



**2019**  
**BUDGET**  
ESTIMATES OF  
NATIONAL EXPENDITURE

**VOTE**  
**9**

**PUBLIC ENTERPRISES**



**national treasury**

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





# **Estimates of National Expenditure**

## **2019**

**National Treasury**

**Republic of South Africa**



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**RP: 17/2019**

The 2019 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 applicable.

# Foreword

The Estimates of National Expenditure (ENE) publications are an integral part of the comprehensive annual budget process. The economic climate has made it necessary to focus on reprioritising existing resources towards areas where the most value can be derived for all South Africans. The budgets shown in this document reflect the outcome of a robust negotiation process, led by a committee of senior officials in central government departments, under the political guidance of the Ministers' Committee on the Budget. There was also wide-ranging intergovernmental consultation on budgets in the provincial and local spheres of government. Ultimately, these decisions are considered and endorsed by Cabinet.

The ENE publications present the detail of national government's expenditure estimates for the three-year 2019 medium-term expenditure framework period, most importantly for 2019/20 allocations contained in the Appropriation Bill, 2019, as tabled by the Minister of Finance, for Parliament's consideration and adoption.

The abridged ENE provides extensive information on the priorities, spending plans and service delivery commitments of all 40 national government votes, as well as for associated government agencies. The e-publications for each vote contain more detail on goods and services, transfers and subsidies, donor funding, public entities, and lower-level spending information on service delivery.

This information in these chapters ensures that Parliament, the public, civil society, the media, government departments, public entities and the executive can keep state institutions accountable and ensure that public funds are spent to achieve the outcomes for which they were intended. Since its launch in February 2018, the Vulekamali online portal has become the main source of transparent, user-friendly information, including information contained in ENE publications, for anybody who wants to know more about how government compiles its budget and spends public funds. The website, [www.vulekamali.gov.za](http://www.vulekamali.gov.za), continues to evolve, and now also provides geospatial information on government's infrastructure projects, which are focal in this year's budget as a key impetus for economic growth. I encourage you to be active citizens and use this information to hold government accountable for obtaining the best possible outcomes with the funds entrusted to it.

I wish to thank the executive for the political leadership shown in the budget process, our government colleagues for all of their efforts and contributions, and my team at the department for working diligently to bring it all together.



**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 2019 MTEF period is from 2019/20 to 2021/22.

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 set out the institution's purpose (and that of its programmes), its mandate and 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 2019 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 2019 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	2019/20				2020/21	2021/22
	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
<b>MTEF allocation</b>						
Administration	164.9	161.6	0.0	3.3	175.9	186.0
State-owned Companies Governance Assurance and Performance	43.9	43.9	–	–	47.1	50.3
Business Enhancement, Transformation and Industrialisation	84.2	84.2	–	–	89.8	95.7
<b>Total expenditure estimates</b>	<b>293.0</b>	<b>289.7</b>	<b>0.0</b>	<b>3.3</b>	<b>312.8</b>	<b>332.0</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 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 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		
			2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Number of shareholder compacts signed per year	Business Enhancement, Transformation and Industrialisation	Outcome 6: An efficient, competitive and responsive economic infrastructure network	6	5	6	6	7 <sup>1</sup>	7 <sup>1</sup>	7 <sup>1</sup>
Number of corporate plans reviewed per year	Business Enhancement, Transformation and Industrialisation		6	5	6	6	7 <sup>1</sup>	7 <sup>1</sup>	7 <sup>1</sup>
Number of quarterly financial reviews per year	Business Enhancement, Transformation and Industrialisation		24	24	24	24	28 <sup>1</sup>	28 <sup>1</sup>	28 <sup>1</sup>

1. The department is responsible for 7 state-owned enterprises due to the transfer of South African Airways from National Treasury.

## **Expenditure analysis**

The NDP identifies the potential of state-owned companies in building a capable and developmental state. In performing their mandates, state-owned companies contribute to 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. Over the medium term, the Department of Public Enterprises will continue 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. By ensuring that these companies contribute to lowering the cost of doing business in South Africa, the department aims to reduce the cost structure of the economy. The department oversees the operations of 7 state-owned companies (Alexkor, Denel, the South African Forestry Company, Eskom, South African Express Airways, South African Airways and Transnet) to ensure that appropriate investments are made to create jobs and sustain economic growth.

### ***Strengthening state-owned company oversight***

The department oversees the state-owned companies within its portfolio by ensuring that each one signs a shareholder compact each year. The department as the government shareholder representative aims to ensure that state-owned companies are governed and managed well and that their properties are aligned to national objectives including the National Development Plan, the Medium Term Strategic Framework and the State of the Nation Address. Over the medium term, the department plans to continue assessing the corporate plans of these companies to ensure that key performance indicators in their compacts are incorporated appropriately, and will enhance its monitoring and reviewing of the companies' financial and operational performance. The department is developing operating procedures to standardise and enhance its analysis of the financial and operational performance of these companies, and, where necessary, intervention measures will be developed with a view to align the performance of state-owned companies with the NDP's vision.

In 2018/19, the Minister of Public Enterprises appointed new boards of directors in all state-owned companies to strengthen their governance systems. In 2019/20, the department plans to conduct 5 evaluations on the performance of the new boards of directors, in line with the companies' shareholder compacts. Working with other relevant departments, the department plans to align policies affecting the air transportation sector, with a view to positioning state airlines to support growth in trade and tourism, and thereby create jobs. In addition, proposals have been made for the implementation of an optimal corporate structure for state airlines, which will facilitate closer collaboration between South African Airways and South African Express Airways. The department will oversee and support the implementation of the approved structure.

Over the medium term, the department will continue developing a government shareholder management policy that aims to clarify how government will go about exercising its role as shareholder. The policy seeks to improve the performance of state-owned companies through good corporate governance by setting explicit goals, and requiring the companies' boards and management to monitor performance. Performance incentives for executives will be transparently and directly linked to desired outcomes, including audit outcomes. To ensure state-owned companies are properly managed and remain financially viable, guidelines for incentives and the remuneration of executive directors, prescribed officers and non-executive directors were approved in 2016/17. To give further effect to this, the State Owned Enterprises Bill is expected to be finalised over the medium term.

