaries: Employees	264	724	407	832	46.6%	0.6%	850	898	1 669	26.1%	1.0%
Catering: Departmental activities	703	698	456	939	10.1%	0.8%	912	961	1 007	2.4%	0.9%
Communication	4 567	4 165	7 416	3 144	-11.7%	5.2%	4 771	5 271	4 796	15.1%	4.3%
Computer services	6 420	3 958	3 843	3 980	-14.7%	4.9%	5 129	5 360	5 688	12.6%	4.8%
Consultants: Business and advisory services	25 080	14 800	22 084	46 209	22.6%	29.1%	31 970	34 249	36 117	-7.9%	35.2%
Legal services	2 108	829	6 450	3 655	20.1%	3.5%	3 128	3 316	3 815	1.4%	3.3%
Contractors	2 628	2 039	5 725	7 154	39.6%	4.7%	4 155	4 364	5 079	-10.8%	4.9%
Agency and support/outsourced services	984	1 659	8 398	1 170	5.9%	3.3%	460	485	508	-24.3%	0.6%
Entertainment	4	-	-	55	139.6%	-	30	31	28	-20.2%	-
Fleet services (including government motor transport)	975	771	965	997	0.7%	1.0%	1 027	1 072	1 130	4.3%	1.0%
Inventory: Clothing material and accessories	-	1	1	-	-	-	-	-	-	-	-
Inventory: Materials and supplies	46	5	18	-	-100.0%	-	-	-	-	-	-
Inventory: Medical supplies	-	3	-	-	-	-	-	-	-	-	-
Inventory: Medicine	1	2	-	-	-100.0%	-	-	-	-	-	-
Consumable supplies	725	356	1 866	585	-6.9%	0.9%	411	437	459	-7.8%	0.4%
Consumables: Stationery, printing and office supplies	1 524	1 566	1 265	1 420	-2.3%	1.6%	1 445	1 511	1 593	3.9%	1.4%
Operating leases	1 196	1 223	10 032	8 248	90.3%	5.6%	10 678	11 266	12 253	14.1%	10.1%
Rental and hiring	305	970	995	1 146	55.5%	0.9%	550	581	613	-18.8%	0.7%
Property payments	8 441	10 321	1 972	3 332	-26.6%	6.5%	3 860	4 085	3 746	4.0%	3.6%
Transport provided: Departmental activity	68	208	416	556	101.5%	0.3%	246	260	274	-21.0%	0.3%
Travel and subsistence	17 422	19 233	17 229	13 417	-8.3%	18.1%	18 064	18 790	19 588	13.4%	16.5%
Training and development	2 608	1 466	1 274	1 050	-26.2%	1.7%	1 100	1 162	924	-4.2%	1.0%
Operating payments	1 860	2 867	1 695	2 353	8.2%	2.4%	2 270	2 398	2 530	2.4%	2.3%
Venues and facilities	2 282	1 554	1 925	617	-35.3%	1.7%	1 372	1 450	1 527	35.3%	1.2%
Total	86 713	77 861	101 159	106 596	7.1%	100.0%	99 367	105 191	110 960	1.3%	100.0%

Transfers and subsidies expenditure trends and estimates

Table 9.6 Vote transfers and subsidies trends and estimates

R thousand	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
	2014/15	2015/16	2016/17				2017/18	2018/19	2019/20		
Provinces and municipalities											
Municipal bank accounts											
Current	-	-	9	10	-	-	11	11	12	6.3%	12.1%
Vehicle licences	-	-	8	10	-	-	11	11	12	6.3%	12.1%
Municipality bank account: Fines and penalties	-	-	1	-	-	-	-	-	-	-	-
Households											
Social benefits											
Current	611	1 923	405	220	-28.9%	3.2%	-	-	-	-100.0%	60.4%
Employee social benefits	611	1 923	405	220	-28.9%	3.2%	-	-	-	-100.0%	60.4%
Households											
Other transfers to households											
Current	96	447	20	100	1.4%	0.7%	-	-	-	-100.0%	27.5%
Employee social benefits	-	61	20	100	-	0.2%	-	-	-	-100.0%	27.5%
Gifts and donations	96	386	-	-	-100.0%	0.5%	-	-	-	-	-
Public corporations and private enterprises											
Other transfers to public corporations											
Current	63 141	33 106	-	-	-100.0%	96.2%	-	-	-	-	-
Defence	63 141	33 106	-	-	-100.0%	96.2%	-	-	-	-	-
Total	63 848	35 476	434	330	-82.7%	100.0%	11	11	12	-66.9%	100.0%

