



**VOTE**  
**09**

**PUBLIC ENTERPRISES**



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**





# **Estimates of National Expenditure 2018**

**National Treasury**

**Republic of South Africa**



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The 2018 Estimates of National Expenditure 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](http://www.treasury.gov.za). Compared to this 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

When the Estimates of National Expenditure (ENE) publication was launched in 2001, we referred to it as “a significant step forward in national budget transparency”. Since then, even though the national budget has undergone many reforms, the ENE publications remain a key indicator and embodiment of the candour of the budgeting process.

The publications provide the media, civil society, the public, Parliament, departments, public entities and ministers with information about how taxpayers’ money is being spent: what it buys and for what purpose. Do not be concerned by the magnitude of this publication. Instead, let us use it as a reference to keep government institutions accountable and ensure that the expenditure of public funds achieves its intended policy outcomes to improve the welfare of citizens.

In the current economic climate, spending priorities and the sequencing of programme implementation are subject to a number of trade-offs. The focus of the 2018 Budget has solely been on the reprioritisation of existing baseline funding. The abridged ENE provides a coherent and summarised account of the priorities, spending plans and service delivery commitments of all 40 national votes and of government agencies. The e-publications for each vote contain more detail on, for example, goods and services, transfers and subsidies, donor funding, public entities, and lower-level spending information on service delivery.

The ENE’s presentation of the detailed expenditure estimates of departments are the result of a lengthy executive and administrative process involving wide-ranging intergovernmental consultation. This process is led by a committee of senior officials in central government departments, under the political guidance of the Ministers’ Committee on the Budget. A special word of thanks is due to all our colleagues from other departments for their contributions. I also wish to express my appreciation to the National Treasury team that worked tirelessly to produce a document of which we are rightly proud.

The independent Open Budget Survey assessment of budget transparency commenced in 2006. It is conducted every two years to measure the accessibility and comprehensiveness of key budget documents and information across the world. In 2010, South Africa was ranked first out of 94 countries surveyed, scoring 92 per cent. In the latest iteration of the survey, which measured 115 countries, South Africa was ranked first again, tied with New Zealand, with a score of 89 per cent. Our country is one of only 11 that publish comprehensive, timely information in all the required budget documents.

Budgets link the outcomes targeted by government with the services that are ultimately delivered. In addition to South African budgets having become more transparent, recent efforts to increase public participation in budgeting are gaining momentum. South Africans are invited to scrutinise budget information and provide opinions on government service delivery. We rely on this participation to strengthen our budgeting system and make it even more reliable.



**Dondo Mogajane**  
**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 2018 MTEF period is from 2018/19 to 2020/21.

The ENE publications contain information on how government institutions have spent their budgets in previous years. They explain how these institutions intend to use their allocations over the medium term to achieve their goals, and the outputs and outcomes their spending is expected to lead to. The publications include tables depicting non-financial performance indicators and targets, departmental receipts, personnel, significant as well as detailed expenditure trends and estimates by programme, subprogramme and economic classification for each department and for 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. A more in-depth narrative analyses the institution's expected expenditure over the MTEF period. Summary data tables at the end of each vote contain data on provincial and municipal conditional grants, public private partnerships, donor funding, infrastructure, and expenditure at the level of site service delivery, where applicable.

A separate 2018 ENE Overview publication is also available on [www.treasury.gov.za](http://www.treasury.gov.za) and summarises the ENE information across all votes. The 2018 ENE Overview contains a narrative explanation and budget-wide summary tables; 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	2018/19				2019/20	2020/21
	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
<b>MTEF allocation</b>						
Administration	152.0	148.9	0.0	3.1	162.2	172.8
State-Owned Companies Governance Assurance and Performance	39.1	39.1	–	–	42.3	45.4
Business Enhancement, Transformation and Industrialisation	82.9	82.9	–	–	88.6	94.6
<b>Total expenditure estimates</b>	<b>273.9</b>	<b>270.8</b>	<b>0.0</b>	<b>3.1</b>	<b>293.0</b>	<b>312.8</b>