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 decrease at an average annual rate of 71.6 per cent over the medium term, from R6.4 billion in 2018/19 to R146 million in 2021/22. This is due to additional funding of R1.2 billion allocated to South African Express Airways and R5 billion allocated to South African Airways during the 2018/19 adjustments budget.

Spending on goods and services, mainly driven by travel and subsistence and consultants, is expected to increase at an average annual rate of 6.3 per cent, from R97.5 million in 2018/19 to R117.1 million in 2021/22. Spending on compensation of employees, which is set to increase at an average annual rate of 7.2 per cent, from

R171.4 million in 2018/19 to R211.2 million in 2021/22, constitutes the department's largest cost driver.

## 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														
R million	2015/16			2016/17			2017/18			2018/19			2015/16 - 2018/19	
	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	158.6	161.9	145.9	158.0	155.8	151.6	150.9	158.5	144.0	152.0	152.0	152.0	95.8%	94.5%
Programme 2	23.8	23.5	19.4	26.0	25.9	33.7	37.4	24.2	27.5	39.1	39.1	39.1	94.7%	106.1%
Programme 3	85.1	23 117.2	23 094.4	90.0	86.3	68.5	78.5	84.0	78.8	82.9	6 331.9	6 331.9	8 792.2%	99.8%
<b>Total</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>250.4</b>	<b>273.9</b>	<b>6 522.9</b>	<b>6 522.9</b>	<b>2 799.0%</b>	<b>99.8%</b>
Change to 2018 Budget estimate											6 249.0			
Economic classification														
<b>Current payments</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>241.9</b>	<b>270.8</b>	<b>268.9</b>	<b>268.9</b>	<b>91.5%</b>	<b>92.2%</b>
Compensation of employees	152.3	153.1	140.0	168.4	162.2	148.3	166.9	156.9	142.2	171.4	171.4	171.4	91.3%	93.5%
Goods and services	111.5	111.5	77.9	101.8	101.8	101.2	96.9	106.6	99.8	99.4	97.5	97.5	91.9%	90.1%
<b>Transfers and subsidies</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>3.1</b>	<b>0.0</b>	<b>0.4</b>	<b>0.4</b>	<b>16 605.9%</b>	<b>111.2%</b>
Public corporations and private enterprises	–	33.1	33.1	–	–	–	–	–	–	–	–	–	–	100.0%
Households	0.1	1.3	2.4	0.1	0.3	0.4	–	0.3	3.1	–	0.4	0.4	2 879.2%	273.1%
<b>Payments for capital assets</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>5.2</b>	<b>3.1</b>	<b>4.6</b>	<b>4.6</b>	<b>150.7%</b>	<b>135.2%</b>
Machinery and equipment	3.5	3.5	5.7	3.6	3.6	3.8	2.8	2.8	4.9	3.0	4.5	4.5	147.6%	131.6%
Software and other intangible assets	0.1	0.1	0.6	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	244.8%	270.3%
<b>Payments for financial assets</b>	<b>–</b>	<b>23 000.0</b>	<b>23 000.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.3</b>	<b>–</b>	<b>6 249.0</b>	<b>6 249.0</b>	<b>–</b>	<b>100.0%</b>
<b>Total</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>250.4</b>	<b>273.9</b>	<b>6 522.9</b>	<b>6 522.9</b>	<b>2 799.0%</b>	<b>99.8%</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									
R million	Revised estimate	Average growth rate		Average: Expenditure/Total (%)	Medium-term expenditure estimate			Average: Expenditure/Total (%)	
		2018/19	2015/16 - 2018/19		2019/20	2020/21	2021/22	2018/19 - 2021/22	
Programme 1	152.0	-2.1%	2.0%	164.9	175.9	186.0	7.0%	9.1%	
Programme 2	39.1	18.5%	0.4%	43.9	47.1	50.3	8.7%	2.4%	
Programme 3	6 331.9	-35.1%	97.6%	84.2	89.8	95.7	-75.3%	88.5%	
<b>Total</b>	<b>6 522.9</b>	<b>-34.6%</b>	<b>100.0%</b>	<b>293.0</b>	<b>312.8</b>	<b>332.0</b>	<b>-62.9%</b>	<b>100.0%</b>	
Change to 2018 Budget estimate				–	–	–			
Economic classification									
<b>Current payments</b>	<b>268.9</b>	<b>0.5%</b>	<b>3.2%</b>	<b>289.7</b>	<b>309.3</b>	<b>328.3</b>	<b>6.9%</b>	<b>16.0%</b>	
Compensation of employees	171.4	3.8%	2.0%	184.5	198.3	211.2	7.2%	10.3%	
Goods and services	97.5	-4.4%	1.2%	105.2	111.0	117.1	6.3%	5.8%	
<b>Transfers and subsidies</b>	<b>0.4</b>	<b>-77.8%</b>	<b>0.1%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-67.5%</b>	<b>0.0%</b>	
Households	0.4	-33.9%	0.0%	–	–	–	-100.0%	0.0%	
<b>Payments for capital assets</b>	<b>4.6</b>	<b>8.6%</b>	<b>0.1%</b>	<b>3.3</b>	<b>3.6</b>	<b>3.7</b>	<b>-6.6%</b>	<b>0.2%</b>	
Machinery and equipment	4.5	8.2%	0.1%	3.2	3.4	3.6	-6.9%	0.2%	
Software and other intangible assets	0.1	29.1%	0.0%	0.1	0.1	0.1	5.4%	0.0%	
<b>Payments for financial assets</b>	<b>6 249.0</b>	<b>-35.2%</b>	<b>96.6%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>-100.0%</b>	<b>83.8%</b>	
<b>Total</b>	<b>6 522.9</b>	<b>-34.6%</b>	<b>100.0%</b>	<b>293.0</b>	<b>312.8</b>	<b>332.0</b>	<b>-62.9%</b>	<b>100.0%</b>	