Personnel information

Table 9.7 Vote personnel numbers and cost by salary level and programme¹

Programmes																				
1. Administration																				
2. State-Owned Companies Governance Assurance and Performance																				
3. Business Enhancement, Transformation and Industrialisation																				
Number of posts estimated for 31 March 2018		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 (%)					
		2016/17		2017/18		2018/19		2019/20		2020/21		2017/18 - 2020/21								
		Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost				
Public Enterprises		211	21	191	148.3	0.8	239	156.9	0.7	231	171.4	0.7	232	184.5	0.8	233	198.3	0.9	-0.8%	100.0%
Salary level		211	21	191	148.3	0.8	239	156.9	0.7	231	171.4	0.7	232	184.5	0.8	233	198.3	0.9	-0.8%	100.0%
1 – 6	14	-	14	3.3	0.2	15	4.6	0.3	14	4.5	0.3	15	5.2	0.3	15	5.6	0.4	-	6.3%	
7 – 10	79	1	76	26.3	0.3	76	34.1	0.4	79	38.8	0.5	79	41.9	0.5	79	45.3	0.6	1.3%	33.5%	
11 – 12	43	-	40	28.6	0.7	42	31.8	0.8	41	33.3	0.8	41	35.9	0.9	41	38.8	0.9	-0.8%	17.6%	
13 – 16	73	-	61	72.9	1.2	82	84.5	1.0	75	92.8	1.2	75	99.4	1.3	75	106.3	1.4	-2.9%	32.8%	
Other	2	20	-	17.3	-	24	2.0	0.1	22	2.0	0.1	22	2.1	0.1	23	2.3	0.1	-1.4%	9.7%	
Programme		211	21	191	148.3	0.8	239	156.9	0.7	231	171.4	0.7	232	184.5	0.8	233	198.3	0.9	-0.8%	100.0%
Programme 1	121	21	111	77.9	0.7	144	80.2	0.6	134	82.3	0.6	135	88.8	0.7	136	95.5	0.7	-1.9%	58.7%	
Programme 2	30	-	18	17.7	1.0	32	24.8	0.8	33	30.1	0.9	33	32.3	1.0	33	34.7	1.1	1.0%	14.0%	
Programme 3	60	-	62	52.7	0.9	63	51.9	0.8	64	59.0	0.9	64	63.4	1.0	64	68.1	1.1	0.5%	27.3%	

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

2. Rand million.

Departmental receipts

Table 9.8 Departmental receipts by economic classification

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Average growth rate (%)	Average: Receipt item/ Total (%)	Medium-term receipts estimate			Average growth rate (%)	Average: Receipt item/ Total (%)
	2014/15	2015/16	2016/17					2017/18	2018/19	2019/20		
Departmental receipts	203	3 377	5 213	1 161	187	-2.7%	100.0%	143	144	211	4.1%	100.0%
Sales of goods and services produced by department	68	72	75	366	95	11.8%	3.5%	136	136	138	13.3%	73.7%
Sales by market establishments	41	45	46	235	60	13.5%	2.1%	61	61	62	1.1%	35.6%
of which:												
Sales by market establishments	41	45	46	155	60	13.5%	2.1%	61	61	62	1.1%	35.6%
Other sales	—	—	—	80	—	—	—	—	—	—	—	—
Other sales	27	27	29	131	35	9.0%	1.3%	75	75	76	29.5%	38.1%
of which:												
Garage rent	—	—	—	116	—	—	—	39	39	39	—	17.1%
Commission insurance	25	25	29	15	35	11.9%	1.3%	36	36	37	1.9%	21.0%
Replacement of security cards	2	2	—	—	—	-100.0%	—	—	—	—	—	—
Transfers received	—	—	—	244	—	—	—	—	—	—	—	—
Interest, dividends and rent on land	3	7	1	11	2	-12.6%	0.1%	2	2	2	—	1.2%
Interest	3	7	1	11	2	-12.6%	0.1%	2	2	2	—	1.2%
Sales of capital assets	130	187	—	300	59	-23.2%	4.2%	—	—	65	3.3%	18.1%
Transactions in financial assets and liabilities	2	3 111	5 137	240	31	149.3%	92.2%	5	6	6	-42.2%	7.0%
Total	203	3 377	5 213	1 161	187	-2.7%	100.0%	143	144	211	4.1%	100.0%

