

22: DEFENCE

AIM

The aim of the Department of Defence is to defend and protect the Republic, its territorial integrity and its people in accordance with the Constitution and the principles of international law regulating the use of force.

EXPENDITURE ESTIMATES

Table 22.1 Expenditure by programme

R million	Expenditure outcomes			Preliminary outcome 1998/99	Medium term expenditure estimates		
	1995/96	1996/97	1997/98		1999/00	2000/01	2001/02
Administration ^{1,2}	378,1	477,5	472,6	452,1	678,0	656,6	662,2
Landward defence	3 979,9	4 214,0	4 287,8	3 924,0	3 619,0	3 361,2	3 377,5
Air defence	1 753,4	2 104,3	2 082,9	1 902,7	1 943,8	1 883,8	1 906,3
Maritime defence	778,2	780,8	802,0	832,7	842,0	807, 7	841,5
Medical support	739,4	873,1	887,4	909,9	938,5	908,5	936,6
General support	367,1	616,5	632,5	637,0	777,7	752,0	756,5
Special defence account	3 524,9	1 854,3	1 941,9	1 591,2	1 829,3	2 529,3	2 848,5
Sub-total	11 521,0	10 920,5	11 107,1	10 249,6	10 628,3	10 899,1	11 329,1
Capital Works ³	99,0	63,8	63,7	73,7	49,0	49,8	51,6
Total	11 620,0	10 984,3	11 170,8	10 323,4	10 677,3	10 948,9	11 380,7

¹ Spending by programme has been reclassified in terms of the current programme structure.

² Authorised losses added: 1995/96 R10,4; 1996/97 R23,6; 1997/98 R15,2

³ Appropriated on Vote: Public Works.

- ◆ The former *Command and control* programme was incorporated into the Administration programme in 1998/99.
- ◆ *Administration* deals with the overall management of the Department.
- ◆ *Landward defence* deals with providing prepared and supported landward defence capabilities for the defence and protection of the country.

- ◆ *Air defence* provides prepared and supported air defence capabilities for the defence and protection of the country.
- ◆ *Maritime defence* provides prepared and supported maritime defence capabilities for the defence and protection of the country.
- ◆ *Medical support* provides medical and associated support to members of the Department and their dependants.
- ◆ *General support* provides and maintains a centralised infrastructure for the provision of common supplies and services in support of all the Department's objectives.
- ◆ *Special defence account* deals with the acquisition of special defence equipment.

Table 22.2 Economic classification of expenditure

R million	Expenditure outcomes			Preliminary outcome 1998/99	Medium term expenditure estimates		
	1995/96	1996/97	1997/98		1999/00	2000/01	2001/02
Current							
Personnel expenditure ¹	4 534,3	5 311,9	5 819,0	5 686,4	5 541,5	5 489,9	5 349,6
Other current expenditure	3 271,3	3 563,1	3 183,3	1 751,7	3 091,6	2 714,0	2 965,1
Transfer payments	3 715,4	2 045,5	2 104,8	2 790,3	1 995,2	2 695,2	3 014,4
Capital	99,0	63,8	63,7	95,0	49,0	49,8	51,6
Total	11 620,0	10 984,3	11 170,8	10 323,4	10 677,3	10 948,9	11 380,7

¹ Departmental personnel expenditure includes employer's contributions to pension funds at a rate of 17 per cent of basic salary in 1998/99 and 15 per cent of basic salary in subsequent years.

OUTPUTS AND SERVICE DELIVERY TRENDS

The nature of the commitments of the Defence Force has changed considerably in the past few years. Severe constraints have been placed on the Defence budget as a result of an increase in personnel numbers associated with the integration of former members of statutory and non-statutory forces into the South African National Defence Force (SANDF). A reduction in personnel costs is required if operations and capital programmes are to be maintained at satisfactory levels.