## 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 2018/19	Average growth rate (%)		Medium-term expenditure estimate			Average growth rate (%)	
	2015/16	2016/17	2017/18		2015/16 - 2018/19	2018/19	2019/20	2020/21	2021/22	2018/19 - 2021/22	2021/22
Compensation of employees	139 977	148 321	142 175	171 444	7.0%	2.0%	184 514	198 312	211 203	7.2%	10.3%
Consultants: Business and advisory services	14 800	22 084	16 965	28 512	24.4%	0.3%	33 749	36 117	38 104	10.1%	1.8%
Travel and subsistence	19 233	17 229	24 913	17 988	-2.2%	0.3%	18 790	19 588	20 669	4.7%	1.0%
<b>Total</b>	<b>174 010</b>	<b>187 634</b>	<b>184 053</b>	<b>217 944</b>	<b>7.8%</b>	<b>2.5%</b>	<b>237 053</b>	<b>254 017</b>	<b>269 976</b>	<b>7.4%</b>	<b>13.1%</b>

## Goods and services expenditure trends and estimates

Table 9.5 Vote goods and services expenditure trends and estimates

R thousand	Audited outcome			Adjusted appropriation 2018/19	Average growth rate (%)		Medium-term expenditure estimate			Average growth rate (%)	
	2015/16	2016/17	2017/18		2015/16 - 2018/19	2018/19	2019/20	2020/21	2021/22	2018/19 - 2021/22	2021/22
Administrative fees	2 334	1 488	1 301	1 359	-16.5%	1.7%	1 562	1 332	1 405	1.1%	1.3%
Advertising	2 326	1 824	1 041	2 449	1.7%	2.0%	2 263	2 361	2 491	0.6%	2.2%
Minor assets	224	87	270	607	39.4%	0.3%	165	174	183	-32.9%	0.3%
Audit costs: External	3 559	3 328	3 293	3 404	-1.5%	3.6%	3 554	3 749	3 955	5.1%	3.4%
Bursaries: Employees	724	407	580	850	5.5%	0.7%	898	1 669	1 761	27.5%	1.2%
Catering: Departmental activities	698	456	772	644	-2.6%	0.7%	961	1 007	1 061	18.1%	0.9%
Communication	4 165	7 416	4 967	4 857	5.3%	5.7%	5 271	4 796	5 060	1.4%	4.6%
Computer services	3 958	3 843	5 985	5 144	9.1%	5.0%	5 360	5 688	6 001	5.3%	5.2%
Consultants: Business and advisory services	14 800	22 084	16 965	28 512	24.4%	21.9%	33 749	36 117	38 104	10.1%	31.7%
Legal services	829	6 450	3 261	3 128	55.7%	3.6%	3 466	3 815	4 025	8.8%	3.4%
Contractors	2 039	5 725	3 221	3 957	24.7%	4.0%	4 364	5 079	5 358	10.6%	4.4%
Agency and support/outsourced services	1 659	8 398	2 642	466	-34.5%	3.5%	485	508	536	4.8%	0.5%
Entertainment	-	-	-	30	-	-	31	28	30	-	-
Fleet services (including government motor transport)	771	965	1 296	1 027	10.0%	1.1%	1 072	1 130	1 192	5.1%	1.0%
Inventory: Clothing material and accessories	1	1	-	-	-100.0%	-	-	-	-	-	-
Inventory: Materials and supplies	5	18	-	-	-100.0%	-	-	-	-	-	-
Inventory: Medical supplies	3	-	-	-	-100.0%	-	-	-	-	-	-
Inventory: Medicine	2	-	-	-	-100.0%	-	-	-	-	-	-
Consumable supplies	356	1 866	2 605	468	9.5%	1.4%	437	459	484	1.1%	0.4%
Consumables: Stationery, printing and office supplies	1 566	1 265	879	1 351	-4.8%	1.3%	1 511	1 593	1 680	7.5%	1.4%
Operating leases	1 223	10 032	12 703	10 878	107.2%	9.3%	11 266	12 253	12 927	5.9%	11.0%
Rental and hiring	970	995	2 374	1 247	8.7%	1.5%	581	613	647	-19.6%	0.7%
Property payments	10 321	1 972	5 150	3 860	-28.0%	5.7%	4 085	3 746	3 952	0.8%	3.6%
Transport provided: Departmental activity	208	416	1 031	246	5.8%	0.5%	260	274	289	5.5%	0.2%
Travel and subsistence	19 233	17 229	24 913	17 988	-2.2%	21.1%	18 790	19 588	20 669	4.7%	17.9%
Training and development	1 466	1 274	749	1 100	-9.1%	1.2%	1 162	924	975	-3.9%	1.0%
Operating payments	2 867	1 695	2 419	2 326	-6.7%	2.5%	2 448	2 530	2 665	4.6%	2.3%
Venues and facilities	1 554	1 925	1 337	1 602	1.0%	1.7%	1 450	1 527	1 612	0.2%	1.4%
<b>Total</b>	<b>77 861</b>	<b>101 159</b>	<b>99 754</b>	<b>97 500</b>	<b>7.8%</b>	<b>100.0%</b>	<b>105 191</b>	<b>110 960</b>	<b>117 062</b>	<b>6.3%</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 2018/19	Average growth rate (%)		Medium-term expenditure estimate			Average growth rate (%)	
	2015/16	2016/17	2017/18		2015/16 - 2018/19	2018/19	2019/20	2020/21	2021/22	2018/19 - 2021/22	2021/22
<b>Households</b>											
<b>Social benefits</b>											
<b>Current</b>	<b>1 923</b>	<b>405</b>	<b>3 057</b>	<b>367</b>	<b>-42.4%</b>	<b>14.6%</b>	-	-	-	<b>-100.0%</b>	<b>88.6%</b>
Employee social benefits	1 923	405	2 983	367	-42.4%	14.4%	-	-	-	-100.0%	88.6%
Donation cash	-	-	74	-	-	0.2%	-	-	-	-	-