Executive authority Minister of Public Enterprises  
 Accounting officer Director General of Public Enterprises  
 Website address [www.dpe.gov.za](http://www.dpe.gov.za)

*The Estimates of National Expenditure e-publications for individual votes are available on [www.treasury.gov.za](http://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 <sup>1</sup>	6	6	6	6
Number of corporate plans reviewed per year	Business Enhancement, Transformation and Industrialisation		7	6	5 <sup>2</sup>	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	2014/15			2015/16			2016/17			2017/18			2014/15 - 2017/18	
R million	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 (%)
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%
<b>Total</b>	<b>256.4</b>	<b>319.5</b>	<b>296.1</b>	<b>267.5</b>	<b>23 302.6</b>	<b>23 259.7</b>	<b>274.0</b>	<b>268.0</b>	<b>253.8</b>	<b>266.7</b>	<b>266.7</b>	<b>266.7</b>	<b>2 261.6%</b>	<b>99.7%</b>
Change to 2017 Budget estimate												-		
Economic classification														
<b>Current payments</b>	<b>252.2</b>	<b>252.1</b>	<b>227.9</b>	<b>263.8</b>	<b>264.6</b>	<b>217.8</b>	<b>270.1</b>	<b>263.9</b>	<b>249.5</b>	<b>263.8</b>	<b>263.5</b>	<b>263.5</b>	<b>91.3%</b>	<b>91.8%</b>
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%
<b>Transfers and subsidies</b>	<b>0.1</b>	<b>63.4</b>	<b>63.8</b>	<b>0.1</b>	<b>34.4</b>	<b>35.5</b>	<b>0.1</b>	<b>0.3</b>	<b>0.4</b>	<b>0.0</b>	<b>0.3</b>	<b>0.3</b>	<b>30 701.8%</b>	<b>101.7%</b>
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%
<b>Payments for capital assets</b>	<b>4.1</b>	<b>4.1</b>	<b>4.3</b>	<b>3.6</b>	<b>3.6</b>	<b>6.3</b>	<b>3.7</b>	<b>3.7</b>	<b>3.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>122.0%</b>	<b>121.8%</b>
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%
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>23 000.0</b>	<b>23 000.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100.0%</b>
<b>Total</b>	<b>256.4</b>	<b>319.5</b>	<b>296.1</b>	<b>267.5</b>	<b>23 302.6</b>	<b>23 259.7</b>	<b>274.0</b>	<b>268.0</b>	<b>253.8</b>	<b>266.7</b>	<b>266.7</b>	<b>266.7</b>	<b>2 261.6%</b>	<b>99.7%</b>

## 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		2018/19	2019/20	2020/21	2017/18 - 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%
<b>Total</b>	<b>266.7</b>	<b>-5.8%</b>	<b>100.0%</b>	<b>273.9</b>	<b>293.0</b>	<b>312.8</b>	<b>5.5%</b>	<b>100.0%</b>
Change to 2017 Budget estimate				(3.2)	(3.5)	(3.7)		

**Table 9.3 Vote expenditure estimates by programme and economic classification**

Economic classification	Revised estimate	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
				2017/18	2014/15 - 2017/18	2018/19		
R million								
<b>Current payments</b>	<b>263.5</b>	<b>1.5%</b>	<b>4.0%</b>	<b>270.8</b>	<b>289.7</b>	<b>309.3</b>	<b>5.5%</b>	<b>98.8%</b>
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%
<b>Transfers and subsidies</b>	<b>0.3</b>	<b>-82.7%</b>	<b>0.4%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-66.9%</b>	<b>0.0%</b>
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%
<b>Payments for capital assets</b>	<b>2.9</b>	<b>-11.0%</b>	<b>0.1%</b>	<b>3.1</b>	<b>3.3</b>	<b>3.6</b>	<b>7.4%</b>	<b>1.1%</b>
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%
<b>Total</b>	<b>266.7</b>	<b>-5.8%</b>	<b>100.0%</b>	<b>273.9</b>	<b>293.0</b>	<b>312.8</b>	<b>5.5%</b>	<b>100.0%</b>