Service objectives

Defence service delivery essentially consists of the provision of combat-ready land, air, maritime and medical forces for employment in duties such as protection of the country's borders, support for the South African Police Service (SAPS), regional co-operation and disaster relief. The provision of combat-ready forces, in terms of deployed companies, flying hours and sea-days has declined over the past five years, mainly due to the reductions in Defence allocations.

National crime prevention strategy

The SANDF is involved in the National Crime Prevention Strategy (NCPS) by offering a supportive role to the SAPS in the process of maintaining law and order.

National Operational Co-ordinating Mechanism	The SANDF provides a service by forming part of the National Operational Co-ordinating Mechanism, which was established to plan and co-ordinate all intelligence operations in co-operation with the SAPS, Correctional Services, the Department of Welfare and the Department of Justice.
Border control	The SANDF provides support for the safeguarding and control of South Africa's international borders, as part of the overall concept of border safeguarding.
Support for 1999 elections	The SANDF has estimated that it will require a minimum of 64 companies to execute effectively the task of providing support for the SAPS during the elections planned for 1999.
SAMHS	<p>The South African Medical and Health Services (SAMHS) provides comprehensive medical, psychological and social services to members of the Department and makes many of its services available to the families of its members.</p> <p>The SAMHS provides primary, secondary and tertiary health care in close co-operation with National Health Department. Primary health care is seen as a priority. The SAMHS also provides specialist diving medicine and aviation medicine.</p>

Table 22.3 Trends in outputs of the SANDF

Budgeting Authority	Description of Service	Indicator	1995	1996	1997	1998
S A Army	Assistance to SAPS	Number of companies deployed	31	31	26	9
	Borderline protection	Number of companies deployed	22	22	23	10
	Force Preparation	Soldiers trained	3 000	3 000	3 000	3 000
SA Air Force	Force Utilisation	Number of flying hours	21 805	19 519	18 060	16 641
	Mission-ready aircraft	Average number of aircraft	604	597	522	487
SA Navy	Force preparation	Hours at sea	10 263	9 621	10 705	8 328
SA Medical and Health Services	Operational support	Members deployed	1 178	719	1 136	
	Hospitalisation	Consultations, admissions, treatments, prescriptions	1 462 299	2 821 420	1 195 009	

POLICY DEVELOPMENTS

White Paper on Defence	In May 1996 Parliament approved the White Paper on National Defence for the Republic of South Africa. It establishes a policy framework and the main principles of defence in our new democracy.
Defence review	The 1996 White Paper was followed up by the Defence Review. Its aim is to elaborate on the policy framework through comprehensive long term planning on such matters as defence posture, force design, logistic support, armaments, equipment, human resources and funding.

International defence co-operation	Due to the normalised situation in South Africa and in line with national defence policy, the Department of Defence has entered into several international defence agreements through the signing of memoranda of understanding with other governments.
Other policy developments	Other policy developments include the acceptance of border control as a primary function of the SANDF and support to the SAPS in the maintenance of law and order.
Legislation passed since 1995	The key features of the amendments to the Acts of 1995 and 1997 are the establishment of the Defence Secretariat and the division of functions between the Chief of the SANDF and the Secretary for Defence. The financial implications are those associated with the new structures and posts of the Secretariat.
The Foreign Military Assistance Act of 1998	The Foreign Military Assistance Act of 1998 establishes that the Department of Defence is responsible for the approval and registration of instances where military assistance is rendered to foreign countries.
Draft legislation currently under consideration	<p>Both the Defence Act and the Military Discipline Code are being revised. The main aim of the Defence Act is to deal with the transformation of the SANDF.</p> <p>The revised Military Discipline Code will have a major impact on how military justice is applied and administered.</p> <p>Provision is made in the new Defence Act for the statutory recognition of a part-time Force Council.</p> <p>The Military Veterans Affairs Bill of 1998 provides for national policy regarding military veterans and their dependants, including their entitlements, for ultimate executive authority and responsibility to vest in the President. It is expected that this Bill will be served in Parliament early in 1999.</p>

DISCUSSION OF PROGRAMMES

Programme 1: Administration

	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
R million		1998/99		1999/00	2000/01	2001/02
1998 Budget	457,6	457,6	452,1	473,5	475,3	—
1999 Budget	—	—	—	678,0	656,6	662,2

Administration deals with the overall management of the Department. It involves formulation of policy by the Minister, Deputy Minister, Secretary for Defence, Chief of the SANDF and staff divisions. The programme also involves rendering centralised administrative auxiliary services and the operational employment of forces.