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 (%)
	2015/16	2016/17	2017/18				2018/19	2019/20	2020/21		
<b>Public corporations and private enterprises</b>											
<b>Other transfers to public corporations</b>											
<b>Current</b>	<b>33 106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>84.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Defence	33 106	-	-	-	-100.0%	84.1%	-	-	-	-	-
<b>Households</b>											
<b>Other transfers to households</b>											
<b>Current</b>	<b>447</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>1.2%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Gifts and donations	386	-	-	-	-100.0%	1.0%	-	-	-	-	-
Employee social benefits	61	20	-	-	-100.0%	0.2%	-	-	-	-	-
<b>Provinces and municipalities</b>											
<b>Municipal bank accounts</b>											
<b>Current</b>	<b>-</b>	<b>9</b>	<b>11</b>	<b>11</b>	<b>-</b>	<b>0.1%</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>5.7%</b>	<b>11.4%</b>
Vehicle licences	-	9	11	11	-	0.1%	11	12	13	5.7%	11.4%
<b>Total</b>	<b>35 476</b>	<b>434</b>	<b>3 068</b>	<b>378</b>	<b>-78.0%</b>	<b>100.0%</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>-67.5%</b>	<b>100.0%</b>

## Personnel information

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

Programmes																			
1. Administration																			
2. State-owned Companies Governance Assurance and Performance																			
3. Business Enhancement, Transformation and Industrialisation																			
Number of posts estimated for 31 March 2019		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 (%)						
		2017/18	2018/19	2019/20	2020/21	2021/22	2018/19 - 2021/22												
		Unit		Unit		Unit		Unit		Unit									
		Number	Cost	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Number	Cost						
<b>Public Enterprises</b>	<b>233</b>	<b>-</b>	<b>206</b>	<b>142.2</b>	<b>0.7</b>	<b>230</b>	<b>171.4</b>	<b>0.7</b>	<b>232</b>	<b>184.5</b>	<b>0.8</b>	<b>232</b>	<b>198.3</b>	<b>0.9</b>	<b>231</b>	<b>211.2</b>	<b>0.9</b>	<b>0.1%</b>	<b>100.0%</b>
<b>Salary level</b>	<b>233</b>	<b>-</b>	<b>206</b>	<b>142.2</b>	<b>0.7</b>	<b>230</b>	<b>171.4</b>	<b>0.7</b>	<b>232</b>	<b>184.5</b>	<b>0.8</b>	<b>232</b>	<b>198.3</b>	<b>0.9</b>	<b>231</b>	<b>211.2</b>	<b>0.9</b>	<b>0.1%</b>	<b>100.0%</b>
1 – 6	14	-	13	6.1	0.5	14	4.9	0.3	14	5.2	0.4	14	5.6	0.4	14	6.1	0.4	-	6.1%
7 – 10	80	-	75	36.5	0.5	80	38.6	0.5	80	41.4	0.5	81	45.1	0.6	81	48.5	0.6	0.4%	34.8%
11 – 12	41	-	39	33.0	0.8	41	33.4	0.8	43	36.6	0.9	43	39.2	0.9	42	40.7	1.0	0.8%	18.3%
13 – 16	74	-	55	66.4	1.2	74	88.0	1.2	74	94.2	1.3	74	100.9	1.4	74	107.9	1.5	-	32.0%
Other	24	-	24	0.1	0.0	21	6.6	0.3	21	7.1	0.3	20	7.5	0.4	20	8.0	0.4	-1.6%	8.9%
<b>Programme</b>	<b>233</b>	<b>-</b>	<b>206</b>	<b>142.2</b>	<b>0.7</b>	<b>230</b>	<b>171.4</b>	<b>0.7</b>	<b>232</b>	<b>184.5</b>	<b>0.8</b>	<b>232</b>	<b>198.3</b>	<b>0.9</b>	<b>231</b>	<b>211.2</b>	<b>0.9</b>	<b>0.1%</b>	<b>100.0%</b>
Programme 1	136	-	124	68.8	0.6	133	82.3	0.6	137	91.5	0.7	137	98.6	0.7	136	104.5	0.8	0.7%	58.7%
Programme 2	33	-	27	21.4	0.8	33	30.1	0.9	36	34.0	0.9	36	36.5	1.0	36	39.0	1.1	2.9%	15.2%
Programme 3	64	-	55	51.9	0.9	64	59.0	0.9	59	59.0	1.0	59	63.3	1.1	59	67.7	1.1	-2.7%	26.1%

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 (%)	
	2015/16	2016/17	2017/18					2018/19	2019/20	2020/21			2021/22
<b>Departmental receipts</b>	<b>3 377</b>	<b>5 213</b>	<b>188</b>	<b>217</b>	<b>213</b>	<b>-60.2%</b>	<b>100.0%</b>	<b>7 000</b>	<b>214</b>	<b>294</b>	<b>312</b>	<b>13.6%</b>	<b>100.0%</b>
<b>Sales of goods and services produced by department</b>	<b>72</b>	<b>75</b>	<b>64</b>	<b>56</b>	<b>52</b>	<b>-10.3%</b>	<b>2.9%</b>	<b>97</b>	<b>99</b>	<b>99</b>	<b>99</b>	<b>23.9%</b>	<b>-</b>
Sales by market establishments of which:	45	46	64	35	16	-29.2%	1.9%	61	62	62	62	57.1%	-
Sales by market establishments	45	46	64	35	16	-29.2%	1.9%	61	62	62	62	57.1%	-
Other sales of which:	27	29	-	21	36	10.1%	1.0%	36	37	37	37	0.9%	-
Commission insurance	25	29	-	20	36	12.9%	1.0%	36	37	37	37	0.9%	-
Replacement of security cards	2	-	-	1	-	-100.0%	-	-	-	-	-	-	-
Sales of scrap, waste, arms and other used current goods of which:	-	-	-	4	4	-	-	-	-	-	-	-100.0%	-
Sales of scrap paper	-	-	-	2	-	-	-	-	-	-	-	-	-
Cellular phones	-	-	-	2	4	-	-	-	-	-	-	-100.0%	-