## Expenditure trends and estimates for significant spending items

**Table 9.4 Expenditure trends and estimates for significant spending items**

	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total Vote (%)	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		
R thousand											
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%
<b>Total</b>	<b>186 106</b>	<b>174 010</b>	<b>185 715</b>	<b>215 296</b>	<b>14.2%</b>	<b>3.2%</b>	<b>221 304</b>	<b>237 595</b>	<b>254 100</b>	<b>15.8%</b>	<b>81.0%</b>

## Goods and services expenditure trends and estimates

**Table 9.5 Vote goods and services expenditure trends and estimates**

	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 thousand											
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%

**Table 9.5 Vote goods and services expenditure trends and estimates**

R thousand	Audited outcome			Adjusted appropriation 2017/18	Average growth rate (%) 2014/15 - 2017/18	Average: Expenditure/Total (%)	Medium-term expenditure estimate			Average growth rate (%) 2017/18 - 2020/21	Average: Expenditure/Total (%)
	2014/15	2015/16	2016/17				2018/19	2019/20	2020/21		
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:	68	208	416	556	101.5%	0.3%	246	260	274	-21.0%	0.3%
Departmental activity											
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%
<b>Total</b>	<b>86 713</b>	<b>77 861</b>	<b>101 159</b>	<b>106 596</b>	<b>7.1%</b>	<b>100.0%</b>	<b>99 367</b>	<b>105 191</b>	<b>110 960</b>	<b>1.3%</b>	<b>100.0%</b>

## Transfers and subsidies expenditure trends and estimates

**Table 9.6 Vote transfers and subsidies trends and estimates**

R thousand	Audited outcome			Adjusted appropriation 2017/18	Average growth rate (%) 2014/15 - 2017/18	Average: Expenditure/Total (%)	Medium-term expenditure estimate			Average growth rate (%) 2017/18 - 2020/21	Average: Expenditure/Total (%)
	2014/15	2015/16	2016/17				2018/19	2019/20	2020/21		
<b>Provinces and municipalities</b>											
<b>Municipal bank accounts</b>											
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	-	-	-	-	-	-	-	-
<b>Households</b>											
<b>Social benefits</b>											
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%
<b>Households</b>											
<b>Other transfers to households</b>											
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%	-	-	-	-	-
<b>Public corporations and private enterprises</b>											
<b>Other transfers to public corporations</b>											
Current	63 141	33 106	-	-	-100.0%	96.2%	-	-	-	-	-
Denel	63 141	33 106	-	-	-100.0%	96.2%	-	-	-	-	-
<b>Total</b>	<b>63 848</b>	<b>35 476</b>	<b>434</b>	<b>330</b>	<b>-82.7%</b>	<b>100.0%</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>-66.9%</b>	<b>100.0%</b>