Programme 1: Administration

Programme purpose

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

Expenditure trends and estimates

Table 9.9 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 (%)
	2014/15	2015/16	2016/17				2017/18	2018/19	2019/20		
R million											
Ministry	28.4	28.6	31.2	26.6	-2.2%	19.3%	28.8	30.7	32.8	7.2%	18.6%
Management	16.5	12.8	9.9	30.1	22.1%	11.7%	22.7	24.1	25.6	-5.3%	16.0%
Communications	26.7	30.4	38.3	29.0	2.8%	20.9%	37.8	40.2	42.8	13.9%	23.4%
Chief Financial Officer	12.6	13.9	15.2	15.4	7.0%	9.6%	17.6	18.8	20.1	9.2%	11.2%
Human Resources	39.2	34.2	36.3	19.2	-21.3%	21.7%	25.7	27.8	29.9	16.0%	16.0%
Internal Audit	3.6	5.3	6.1	4.7	9.7%	3.3%	4.6	4.9	5.3	3.9%	3.1%
Corporate Services	9.5	10.7	3.9	18.0	23.5%	7.1%	3.8	4.1	4.4	-37.5%	4.7%
Office Accommodation	8.1	10.0	10.7	9.4	5.2%	6.4%	11.0	11.6	12.0	8.4%	6.9%
Total	144.7	145.9	151.6	152.4	1.7%	100.0%	152.0	162.2	172.8	4.3%	100.0%
Change to 2017				2.2			(10.0)	(12.0)	(12.9)		
Budget estimate											
Economic classification											
Current payments	140.1	137.8	147.4	149.2	2.1%	96.6%	148.9	158.9	169.3	4.3%	97.9%
Compensation of employees	74.5	76.2	77.9	80.2	2.5%	51.9%	82.3	88.8	95.5	6.0%	54.2%
Goods and services ¹	65.6	61.7	69.5	69.0	1.7%	44.7%	66.6	70.1	73.8	2.2%	43.7%
of which:											
Communication	4.0	3.7	6.7	2.3	-17.0%	2.8%	3.9	4.4	3.8	18.4%	2.3%
Computer services	4.9	3.7	3.8	4.0	-6.5%	2.8%	5.1	5.4	5.7	12.6%	3.2%
Consultants: Business and advisory services	16.1	7.4	6.9	23.2	13.0%	9.0%	12.4	13.1	13.8	-15.9%	9.8%
Operating leases	1.2	1.2	10.0	8.2	90.3%	3.5%	10.7	11.3	12.3	14.1%	6.6%
Property payments	8.4	10.3	2.0	3.3	-26.6%	4.0%	3.9	4.1	3.7	4.0%	2.3%
Travel and subsistence	10.9	12.6	11.3	8.1	-9.5%	7.2%	10.2	10.5	11.1	11.1%	6.2%
Transfers and subsidies¹	0.3	1.7	0.3	0.3	0.8%	0.4%	0.0	0.0	0.0	-66.9%	0.1%
Provinces and municipalities	—	—	0.0	0.0	—	—	0.0	0.0	0.0	6.3%	—
Households	0.3	1.7	0.3	0.3	-0.2%	0.4%	—	—	—	-100.0%	0.1%

Table 9.9 Administration expenditure trends and estimates by subprogramme and economic classification