Table 9.8 Departmental receipts by economic classification

R thousand	Audited outcome			Adjusted estimate 2018/19	Revised estimate 2018/19	Average growth rate (%) 2015/16 - 2018/19	Average: Receipt item/ Total (%) 2018/19	Medium-term receipts estimate			Average growth rate (%) 2018/19 - 2021/22	Average: Receipt item/ Total (%) 2021/22	
	2015/16	2016/17	2017/18					2019/20	2020/21	2021/22			
Interest, dividends and rent on land	7	1	19	1	1	-47.7%	0.3%	2	2	3	44.2%	-	
Interest	7	1	19	1	1	-47.7%	0.3%	2	2	3	44.2%	-	
Sales of capital assets	187	-	95	16	16	-55.9%	3.3%	-	65	65	59.6%	-	
Transactions in financial assets and liabilities	3 111	5 137	10	140	140	-64.4%	93.4%	7 000	115	128	145	100.0%	
<b>Total</b>	<b>3 377</b>	<b>5 213</b>	<b>188</b>	<b>217</b>	<b>213</b>	<b>-60.2%</b>	<b>100.0%</b>	<b>7 000</b>	<b>214</b>	<b>294</b>	<b>312</b>	<b>13.6%</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 2018/19	Average growth rate (%) 2015/16 - 2018/19	Average: Expenditure/ Total (%) 2018/19	Medium-term expenditure estimate			Average growth rate (%) 2018/19 - 2021/22	Average: Expenditure/ Total (%) 2021/22
	2015/16	2016/17	2017/18				2019/20	2020/21	2021/22		
R thousand											
Ministry	28 611	31 221	34 985	28 766	0.2%	20.8%	30 908	32 775	34 822	6.6%	18.7%
Management	12 834	9 903	8 757	20 762	17.4%	8.8%	22 008	25 609	27 127	9.3%	14.1%
Communications	30 425	38 318	36 301	37 703	7.4%	24.1%	41 228	42 830	45 384	6.4%	24.6%
Chief Financial Officer	13 866	15 228	16 142	17 649	8.4%	10.6%	19 367	20 691	21 950	7.5%	11.7%
Human Resources	34 181	36 283	27 700	27 720	-6.7%	21.2%	30 032	31 883	33 318	6.3%	18.1%
Internal Audit	5 314	6 062	3 579	4 624	-4.5%	3.3%	5 732	5 746	6 100	9.7%	3.3%
Corporate Services	10 689	3 905	3 380	3 799	-29.2%	3.7%	4 077	4 382	4 661	7.1%	2.5%
Office Accommodation	9 988	10 657	13 198	10 956	3.1%	7.5%	11 569	12 006	12 666	5.0%	7.0%
<b>Total</b>	<b>145 908</b>	<b>151 577</b>	<b>144 042</b>	<b>151 979</b>	<b>1.4%</b>	<b>100.0%</b>	<b>164 921</b>	<b>175 922</b>	<b>186 028</b>	<b>7.0%</b>	<b>100.0%</b>
Change to 2018				-			2 722	3 092	2 740		
Budget estimate											
<b>Economic classification</b>											
<b>Current payments</b>	<b>137 833</b>	<b>147 405</b>	<b>135 762</b>	<b>147 031</b>	<b>2.2%</b>	<b>95.7%</b>	<b>161 596</b>	<b>172 359</b>	<b>182 269</b>	<b>7.4%</b>	<b>97.7%</b>
Compensation of employees	76 169	77 893	68 806	82 288	2.6%	51.4%	91 478	98 597	104 453	8.3%	55.5%
Goods and services <sup>1</sup>	61 664	69 512	66 956	64 743	1.6%	44.3%	70 118	73 762	77 816	6.3%	42.2%
<i>of which:</i>											
Communication	3 724	6 660	3 463	3 994	2.4%	3.0%	4 352	3 836	4 046	0.4%	2.4%
Computer services	3 731	3 843	5 985	5 144	11.3%	3.2%	5 360	5 688	6 001	5.3%	3.3%
Consultants: Business and advisory services	7 393	6 932	5 248	10 410	12.1%	5.1%	12 594	13 819	14 580	11.9%	7.6%
Operating leases	1 223	10 032	12 703	10 878	107.2%	5.9%	11 266	12 253	12 927	5.9%	7.0%
Property payments	10 321	1 972	5 150	3 860	-28.0%	3.6%	4 085	3 746	3 952	0.8%	2.3%
Travel and subsistence	12 611	11 288	16 295	9 814	-8.0%	8.4%	10 511	11 090	11 702	6.0%	6.4%
<b>Transfers and subsidies<sup>1</sup></b>	<b>1 714</b>	<b>307</b>	<b>2 864</b>	<b>356</b>	<b>-40.8%</b>	<b>0.9%</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>-66.8%</b>	<b>0.1%</b>
Provinces and municipalities	-	9	11	11	-	-	11	12	13	5.7%	-
Households	1 714	298	2 853	345	-41.4%	0.9%	-	-	-	-100.0%	0.1%
<b>Payments for capital assets</b>	<b>6 341</b>	<b>3 865</b>	<b>5 156</b>	<b>4 592</b>	<b>-10.2%</b>	<b>3.4%</b>	<b>3 314</b>	<b>3 551</b>	<b>3 746</b>	<b>-6.6%</b>	<b>2.2%</b>
Machinery and equipment	5 731	3 763	4 942	4 480	-7.9%	3.2%	3 196	3 427	3 615	-6.9%	2.2%
Software and other intangible assets	610	102	214	112	-43.2%	0.2%	118	124	131	5.4%	0.1%
Payments for financial assets	20	-	260	-	-100.0%	-	-	-	-	-	-
<b>Total</b>	<b>145 908</b>	<b>151 577</b>	<b>144 042</b>	<b>151 979</b>	<b>1.4%</b>	<b>100.0%</b>	<b>164 921</b>	<b>175 922</b>	<b>186 028</b>	<b>7.0%</b>	<b>100.0%</b>
Proportion of total programme expenditure to vote expenditure	0.6%	59.7%	57.5%	2.3%	-	-	56.3%	56.2%	56.0%	-	-
<b>Details of transfers and subsidies</b>											
<b>Households</b>											
<b>Social benefits</b>											
<b>Current</b>	<b>1 267</b>	<b>278</b>	<b>2 686</b>	<b>345</b>	<b>-35.2%</b>	<b>0.8%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>0.1%</b>
Employee social benefits	1 267	278	2 686	345	-35.2%	0.8%	-	-	-	-100.0%	0.1%
<b>Households</b>											
<b>Other transfers to households</b>											
<b>Current</b>	<b>447</b>	<b>20</b>	<b>167</b>	<b>-</b>	<b>-100.0%</b>	<b>0.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Gifts and donations	386	-	-	-	-100.0%	0.1%	-	-	-	-	-
Employee social benefits	61	20	167	-	-100.0%	-	-	-	-	-	-
<b>Provinces and municipalities</b>											
<b>Municipalities</b>											
<b>Municipal bank accounts</b>											
<b>Current</b>	<b>-</b>	<b>9</b>	<b>11</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>5.7%</b>	<b>-</b>
Vehicle licences	-	9	11	11	-	-	11	12	13	5.7%	-