## Personnel information

**Table 9.7 Vote personnel numbers and cost by salary level and programme<sup>1</sup>**

Programmes		Number of posts estimated for 31 March 2018		Number and cost <sup>2</sup> 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
<b>Public Enterprises</b>																			
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%
<b>Programme</b>	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		
<b>Departmental receipts</b>	<b>203</b>	<b>3 377</b>	<b>5 213</b>	<b>1 161</b>	<b>187</b>	<b>-2.7%</b>	<b>100.0%</b>	<b>143</b>	<b>144</b>	<b>211</b>	<b>4.1%</b>	<b>100.0%</b>
<b>Sales of goods and services produced by department</b>	<b>68</b>	<b>72</b>	<b>75</b>	<b>366</b>	<b>95</b>	<b>11.8%</b>	<b>3.5%</b>	<b>136</b>	<b>136</b>	<b>138</b>	<b>13.3%</b>	<b>73.7%</b>
Sales by market establishments	41	45	46	235	60	13.5%	2.1%	61	61	62	1.1%	35.6%
<i>of which:</i>												
<i>Sales by market establishments</i>	41	45	46	155	60	13.5%	2.1%	61	61	62	1.1%	35.6%
<i>Other sales</i>	—	—	—	80	—	—	—	—	—	—	—	—
Other sales	27	27	29	131	35	9.0%	1.3%	75	75	76	29.5%	38.1%
<i>of which:</i>												
<i>Garage rent</i>	—	—	—	116	—	—	—	39	39	39	—	17.1%
<i>Commission insurance</i>	25	25	29	15	35	11.9%	1.3%	36	36	37	1.9%	21.0%
<i>Replacement of security cards</i>	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%
<b>Total</b>	<b>203</b>	<b>3 377</b>	<b>5 213</b>	<b>1 161</b>	<b>187</b>	<b>-2.7%</b>	<b>100.0%</b>	<b>143</b>	<b>144</b>	<b>211</b>	<b>4.1%</b>	<b>100.0%</b>