Economic classification	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
	2014/15	2015/16	2016/17				2017/18	2018/19	2019/20		
R million					2014/15 - 2017/18		2018/19	2019/20	2020/21	2017/18 - 2020/21	
Payments for capital assets	4.3	6.3	3.9	2.9	-12.5%	2.9%	3.1	3.3	3.6	7.4%	2.0%
Machinery and equipment	4.2	5.7	3.8	2.8	-13.0%	2.8%	3.0	3.2	3.4	7.5%	1.9%
Software and other intangible assets	0.1	0.6	0.1	0.1	8.9%	0.2%	0.1	0.1	0.1	5.4%	0.1%
Payments for financial assets	0.0	0.0	–	–	-100.0%	–	–	–	–	–	–
Total	144.7	145.9	151.6	152.4	1.7%	100.0%	152.0	162.2	172.8	4.3%	100.0%
Proportion of total programme expenditure to vote expenditure	48.9%	0.6%	59.7%	57.1%	–	–	55.5%	55.4%	55.2%	–	–

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.

Programme 2: State-Owned Companies Governance Assurance and Performance

Programme purpose

Provide and enforce state-owned companies' governance, legal assurance, financial and non-financial performance monitoring, evaluation and reporting systems, in support of the shareholder to ensure alignment with government priorities.

Objectives

- Ensure effective shareholder oversight of state-owned companies on an ongoing basis by:
 - providing governance and legal systems
 - developing and maintaining shareholder risk profiles and mitigating strategies for government's state-owned companies
 - monitoring, evaluating and reporting on the financial and non-financial performance of state-owned companies, and proposing intervention measures when required.

Subprogrammes

- *Management* comprises the office of the deputy director general, which provides strategic leadership and management for the programme's personnel.
- *Legal* provides external legal services and support, including transaction and contract management support, to sector teams and the commercial activities of the state-owned companies within their portfolio.
- *Governance* develops, monitors and advises on legislative, corporate governance and shareholder management systems for the department and its portfolio of state-owned companies. The subprogramme develops and implements risk and compliance management guidelines and systems for shareholder risk.
- *Financial Assessment and Investment Support* analyses state-owned companies' capital planning, operational performance, execution of capital programmes and proposed restructuring proposals, and advises on appropriate action.

Expenditure trends and estimates

Table 9.10 State-Owned Companies Governance Assurance and Performance 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 (%)
	2014/15	2015/16	2016/17				2017/18	2018/19	2019/20		
R million					2014/15 - 2017/18		2018/19	2019/20	2020/21	2017/18 - 2020/21	
Management	2.9	2.8	3.2	3.0	1.9%	10.3%	2.9	3.1	3.3	3.1%	7.6%
Legal	8.7	7.2	12.9	12.4	12.5%	35.8%	11.4	12.2	13.0	1.7%	30.2%
Governance	3.6	4.0	7.6	8.8	35.1%	20.9%	10.7	11.5	12.2	11.6%	26.6%
Financial Assessment and Investment Support	10.9	5.5	10.0	11.6	2.3%	33.0%	14.0	15.5	16.8	13.0%	35.6%
Total	26.0	19.4	33.7	35.9	11.3%	100.0%	39.1	42.3	45.4	8.2%	100.0%
Change to 2017 Budget estimate				(2.0)			4.2	6.1	6.7		

Table 9.10 State-Owned Companies Governance Assurance and Performance expenditure trends and estimates by subprogramme and economic classification