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 2019		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 (%)				
		2017/18		Unit cost	2018/19		Unit cost	2019/20		Unit cost	2020/21		Unit cost			2021/22		Unit cost	2018/19 - 2021/22
Administration		Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost			
Salary level	136	–	124	68.8	0.6	133	82.3	0.6	137	91.5	0.7	137	98.6	0.7	136	104.5	0.8	0.7%	100.0%
1 – 6	14	–	13	4.4	0.3	14	4.9	0.3	14	5.2	0.4	14	5.6	0.4	14	6.1	0.4	–	10.3%
7 – 10	53	–	47	22.4	0.5	53	25.1	0.5	54	27.5	0.5	55	30.1	0.5	55	32.4	0.6	1.2%	40.0%
11 – 12	23	–	24	20.6	0.9	23	19.1	0.8	25	22.2	0.9	25	23.8	1.0	24	24.2	1.0	1.4%	17.9%
13 – 16	22	–	16	21.3	1.3	22	26.5	1.2	23	29.5	1.3	23	31.6	1.4	23	33.8	1.5	1.5%	16.8%
Other	24	–	24	0.1	0.0	21	6.6	0.3	21	7.1	0.3	20	7.5	0.4	20	8.0	0.4	-1.6%	15.1%

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, and 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
  - monitoring, evaluating and reporting on financial and non-financial performance, 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	Average growth rate (%)		Medium-term expenditure estimate			Average growth rate (%)	
	2015/16	2016/17	2017/18		2018/19	2015/16 - 2018/19	2019/20	2020/21	2021/22	2018/19 - 2021/22	2018/19 - 2021/22
R thousand											
Management	2 756	3 161	2 825	2 913	1.9%	9.7%	3 120	3 338	3 551	6.8%	7.2%
Legal	7 163	12 873	11 589	11 431	16.9%	36.0%	12 206	13 030	13 840	6.6%	28.0%
Governance	3 955	7 640	7 158	10 699	39.3%	24.6%	12 089	12 906	13 419	7.8%	27.2%
Financial Assessment and Investment Support	5 487	9 982	5 960	14 041	36.8%	29.6%	16 498	17 833	19 450	11.5%	37.6%
<b>Total</b>	<b>19 361</b>	<b>33 656</b>	<b>27 532</b>	<b>39 084</b>	<b>26.4%</b>	<b>100.0%</b>	<b>43 913</b>	<b>47 107</b>	<b>50 260</b>	<b>8.7%</b>	<b>100.0%</b>
Change to 2018 Budget estimate				-			1 639	1 718	2 025		
<b>Economic classification</b>	<b>19 357</b>	<b>33 566</b>	<b>27 405</b>	<b>39 084</b>	<b>26.4%</b>	<b>99.8%</b>	<b>43 913</b>	<b>47 107</b>	<b>50 260</b>	<b>8.7%</b>	<b>100.0%</b>
<b>Current payments</b>											
Compensation of employees	16 547	17 695	21 433	30 132	22.1%	71.7%	33 988	36 451	39 017	9.0%	77.4%
Goods and services <sup>1</sup>	2 810	15 871	5 972	8 952	47.1%	28.1%	9 925	10 656	11 243	7.9%	22.6%
of which:											
Catering: Departmental activities	5	41	18	19	56.0%	0.1%	16	19	20	1.7%	-
Communication	142	253	150	290	26.9%	0.7%	312	322	340	5.4%	0.7%
Consultants: Business and advisory services	612	4 812	584	3 875	85.0%	8.3%	4 559	5 002	5 277	10.8%	10.4%
Legal services	710	5 162	3 261	2 810	58.2%	10.0%	2 967	3 131	3 303	5.5%	6.8%
Travel and subsistence	1 307	2 013	1 921	1 761	10.4%	5.9%	2 008	2 117	2 234	8.3%	4.5%
Venues and facilities	34	177	29	60	20.8%	0.3%	64	68	72	6.3%	0.1%
Transfers and subsidies <sup>1</sup>	4	90	127	-	-100.0%	0.2%	-	-	-	-	-
Households	4	90	127	-	-100.0%	0.2%	-	-	-	-	-
<b>Total</b>	<b>19 361</b>	<b>33 656</b>	<b>27 532</b>	<b>39 084</b>	<b>26.4%</b>	<b>100.0%</b>	<b>43 913</b>	<b>47 107</b>	<b>50 260</b>	<b>8.7%</b>	<b>100.0%</b>
Proportion of total programme expenditure to vote expenditure	0.1%	13.3%	11.0%	0.6%	-	-	0.2%	0.2%	0.2%	-	-
<b>Details of transfers and subsidies</b>											
<b>Households</b>											
<b>Social benefits</b>											
Current	4	90	127	-	-100.0%	0.2%	-	-	-	-	-
Employee social benefits	4	90	53	-	-100.0%	0.1%	-	-	-	-	-
Donation cash	-	-	74	-	-	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>**