## 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 thousand											
Ministry	28 416	28 611	31 221	26 605	-2.2%	19.3%	28 766	30 708	32 775	7.2%	18.6%
Management	16 536	12 834	9 903	30 127	22.1%	11.7%	22 712	24 108	25 609	-5.3%	16.0%
Communications	26 719	30 425	38 318	29 008	2.8%	20.9%	37 790	40 228	42 830	13.9%	23.4%
Chief Financial Officer	12 578	13 866	15 228	15 398	7.0%	9.6%	17 649	18 767	20 058	9.2%	11.2%
Human Resources	39 225	34 181	36 283	19 153	-21.3%	21.7%	25 683	27 810	29 892	16.0%	16.0%
Internal Audit	3 565	5 314	6 062	4 701	9.7%	3.3%	4 624	4 932	5 278	3.9%	3.1%
Corporate Services	9 531	10 689	3 905	17 972	23.5%	7.1%	3 799	4 077	4 382	-37.5%	4.7%
Office Accommodation	8 101	9 988	10 657	9 419	5.2%	6.4%	10 956	11 569	12 006	8.4%	6.9%
<b>Total</b>	<b>144 671</b>	<b>145 908</b>	<b>151 577</b>	<b>152 383</b>	<b>1.7%</b>	<b>100.0%</b>	<b>151 979</b>	<b>162 199</b>	<b>172 830</b>	<b>4.3%</b>	<b>100.0%</b>
Change to 2017				2 200			(9 965)	(12 042)	(12 924)		
Budget estimate											
<b>Economic classification</b>											
<b>Current payments</b>	<b>140 068</b>	<b>137 833</b>	<b>147 405</b>	<b>149 189</b>	<b>2.1%</b>	<b>96.6%</b>	<b>148 876</b>	<b>158 874</b>	<b>169 267</b>	<b>4.3%</b>	<b>97.9%</b>
Compensation of employees	74 482	76 169	77 893	80 173	2.5%	51.9%	82 288	88 756	95 505	6.0%	54.2%
Goods and services <sup>1</sup>	65 586	61 664	69 512	69 016	1.7%	44.7%	66 588	70 118	73 762	2.2%	43.7%
<i>of which:</i>											
<i>Communication</i>	4 037	3 724	6 660	2 309	-17.0%	2.8%	3 908	4 352	3 836	18.4%	2.3%
<i>Computer services</i>	4 864	3 731	3 843	3 980	-6.5%	2.8%	5 129	5 360	5 688	12.6%	3.2%
<i>Consultants: Business and advisory services</i>	16 063	7 393	6 932	23 191	13.0%	9.0%	12 443	13 094	13 819	-15.9%	9.8%
<i>Operating leases</i>	1 196	1 223	10 032	8 248	90.3%	3.5%	10 678	11 266	12 253	14.1%	6.6%
<i>Property payments</i>	8 441	10 321	1 972	3 332	-26.6%	4.0%	3 860	4 085	3 746	4.0%	2.3%
<i>Travel and subsistence</i>	10 894	12 611	11 288	8 085	-9.5%	7.2%	10 170	10 511	11 090	11.1%	6.2%
<b>Transfers and subsidies<sup>1</sup></b>	<b>322</b>	<b>1 714</b>	<b>307</b>	<b>330</b>	<b>0.8%</b>	<b>0.4%</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>-66.9%</b>	<b>0.1%</b>
Provinces and municipalities	—	—	9	10	—	—	11	11	12	6.3%	—
Households	322	1 714	298	320	-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 thousand											
<b>Payments for capital assets</b>	<b>4 274</b>	<b>6 341</b>	<b>3 865</b>	<b>2 864</b>	<b>-12.5%</b>	<b>2.9%</b>	<b>3 092</b>	<b>3 314</b>	<b>3 551</b>	<b>7.4%</b>	<b>2.0%</b>
Machinery and equipment	4 192	5 731	3 763	2 758	-13.0%	2.8%	2 980	3 196	3 427	7.5%	1.9%
Software and other intangible assets	82	610	102	106	8.9%	0.2%	112	118	124	5.4%	0.1%
<b>Payments for financial assets</b>	<b>7</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>144 671</b>	<b>145 908</b>	<b>151 577</b>	<b>152 383</b>	<b>1.7%</b>	<b>100.0%</b>	<b>151 979</b>	<b>162 199</b>	<b>172 830</b>	<b>4.3%</b>	<b>100.0%</b>
<b>Proportion of total programme expenditure to vote expenditure</b>	<b>48.9%</b>	<b>0.6%</b>	<b>59.7%</b>	<b>57.1%</b>	<b>-</b>	<b>-</b>	<b>55.5%</b>	<b>55.4%</b>	<b>55.2%</b>	<b>-</b>	<b>-</b>
<b>Details of transfers and subsidies</b>											
<b>Households</b>											
<b>Social benefits</b>											
<b>Current</b>	<b>226</b>	<b>1 267</b>	<b>278</b>	<b>220</b>	<b>-0.9%</b>	<b>0.3%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>-</b>
Employee social benefits	226	1 267	278	220	-0.9%	0.3%	-	-	-	-100.0%	-
<b>Households</b>											
<b>Other transfers to households</b>											
<b>Current</b>	<b>96</b>	<b>447</b>	<b>20</b>	<b>100</b>	<b>1.4%</b>	<b>0.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>-</b>
Employee social benefits	-	61	20	100	-	-	-	-	-	-100.0%	-
Gifts and donations	96	386	-	-	-100.0%	0.1%	-	-	-	-	-
<b>Provinces and municipalities</b>											
<b>Municipalities</b>											
<b>Municipal bank accounts</b>											
<b>Current</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>6.3%</b>	<b>-</b>
Municipality bank account: fines and penalties	-	-	1	-	-	-	-	-	-	-	-
Vehicle licences	-	-	8	10	-	-	11	11	12	6.3%	-