Economic classification	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
	2014/15	2015/16	2016/17				2017/18	2014/15 - 2017/18	2018/19		
R million	26.0	19.4	33.6	35.9	11.3%	99.9%	39.1	42.3	45.4	8.2%	100.0%
Current payments	26.0	19.4	33.6	35.9	11.3%	99.9%	39.1	42.3	45.4	8.2%	100.0%
Compensation of employees	20.8	16.5	17.7	24.8	6.1%	69.4%	30.1	32.3	34.7	11.9%	75.0%
Goods and services ¹	5.2	2.8	15.9	11.1	28.4%	30.4%	9.0	9.9	10.7	-1.3%	25.0%
<i>of which:</i>											
<i>Catering: Departmental activities</i>	0.0	0.0	0.0	0.0	20.5%	0.1%	0.0	0.0	0.0	10.7%	–
<i>Communication</i>	0.2	0.1	0.3	0.3	18.5%	0.8%	0.3	0.3	0.3	3.2%	0.7%
<i>Consultants: Business and advisory services</i>	1.3	0.6	4.8	7.0	74.6%	11.9%	3.9	4.6	5.0	-10.4%	12.5%
<i>Legal services</i>	1.4	0.7	5.2	2.2	16.0%	8.3%	2.8	3.0	3.1	11.8%	6.9%
<i>Travel and subsistence</i>	1.8	1.3	2.0	1.5	-6.7%	5.8%	1.9	2.0	2.1	12.6%	4.6%
<i>Venues and facilities</i>	0.1	0.0	0.2	0.1	-22.6%	0.4%	0.1	0.1	0.1	1.5%	0.2%
Transfers and subsidies¹	0.0	0.0	0.1	–	-100.0%	0.1%	–	–	–	–	–
Households	0.0	0.0	0.1	–	-100.0%	0.1%	–	–	–	–	–
Total	26.0	19.4	33.7	35.9	11.3%	100.0%	39.1	42.3	45.4	8.2%	100.0%
Proportion of total programme expenditure to vote expenditure	8.8%	0.1%	13.3%	13.4%	–	–	14.3%	14.4%	14.5%	–	–

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.

Programme 3: Business Enhancement, Transformation and Industrialisation

Programme purpose

Provide sector oversight to ensure that state-owned companies contribute to the advancement of industrialisation, transformation, intergovernmental relations and international collaboration services. Support the shareholder in strategically positioning and enhancing the operations of state-owned companies.

Objectives

- Contribute to the enhancement of the performance of state-owned companies on an ongoing basis by:
 - conducting reviews, research and modelling of pipeline and new business enhancement opportunities within state-owned companies
 - assessing operations of state-owned companies and developing mitigation instruments in conjunction with policy departments, regulatory bodies and industry
 - conducting research, modelling job creation and transforming instruments for state-owned companies to inform compact alignment imperatives, promote state-owned companies' contribution to inclusive economic growth, unlock bottlenecks affecting state-owned companies and inform evidence-based policy formulation.

Subprogrammes

- *Energy Resources* exercises shareholder oversight over Eskom, Alexkor and the South African Forestry Company.
- *Research and Economic Modelling* conducts cost benefit analysis reviews on business enhancement and transformation initiatives, and develops economic sustainability models for proposed work packages and projects.
- *Transport and Defence* exercises shareholder oversight over Transnet, South African Express Airways and Denel.
- *Business Enhancement Services* develops and coordinates the implementation of state-owned companies' strategies to leverage localisation programmes; provides intergovernmental coordination and support to programmes and state-owned companies in relation to economic development programmes, as agreed with provincial and local governments; and maintains a register of commitments made by state-owned companies and lobbies for the implementation of special programmes focusing on skills development, transformation and the youth.