State-owned Companies Governance Assurance and Performance	Number of posts estimated for 31 March 2019		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 (%)			
			2017/18	2018/19	2019/20	2020/21	2021/22	2018/19 - 2021/22											
			Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost		
Salary level	33	-	27	21.4	0.8	33	30.1	0.9	36	34.0	0.9	36	36.5	1.0	36	39.0	1.1	2.9%	100.0%
1-6	-	-	-	0.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7-10	10	-	8	4.0	0.5	10	4.8	0.5	11	5.8	0.5	11	6.3	0.6	11	6.7	0.6	3.2%	30.5%
11-12	5	-	4	3.2	0.8	5	4.0	0.8	6	4.3	0.7	6	4.6	0.8	6	4.9	0.8	6.3%	16.3%
13-16	18	-	15	13.6	0.9	18	21.3	1.2	19	23.9	1.3	19	25.6	1.3	19	27.3	1.4	1.8%	53.2%

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 the 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, unlock bottlenecks affecting state-owned companies and inform evidence-based policy formulation.

## Subprogrammes

- *Energy Resources* exercises shareholder oversight of 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 of Transnet, South African Express Airways, South African 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 government; 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 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 (%)
	2015/16	2016/17	2017/18				2018/19	2019/20	2020/21		
R thousand					2015/16 - 2018/19		2019/20	2020/21	2021/22	2018/19 - 2021/22	
Energy Resources	23 019 195	22 548	14 450	13 658	-91.6%	78.0%	14 732	15 866	16 855	7.3%	0.9%
Research and Economic Modelling	3 560	5 693	25 150	13 481	55.9%	0.2%	14 024	14 941	15 917	5.7%	0.9%
Transport and Defence	55 371	24 269	14 973	6 269 006	383.8%	21.5%	21 513	23 107	24 558	-84.2%	96.0%
Business Enhancement Services	16 280	16 036	24 266	35 706	29.9%	0.3%	33 927	35 892	38 406	2.5%	2.2%
<b>Total</b>	<b>23 094 406</b>	<b>68 546</b>	<b>78 839</b>	<b>6 331 851</b>	<b>-35.0%</b>	<b>100.0%</b>	<b>84 196</b>	<b>89 806</b>	<b>95 736</b>	<b>-75.3%</b>	<b>100.0%</b>
Change to 2018 Budget estimate				6 249 000			(4 361)	(4 810)	(4 765)		
<b>Economic classification</b>	<b>60 648</b>	<b>68 509</b>	<b>78 762</b>	<b>82 829</b>	<b>10.9%</b>	<b>1.0%</b>	<b>84 196</b>	<b>89 806</b>	<b>95 736</b>	<b>4.9%</b>	<b>5.3%</b>
<b>Current payments</b>											
Compensation of employees	47 261	52 733	51 936	59 024	7.7%	0.7%	59 048	63 264	67 733	4.7%	3.8%
Goods and services <sup>1</sup>	13 387	15 776	26 826	23 805	21.2%	0.3%	25 148	26 542	28 003	5.6%	1.6%
of which:											
<i>Catering: Departmental activities</i>	18	52	212	32	21.1%	–	33	37	38	5.9%	–
<i>Communication</i>	299	503	1 354	573	24.2%	–	607	638	674	5.6%	–
<i>Consultants: Business and advisory services</i>	6 795	10 340	11 133	14 227	27.9%	0.1%	16 596	17 296	18 247	8.6%	1.0%
<i>Contractors</i>	253	62	1 437	1 565	83.6%	–	1 596	2 148	2 266	13.1%	0.1%
<i>Entertainment</i>	–	–	–	30	–	–	32	32	34	4.3%	–
<i>Travel and subsistence</i>	5 315	3 928	6 697	6 413	6.5%	0.1%	6 271	6 381	6 733	1.6%	0.4%

**Table 9.13 Business Enhancement, Transformation and Industrialisation expenditure trends and estimates by subprogramme and economic classification**