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

## Personnel information

**Table 9.10 Administration personnel numbers and cost by salary level<sup>1</sup>**

Number of posts estimated for 31 March 2018			Number and cost <sup>2</sup> 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	Unit cost	2017/18	Unit cost	2018/19		2019/20		2020/21				2017/18 - 2020/21							
<b>Administration</b>			<b>121</b>	<b>21</b>	<b>111</b>	<b>77.9</b>	<b>0.7</b>	<b>144</b>	<b>80.2</b>	<b>0.6</b>	<b>134</b>	<b>82.3</b>	<b>0.6</b>	<b>135</b>	<b>88.8</b>	<b>0.7</b>	<b>136</b>	<b>95.5</b>	<b>0.7</b>	<b>-1.9%</b>	<b>100.0%</b>	
Salary level			Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost		
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	15	5.6	0.4	-	10.7%
7 – 10	53	1	50	15.6	0.3	53	23.4	0.4	52	25.5	0.5	52	27.5	0.5	52	29.7	0.6	52	29.7	0.6	-0.6%	38.1%
11 – 12	27	-	26	19.6	0.8	26	20.0	0.8	22	18.4	0.8	22	19.9	0.9	22	21.5	1.0	22	21.5	1.0	-5.4%	16.8%
13 – 16	25	-	21	22.1	1.1	26	30.2	1.2	24	31.8	1.3	24	34.0	1.4	24	36.4	1.5	24	36.4	1.5	-2.6%	17.9%
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	23	2.3	0.1	-1.4%	16.6%

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

2. Rand million.

## 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 9.11 State-Owned Companies Governance Assurance and Performance expenditure trends and estimates by subprogramme and economic classification**

Subprogramme	Audited outcome			Adjusted appropriation 2017/18	Average growth rate (%) 2014/15 - 2017/18	Average: Expenditure/ Total (%) 2014/15 - 2017/18	Medium-term expenditure estimate			Average growth rate (%) 2017/18 - 2020/21	Average: Expenditure/ Total (%) 2017/18 - 2020/21
	2014/15	2015/16	2016/17				2018/19	2019/20	2020/21		
R thousand											
Management	2 879	2 756	3 161	3 043	1.9%	10.3%	2 913	3 120	3 338	3.1%	7.6%
Legal	8 703	7 163	12 873	12 385	12.5%	35.8%	11 431	12 206	13 030	1.7%	30.2%
Governance	3 577	3 955	7 640	8 815	35.1%	20.9%	10 699	11 450	12 244	11.6%	26.6%
Financial Assessment and Investment Support	10 857	5 487	9 982	11 624	2.3%	33.0%	14 041	15 498	16 777	13.0%	35.6%
<b>Total</b>	<b>26 016</b>	<b>19 361</b>	<b>33 656</b>	<b>35 867</b>	<b>11.3%</b>	<b>100.0%</b>	<b>39 084</b>	<b>42 274</b>	<b>45 389</b>	<b>8.2%</b>	<b>100.0%</b>
Change to 2017 Budget estimate				(2 000)			4 173	6 081	6 737		
<b>Economic classification</b>											
<b>Current payments</b>	<b>25 982</b>	<b>19 357</b>	<b>33 566</b>	<b>35 867</b>	<b>11.3%</b>	<b>99.9%</b>	<b>39 084</b>	<b>42 274</b>	<b>45 389</b>	<b>8.2%</b>	<b>100.0%</b>
Compensation of employees	20 757	16 547	17 695	24 794	6.1%	69.4%	30 132	32 349	34 733	11.9%	75.0%
Goods and services <sup>1</sup>	5 225	2 810	15 871	11 073	28.4%	30.4%	8 952	9 925	10 656	-1.3%	25.0%
<i>of which:</i>											
<i>Catering: Departmental activities</i>	8	5	41	14	20.5%	0.1%	16	16	19	10.7%	–
<i>Communication</i>	176	142	253	293	18.5%	0.8%	290	312	322	3.2%	0.7%
<i>Consultants: Business and advisory services</i>	1 307	612	4 812	6 958	74.6%	11.9%	3 875	4 559	5 002	-10.4%	12.5%
<i>Legal services</i>	1 435	710	5 162	2 242	16.0%	8.3%	2 810	2 967	3 131	11.8%	6.9%
<i>Travel and subsistence</i>	1 826	1 307	2 013	1 483	-6.7%	5.8%	1 901	2 008	2 117	12.6%	4.6%
<i>Venues and facilities</i>	140	34	177	65	-22.6%	0.4%	60	64	68	1.5%	0.2%
<b>Transfers and subsidies<sup>1</sup></b>	<b>34</b>	<b>4</b>	<b>90</b>	<b>–</b>	<b>-100.0%</b>	<b>0.1%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Households	34	4	90	–	-100.0%	0.1%	–	–	–	–	–
<b>Total</b>	<b>26 016</b>	<b>19 361</b>	<b>33 656</b>	<b>35 867</b>	<b>11.3%</b>	<b>100.0%</b>	<b>39 084</b>	<b>42 274</b>	<b>45 389</b>	<b>8.2%</b>	<b>100.0%</b>
<b>Proportion of total programme expenditure to vote expenditure</b>	<b>8.8%</b>	<b>0.1%</b>	<b>13.3%</b>	<b>13.4%</b>	<b>–</b>	<b>–</b>	<b>14.3%</b>	<b>14.4%</b>	<b>14.5%</b>	<b>–</b>	<b>–</b>
<b>Details of transfers and subsidies</b>											
<b>Households</b>											
<b>Social benefits</b>											
<b>Current</b>	<b>34</b>	<b>4</b>	<b>90</b>	<b>–</b>	<b>-100.0%</b>	<b>0.1%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Employee social benefits	34	4	90	–	-100.0%	0.1%	–	–	–	–	–