Expenditure trends and estimates

Table 9.11 Business Enhancement, Transformation and Industrialisation 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 (%)
	2014/15	2015/16	2016/17				2017/18	2018/19	2019/20		
R million											
Energy Resources	16.8	23 019.2	22.5	27.7	18.2%	98.8%	13.7	14.7	15.9	-16.9%	20.9%
Research and Economic Modelling	2.9	3.6	5.7	6.0	27.8%	0.1%	13.5	14.5	15.5	37.2%	14.3%
Transport and Defence	87.8	55.4	24.3	25.8	-33.5%	0.8%	20.0	21.5	23.1	-3.7%	26.3%
Business Enhancement Services	17.9	16.3	16.0	18.9	1.9%	0.3%	35.7	37.9	40.2	28.5%	38.5%
Total	125.4	23 094.4	68.5	78.4	-14.5%	100.0%	82.9	88.6	94.6	6.4%	100.0%
Change to 2017 Budget estimate				(0.2)			2.6	2.5	2.5		
Economic classification	61.9	60.6	68.5	78.4	8.2%	1.2%	82.9	88.6	94.6	6.4%	100.0%
Current payments											
Compensation of employees	46.0	47.3	52.7	51.9	4.2%	0.8%	59.0	63.4	68.1	9.4%	70.4%
Goods and services ¹	15.9	13.4	15.8	26.5	18.6%	0.3%	23.8	25.1	26.5	-	29.6%
<i>of which:</i>											
<i>Catering: Departmental activities</i>	0.4	0.0	0.1	0.1	-43.6%	-	0.0	0.0	0.0	-16.3%	-
<i>Communication</i>	0.4	0.3	0.5	0.5	15.3%	-	0.6	0.6	0.6	5.6%	0.7%
<i>Consultants: Business and advisory services</i>	7.7	6.8	10.3	16.1	27.7%	0.2%	15.7	16.6	17.3	2.5%	19.0%
<i>Contractors</i>	0.4	0.3	0.1	5.7	146.8%	-	1.5	1.6	2.1	-27.6%	3.2%
<i>Entertainment</i>	-	-	-	0.0	-	-	0.0	0.0	0.0	4.6%	-
<i>Travel and subsistence</i>	4.7	5.3	3.9	3.8	-6.5%	0.1%	6.0	6.3	6.4	18.4%	6.5%
Transfers and subsidies¹	63.5	33.8	0.0	-	-100.0%	0.4%	-	-	-	-	-
Public corporations and private enterprises	63.1	33.1	-	-	-100.0%	0.4%	-	-	-	-	-
Households	0.4	0.7	0.0	-	-100.0%	-	-	-	-	-	-
Payments for financial assets	-	23 000.0	-	-	-	98.4%	-	-	-	-	-
Total	125.4	23 094.4	68.5	78.4	-14.5%	100.0%	82.9	88.6	94.6	6.4%	100.0%
Proportion of total programme expenditure to vote expenditure	42.3%	99.3%	27.0%	29.4%	-	-	30.2%	30.2%	30.2%	-	-
Details of selected transfers and subsidies											
Public corporations and private enterprises											
Public corporations											
Other transfers to public corporations											
Current	63.1	33.1	-	-	-100.0%	0.4%	-	-	-	-	-
Defence	63.1	33.1	-	-	-100.0%	0.4%	-	-	-	-	-

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.

Entities¹

Alexkor

Alexkor was established in terms of the Alexkor Limited Act (1992) to mine marine and land diamonds in Alexander Bay. Through its diamond mining activities, Alexkor contributes to outcome 4 (decent employment through inclusive growth) of government's 2014-2019 medium term strategic framework.

Over the medium term, the company intends to focus on implementing its diversification strategy by exploring opportunities in mining other minerals. Thus far, a coal washing facility in Mpumalanga has been identified as a potential business opportunity, with feasibility studies expected to be completed in 2018/19.

Due to optimisation of production in the land, beach and marine mining operations by the Alexkor pooling and sharing joint venture in the Richtersveld community, over the medium term, production from land and sea (beach and other marine areas excluding deep sea) mining is expected to increase from 50 000 carats in 2016/17 to 55 000 carats in 2018/19.

As a result of increased production due to the commissioning of deep sea mining operations in 2016/17, Alexkor's revenue increased from R197.1 million in 2015/16 to R386.3 million in 2016/17. The company's

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

profits also increased to R6 million in 2016/17 from a loss of R35.5 million in 2015/16. However, in 2017/18, revenue is projected to decrease due to extensive damage to the joint venture's deep sea mining vessel, on which repairs are scheduled to be conducted by the end of 2017/2018. As a result, deep sea operations have been suspended since April 2017 and are expected to resume in the first quarter of 2018/19. Revenue in 2017/18 is therefore projected to be approximately R220 million.

In 2014, Alexkor commissioned a study to analyse and determine the socioeconomic needs of the Richtersveld community and identify viable projects that could contribute to its upliftment. The study, which was completed in 2015/16, identified 4 possible projects: agricultural production, marine harvesting, commercial fishing and tourism development. Over the medium term, the company plans to conduct a feasibility study focusing on these projects at an estimated cost of R2 million.