Programme 2: Landward defence

	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
R million		1998/99		1999/00	2000/01	2001/02
1998 Budget	3 971,0	3 971,6	3 924,0	4 033,7	4 090,0	–
1999 Budget	–	–	–	3 619,0	3 361,2	3 377,5

Landward defence provides prepared and supported landward defence capabilities for the defence and protection of the country. The programme is involved with establishing, training and maintaining preparedness levels of combat elements, as well as establishing, training and maintaining auxiliary services and facilities.

The outputs of this programme have decreased over the past five years. The provision of combat-ready forces as deployed companies in 1996 was 53 companies and 23 platoons, which declined to 19 companies and 23 platoons in 1998.

Programme 3: Air defence

	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
R million		1998/99		1999/00	2000/01	2001/02
1998 Budget	1 919,0	1 925,8	1 902,7	1 956,0	1 959,8	–
1999 Budget	–	–	–	1 943,8	1 883,9	1 906,3

Air defence provides prepared and supported air defence capabilities for the defence and protection of the country. This programme deals with establishing, training and maintaining preparedness levels of combat elements, as well as establishing, training and maintaining of auxiliary and associated services.

An indication of the Air Force utilisation is the number of flying hours, which have declined from 21 805 in 1995 to 16 641 in 1998. The Air Force now has a daily average of 487 mission-ready aircraft, down from 604 in 1994.

Programme 4: Maritime defence

	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
R million		1998/99		1999/00	2000/01	2001/02
1998 Budget	854,5	842,8	832,7	896,3	906,8	–
1999 Budget	–	–	–	842,0	807,7	841,5

Maritime defence provides prepared and supported maritime defence capabilities for the defence and protection of the country. It is involved with establishing, training and maintaining preparedness levels of combat

elements, as well as establishing, training and maintaining auxiliary and associated services.

An indicator of force preparation and deployment of the SA Navy, is the number of days at sea, which have decreased from 1 400 in 1994 to 600 in 1998.

Programme 5: Medical support

	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
R million		1998/99		1999/00	2000/01	2001/02
1998 Budget	918,4	921,0	909,9	965,0	974,0	–
1999 Budget	–	–	–	938,5	908,5	936,6

Medical support is involved in establishing, training, maintaining and providing medical and associated support to members of the SANDF and their dependants, as well as to dependants of identified welfare cases of permanent members of the SANDF.

Programme 6: General support

	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
R million		1998/99		1999/00	2000/01	2001/02
1998 Budget	635,0	644,7	637,0	629,0	619,6	–
1999 Budget	–	–	–	777,7	752,0	756,5

General support provides and maintains a centralised infrastructure for the provision of common supplies and services in support of all the Department's objectives. The Department has an acquisition, storage and distribution system for common commodities and also provides religious services.

The programme includes management information systems, common telecommunications services and military policing. It is also involved in the development of technology for the Department.

It also provides grants to the following organisations:

- ◆ SA Shooting Union and organisations promoting civil protection.
- ◆ SA Red Cross society.
- ◆ St John Ambulance Brigade.
- ◆ SA Noodhulpliga.
- ◆ International Committee of the Red Cross.
- ◆ Part Time Force Council.

General support also provides for:

- ◆ The SANDF Recreation Fund.
- ◆ Co-ordination and provision of distress relief in terms of the Distress Relief Act (Act 39 of 1966).
- ◆ Contributions to medical funds in respect of permanent force personnel.