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

## Personnel information

**Table 9.12 State-Owned Companies Governance Assurance and Performance personnel numbers and cost by salary level<sup>1</sup>**

Number of posts estimated for 31 March 2018		Number and cost <sup>2</sup> 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				
State-owned Companies Governance Assurance and Performance		Unit			Unit			Unit			Unit			Unit				
Salary level		Number	Cost	cost	Number	Cost	cost	Number	Cost	cost	Number	Cost	cost	Number	Cost	cost		
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%	100.0%
7 – 10	9	4	1.5	0.4	6	2.7	0.4	10	4.8	0.5	10	5.2	0.5	10	5.6	0.6	18.6%	27.5%
11 – 12	5	2	1.3	0.6	5	3.7	0.7	6	4.7	0.8	6	5.1	0.9	6	5.5	0.9	6.3%	17.6%
13 – 16	16	12	14.9	1.2	21	18.4	0.9	17	20.6	1.2	17	22.1	1.3	17	23.6	1.4	-6.8%	55.0%

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

2. Rand million.

## 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 9.13 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 thousand											
Energy Resources	16 762	23 019 195	22 548	27 678	18.2%	98.8%	13 658	14 732	15 866	-16.9%	20.9%
Research and Economic Modelling	2 873	3 560	5 693	5 997	27.8%	0.1%	13 481	14 458	15 477	37.2%	14.3%
Transport and Defence	87 824	55 371	24 269	25 844	-33.5%	0.8%	20 006	21 513	23 107	-3.7%	26.3%
Business Enhancement Services	17 906	16 280	16 036	18 927	1.9%	0.3%	35 706	37 854	40 166	28.5%	38.5%
<b>Total</b>	<b>125 365</b>	<b>23 094 406</b>	<b>68 546</b>	<b>78 446</b>	<b>-14.5%</b>	<b>100.0%</b>	<b>82 851</b>	<b>88 557</b>	<b>94 616</b>	<b>6.4%</b>	<b>100.0%</b>
Change to 2017 Budget estimate				(200)			2 553	2 476	2 510		
<b>Economic classification</b>											
<b>Current payments</b>	<b>61 873</b>	<b>60 648</b>	<b>68 509</b>	<b>78 446</b>	<b>8.2%</b>	<b>1.2%</b>	<b>82 851</b>	<b>88 557</b>	<b>94 616</b>	<b>6.4%</b>	<b>100.0%</b>
Compensation of employees	45 971	47 261	52 733	51 939	4.2%	0.8%	59 024	63 409	68 074	9.4%	70.4%
Goods and services <sup>1</sup>	15 902	13 387	15 776	26 507	18.6%	0.3%	23 827	25 148	26 542	-	29.6%
<i>of which:</i>											
<i>Catering: Departmental activities</i>	351	18	52	63	-43.6%	-	32	33	37	-16.3%	-
<i>Communication</i>	354	299	503	542	15.3%	-	573	607	638	5.6%	0.7%
<i>Consultants: Business and advisory services</i>	7 710	6 795	10 340	16 060	27.7%	0.2%	15 652	16 596	17 296	2.5%	19.0%
<i>Contractors</i>	376	253	62	5 655	146.8%	-	1 535	1 596	2 148	-27.6%	3.2%
<i>Entertainment</i>	-	-	-	28	-	-	30	32	32	4.6%	-
<i>Travel and subsistence</i>	4 702	5 315	3 928	3 849	-6.5%	0.1%	5 993	6 271	6 381	18.4%	6.5%