Denel

Denel was incorporated as a private company in 1992 in terms of the South African Companies Act (1973), with the South African government as its sole shareholder. It operates in the military aerospace and landward defence environment, and provides strategic defence equipment. Denel supplies the South African National Defence Force with strategic and sovereign capabilities. In doing so, it contributes to outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 medium-term strategic framework. The company's broad focus over the medium term will be on restructuring, which entails optimising its cost structure and reviewing its business model to improve its global competitiveness. Emphasis will be placed on items such as internal cost structures, shared services within the Denel group, efficiency/effectiveness, change management, people development, and the alignment of IT infrastructure with the new organisational structure. The goal is to establish a healthy strategic and operational foundation to set the stage for sustainable and accelerated growth and the ability to generate cash.

Denel recorded profits of R333 million in 2015/16 and R395 million in 2016/17, despite a decrease in total revenue, from R8.2 billion to R8.1 billion, over the same period. Revenue is expected to decrease further, to R8 billion, in 2017/18 and remain constant over the MTEF period. To enhance revenue generation, Denel will focus on contracts that provide increased margins, and expand the export base and strategic partnerships to further improve market access.

Eskom

Eskom is governed by the Eskom Conversion Act (2001), and is mandated to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Eskom generates 95 per cent of the electricity used in South Africa and 45 per cent of the electricity used in Africa. In fulfilling its mandate, Eskom contributes to outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 medium-term strategic framework.

Over the medium term, Eskom plans to complete the construction of 2 new power stations, Medupi and Kusile, and supply high voltage power lines to meet energy demand. Medupi Unit 5 and Kusile Unit 1 attained commercial operation in 2017/18, while the 8 remaining units (3 at Medupi and 5 at Kusile) are expected to be operational by 2022/23. The capacity expansion programme is expected to increase Eskom's generation capacity to 17 384 megawatts by 2022/23. Over the MTEF period, Eskom also plans to engage stakeholders to avoid costly labour unrest; enforce appropriate milestone management processes on construction projects; implement enhanced oversight and assurance capabilities; ensure the proactive management of quality, engineering and contract claims; and appoint independent contractors to advise on the build programme's progress.

Eskom has connected an estimated 3 110 megawatts of renewable energy power to the grid through the renewable energy independent power producer procurement programme. The programme aims to allow 30 per cent private sector participation when investing in new infrastructure to generate energy, and to introduce technologies that are not carbon intensive, as per the integrated resource plan.

Eskom's revenue increased by 8 per cent year on year, from R164.2 billion in 2015/16 to R177.1 billion in 2016/17. This was largely driven by the 9.4 per cent tariff increase implemented in 2015/16 and growth in the volume of export sales due to excess capacity. Export sales increased by 12.1 per cent, from 13 465 gigawatt hours in 2015/16 to 15 093 gigawatt hours in 2016/17. However, the company's net profit decreased from R5.2 billion in 2015/16 to R888 million in 2016/17, largely due to increases in Eskom's operating, finance and depreciation costs, which amounted to R9.3 billion, R6.5 billion and R3.6 billion, respectively, over the medium term. Revenue is expected to increase at an average annual rate of 11.9 per cent, from R177 billion in 2016/17 to R248.3 billion in 2019/20. The net loss after tax is expected to be R8.1 billion in 2017/18, R15 billion in 2018/19 and R3.4 billion in 2019/20. Depreciation and finance costs are expected to escalate as new units are commercialised and new loans are raised for the build programme, which aims to build new power stations, and increase high voltage transmission power lines and transformer capacity.

South African Express Airways

As a feeder airline to South African Airways, South African Express Airways serves as a regional air carrier mandated to provide transportation and other related aviation services on low density domestic and African regional routes. The airline 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 and the Democratic Republic of the Congo. The airline contributes to outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 medium-term strategic framework.

Over the medium term, the airline plans to continue implementing its 20:20 Vision strategy, despite persistent challenges to its operational and financial performance. In this regard, the airline plans to continue working with the department to revise its long-term strategy. The revised strategy will focus on creating a financially sustainable airline with competent staff who promote the use of technology for the improvement of business operations and drive compliance in the organisation.