Programme 7: Special defence account

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	1 212,5	1 610,5	1 591,2	1 533,5	1 963,0	–
1999 Budget	–	–	–	1 829,3	2 529,3	2 848,5

The special defence account deals with the acquisition of special defence equipment, including the modernisation/modification of existing equipment, research and development as well as special defence activities in order to realise the SANDF's force development plan.

In November 1998, Cabinet decided to pursue negotiations with foreign suppliers, for armaments packages to enhance South Africa's military capabilities. The proposed package is:

Table 22.4 Estimated costs of strategic armaments procurements

Product	Number	Estimated Cost (R million)
Corvettes	4	6 001,25
Submarines	3	5 212,50
Utility helicopters	40	2 168,75
Maritime helicopters	4	785,50
Trainer aircraft	24	4 728,13
Fighter aircraft	28	10 875,00
Total	103	29 773,00

The procurement programme will extend over about 15 years. Expenditure will be accommodated within the Defence budget over this period. Negotiations are currently in progress to finalise the terms and conditions of these acquisitions within an affordable expenditure programme.

NON-DEPARTMENTAL AGENCIES AND ACCOUNTS

Arm Scor

Aim

Arm Scor received its mandate from the Armaments Development and Production Act of 1968, in terms of which the Corporation is empowered to:

- ◆ Develop, manufacture, service, repair and maintain armaments.
- ◆ Exercise control over the development, manufacture, procurement, marketing, import and export of armaments.

Group structure

The Arm Scor group has six subsidiaries:

- ◆ Institute for Maritime Technology (Pty) Ltd.
- ◆ Gerotek Test Facilities (Pty) Ltd.
- ◆ Alkaplant (Pty) Ltd.
- ◆ Military Sales and Services (Pty) Ltd.
- ◆ Protechnik Laboratories (Pty) Ltd.
- ◆ Hazmat Protective Systems (Pty) Ltd.

Key financial information

The total assets of the Arm Scor Group and its subsidiaries amounted to R739 million on 31 March 1998. This was an increase from the amount R628 million in 1995. The liabilities decreased over the same period from R240 million to R118 million. Although the gross revenue has increased from R311 million in 1995 to R323 million in 1998, the Arm Scor Group has since 1998 been in a loss-making position.

Denel (Pty) Ltd

Denel (Pty) Ltd was established in 1992 as a private company, incorporated in terms of the Companies Act, with the State as the sole shareholder. The company is managed by a Board of Directors, appointed by the Minister for Public Enterprises.

Mission

Denel's stated mission is to create economic value by transforming its technological capabilities into superior quality military and commercial products and related services for global markets.

Group structure

The Denel Group has 17 major divisions and subsidiaries in South Africa. It also operates from four overseas offices and is represented in most countries where it is active.

Key financial information

The total assets of Denel and its subsidiaries increased from R4 074 million in 1995 to R4 253 million in 1997, but decreased to R3 928 million in 1998.

The gross revenue of the Denel Group increased from R3 015 million in 1995 to R3 177 million in 1998. The profits on activities decreased from during the past four years from R311 million in 1995 to R84 million in 1998. This resulted in a drop in dividends paid to the State. A dividend of

R700 million was paid in 1995, R1 000 million in 1996, R20 million in 1997; and no dividend was declared for 1998.

Estimate of capital expenditure

Table 22.5 details capital expenditure for 1995/96 to 1998/99.

Table 22.5 Denel Group investment in infrastructure

R million	1995/96	1996/97	1997/98	1998/99
Land, buildings and infrastructure	56,5	14,4	16,3	18,7
Plant, machinery and equipment	23,3	51,4	109,2	91,9
Vehicles, office furniture and accessories	28,1	12,0	12,5	4,5
Computer equipment	72,9	79,8	59,4	14,3
Total	180,8	157,6	197,4	129,4