<b>Transfers and subsidies<sup>1</sup></b>	<b>63 492</b>	<b>33 758</b>	<b>37</b>	<b>-</b>	<b>-100.0%</b>	<b>0.4%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Public corporations and private enterprises	63 492	33 758	37	-	-100.0%	0.4%	-	-	-	-	-
Households	351	652	37	-	-100.0%	-	-	-	-	-	-
<b>Payments for financial assets</b>	<b>-</b>	<b>23 000 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98.4%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>125 365</b>	<b>23 094 406</b>	<b>68 546</b>	<b>78 446</b>	<b>-14.5%</b>	<b>100.0%</b>	<b>82 851</b>	<b>88 557</b>	<b>94 616</b>	<b>6.4%</b>	<b>100.0%</b>
<b>Proportion of total programme expenditure to vote expenditure</b>	<b>42.3%</b>	<b>99.3%</b>	<b>27.0%</b>	<b>29.4%</b>	<b>-</b>	<b>-</b>	<b>30.2%</b>	<b>30.2%</b>	<b>30.2%</b>	<b>-</b>	<b>-</b>
<b>Details of transfers and subsidies</b>											
<b>Households</b>											
<b>Social benefits</b>											
<b>Current</b>	<b>351</b>	<b>652</b>	<b>37</b>	<b>-</b>	<b>-100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Employee social benefits	351	652	37	-	-100.0%	-	-	-	-	-	-
<b>Public corporations and private enterprises</b>											
<b>Public corporations</b>											
<b>Other transfers to public corporations</b>											
<b>Current</b>	<b>63 492</b>	<b>33 106</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>0.4%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Denel	63 492	33 106	-	-	-100.0%	0.4%	-	-	-	-	-

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

## Personnel information

**Table 9.14 Business Enhancement, Transformation and Industrialisation personnel numbers and cost by salary level<sup>1</sup>**

Business Enhancement, Transformation and Industrialisation	Number of posts estimated for 31 March 2018		Number and cost <sup>2</sup> 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	Unit	2017/18	Unit	2018/19		2019/20		2020/21				2017/18 - 2020/21				
			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%	100.0%
Salary level	60	-	22	9.1	0.4	17	8.0	0.5	17	8.5	0.5	17	9.2	0.5	17	10.0	0.6	-	26.7%
7-10	17	-	12	7.7	0.6	11	8.0	0.7	13	10.1	0.8	13	10.9	0.8	13	11.8	0.9	5.7%	19.6%
11-12	11	-	28	35.9	1.3	35	35.9	1.0	34	40.4	1.2	34	43.2	1.3	34	46.3	1.4	-1.0%	53.7%
13-16	32	-																	

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

2. Rand million.

## Entities<sup>1</sup>

### 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 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

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<sup>1</sup> This section has been compiled with the latest available information from the entities concerned.

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.









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