To ensure the airline's sustainability, initiatives have been implemented to reduce its high cost structure and improve its revenue generation. This will involve optimising the airline's route network and renegotiating contracts and agreements. Over the medium term, the airline, with the Department of Public Enterprises and National Treasury, will work towards finalising an optimal corporate structure. Other strategic interventions to stabilise the airline include appointing an acting chief executive officer and 2 officials from the Department of Public Enterprises for 12 months to strengthen its finance and strategic portfolios.

The finalisation of the airline's 2016/17 audit was delayed due to the airline being 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 signing off on its annual financial statements, as required by section 4 of the Companies Act (2008). The airline reported revenue of R2.3 billion in the 2015/16 unaudited annual financial statements compared with the audited revenue of R2.4 billion in 2016/17. Operating expenses increased from R2.3 billion in 2015/16 to R2.5 billion in 2016/17, mainly due to an increase in operating leases of R282 million, which were aimed at minimising the impact of the technical disruptions to the revenue stream and the operational stability of the airline. The adverse financial performance is attributable to the marginal decrease in revenue, coupled with a higher cost structure.

South African Forestry Company

The South African Forestry Company was established in 1992 in terms of the Management of State Forestry Act (1992). The company is mandated to ensure the sustainable management of plantation forests, increase downstream timber processing, and play a catalytic role in rural economic development and transformation. In performing these functions, the South African Forestry Company contributes to outcome 7 (comprehensive rural development and land reform) of government's 2014-2019 medium-term strategic framework. Over the MTEF period, the company plans to continue fulfilling its commitments to communities near its operations, and diversify its product offering by increasing its production of timber for public facilities, pole treatment for the electricity distribution sector, and furniture.

The company's revenue reached R1 billion in 2016/17, representing a 13.7 per cent increase from R891 million in 2015/16. Similarly, net profit increased, from a loss of R43 million in 2015/16, to R114.4 million in 2016/17. This was achieved through increased sales, higher average selling price and through improved operating costs. Revenue is projected to reach R1.5 billion by 2019/20.

Transnet

Transnet plays a significant role in the development and continual improvement of South Africa's freight logistics chain. The company is mandated to contribute to lowering the cost of doing business in South Africa, enable economic growth, and ensure the security of supply through providing appropriate port, rail and pipeline infrastructure. The company's mandate is closely aligned with outcome 6 (an efficient, competitive and responsive infrastructure network) of government's 2014-2019 medium-term strategic framework.

Over the medium term, Transnet plans to increase its footprint to enable regional integration by driving regional business activities through the recently established Transnet International Holdings. As per the corporate plan submitted in February 2017, over the seven-year period ending 2023/24, Transnet plans to invest R229.2 billion in capital expenditure across its operating divisions to sustain and expand capacity, particularly in rail, port and pipeline infrastructure. R20 billion of this investment is earmarked for mergers and acquisitions to diversify revenue streams through geographic expansion in the Southern African Development Community. Since the inception of Transnet's market demand strategy in 2012, more than R145 billion has been spent on projects including the expansion of South Africa's rail, port and pipeline freight infrastructure network.

As a result of improved infrastructure, Transnet Freight Rail, a division of Transnet, moved a total of 219.1 million tons in 2016/17, an increase from 214.2 million tons recorded in 2015/16. This increase was made possible by business development initiatives such as road to rail migration, and contributed to Transnet's overall increase in revenue of 5.3 per cent year on year, to R65.5 billion in 2016/17. As such, the company's profit increased by 600 per cent year on year, from R393 million in 2015/16 to R2.8 billion in 2016/17. Rail freight volumes are expected to increase to 235 million tons in 2018/19, from 219.1 million tons in 2016/17.

The year on year performance of ports has improved slightly, from 4 366 376 twenty-foot equivalent units (TEUs) in 2015/16 to 4 395 962 TEUs in 2016/17. To date, 15 billion litres of diesel have been delivered through the new multi-product pipeline, which is a strategic investment to secure the supply of petroleum products from the coastal terminal in Durban to the inland market over the long term.