Economic classification	Audited outcome			Adjusted appropriation 2018/19	Average growth rate (%) 2015/16 - 2018/19	Average: Expenditure/Total (%) 2015/16 - 2018/19	Medium-term expenditure estimate			Average growth rate (%) 2018/19 - 2021/22	Average: Expenditure/Total (%) 2018/19 - 2021/22
	2015/16	2016/17	2017/18				2019/20	2020/21	2021/22		
R thousand											
<b>Transfers and subsidies<sup>1</sup></b>	<b>33 758</b>	<b>37</b>	<b>77</b>	<b>22</b>	<b>-91.3%</b>	<b>0.1%</b>	-	-	-	<b>-100.0%</b>	-
Public corporations and private enterprises	33 106	-	-	-	-100.0%	0.1%	-	-	-	-	-
Households	652	37	77	22	-67.7%	-	-	-	-	-100.0%	-
<b>Payments for financial assets</b>	<b>23 000 000</b>	<b>-</b>	<b>-</b>	<b>6 249 000</b>	<b>-35.2%</b>	<b>98.9%</b>	-	-	-	<b>-100.0%</b>	<b>94.7%</b>
<b>Total</b>	<b>23 094 406</b>	<b>68 546</b>	<b>78 839</b>	<b>6 331 851</b>	<b>-35.0%</b>	<b>100.0%</b>	<b>84 196</b>	<b>89 806</b>	<b>95 736</b>	<b>-75.3%</b>	<b>100.0%</b>
<b>Proportion of total programme expenditure to vote expenditure</b>	<b>99.3%</b>	<b>27.0%</b>	<b>31.5%</b>	<b>97.1%</b>	-	-	<b>28.7%</b>	<b>28.7%</b>	<b>28.8%</b>	-	-
<b>Details of transfers and subsidies</b>											
<b>Households</b>											
<b>Social benefits</b>											
<b>Current</b>	<b>652</b>	<b>37</b>	<b>77</b>	<b>22</b>	<b>-67.7%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>-</b>
Employee social benefits	652	37	77	22	-67.7%	-	-	-	-	-100.0%	-
<b>Public corporations and private enterprises</b>											
<b>Public corporations</b>											
<b>Other transfers to public corporations</b>											
<b>Current</b>	<b>33 106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-100.0%</b>	<b>0.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Defence	33 106	-	-	-	-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 9.14 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 2019		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 (%)			
			2017/18		2018/19		2019/20		2020/21		2021/22								
			Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost	Number	Cost	Unit cost					
Salary level	64	-	55	51.9	0.9	64	59.0	0.9	59	59.0	1.0	59	63.3	1.1	59	67.7	1.1	-2.7%	100.0%
1-6	-	-	-	1.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7-10	17	-	20	10.0	0.5	17	8.6	0.5	15	8.1	0.5	15	8.7	0.6	15	9.4	0.6	-4.1%	25.7%
11-12	13	-	11	9.2	0.8	13	10.2	0.8	12	10.1	0.8	12	10.8	0.9	12	11.6	1.0	-2.6%	20.3%
13-16	34	-	24	31.6	1.3	34	40.2	1.2	32	40.8	1.3	32	43.7	1.4	32	46.8	1.5	-2.0%	53.9%

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

2. Rand million

## Entities

### Alexkor

Alexkor was established in terms of the Alexkor Limited Act (1992) to mine marine and land diamonds in Alexander Bay, Northern Cape. Through its 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 plans to execute the remaining deed of settlement obligations regarding the transfer of properties and assets to the Richtersveld local municipality, the Richtersveld community and the Northern Cape provincial government. An amount of R45 million will be paid to the community as directed by the deed of settlement. A working group has been established to oversee the smooth transfer of municipal engineering infrastructure from Alexkor to the Richtersveld municipality and the provincial government. The cost for the transfer of municipal services is yet to be determined following an assessment of the status of the current infrastructure. The first municipal properties are expected to be transferred by 1 July 2019, and include 1 police station, 2 schools, 2 churches, 1 hospital and various public spaces.

In 2017/18, the Alexkor Richtersveld Mining Company Pooling and Sharing Joint Venture generated R409 million compared to the previous year's revenue of R757 million. This decrease is attributed to a decrease in deep sea diamond mining operations as a result of extensive fire damage to the joint venture's mining vessel. As a result, diamond production decreased from 152 000 carats in 2016/17 to 41 000 carats in 2017/18. Revenue in 2018/19 is expected to increase by 10 per cent with the commissioning of operations in other mining concessions.

Alexkor is experiencing financial challenges as its cash reserves for maintaining its head office have been depleted. In 2019/20, the department will review the company's operating structure to address these challenges. The outcome of the review will be presented to Cabinet for consideration.

## **Denel**

Denel was incorporated as a private company in 1992 in terms of the 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 the company's internal cost structure, efficiency, effectiveness, disposal of non-core businesses, improved supply chain policies and alignment of IT infrastructure with the new organisational structure. The goal is to establish a healthy strategic and operational foundation to facilitate sustainable and accelerated growth, and the ability to generate revenue and reduce reliance on financial support from government.

As a result of these measures, revenue is expected to increase at an average of 12 per cent over the medium term, from an estimated R1.9 billion in 2018/19. Denel experienced a 38 per cent decrease in revenue, from R8.1 billion in 2016/17 to R4.8 billion in 2017/18, recording a loss of R1.8 billion in 2017/18 after six years of consecutive profits. The company is expected to return to profitability from 2020/21. Denel plans to expand its exports 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.

Eskom and the department have concluded a turnaround strategy to deal with the company's short-term recovery and long-term sustainability. The strategy is premised on driving necessary reforms and efficiencies, containing operational costs, ensuring clean governance, and improving operational performance to ensure affordable and reliable electricity supply. As the entity focuses on implementing this strategy over the medium term, it will review its cost structure and business operating model to become financially sustainable and reposition itself for growth while responding to the changing energy landscape. The appointment of a new board of directors in January 2018 restored investor confidence and resulted in the entity receiving R43 billion in funding from capital markets.

The company's infrastructural build programme aims to build new power stations and refurbish existing ones to increase the output of high-voltage transmission power lines and transformer capacity. Investment in this programme has resulted in improved plant maintenance and increased capacity, leading to an increase in plant availability (the percentage of time a plant is available to generate power) from 77.3 per cent in 2016/17 to 78 per cent in 2017/18. As a result, with the commercialisation of Medupi units 4 and 5, and Kusile Unit 1, Eskom has been able to increase electricity capacity by 2 387 megawatts (MW), and total system capacity to more than 45 000 MW.

Eskom's revenue increased from R177.1 billion in 2016/17 to R177.4 billion in 2017/18. This marginal increase is attributed to the lower than inflation tariff increase granted by the National Energy Regulator of South Africa in 2017/18. As a result, Eskom's financial position continued to deteriorate due to operating expenditure and debt-servicing costs for the new build programme increasing at a higher rate than revenue.

## **South African Airways**

South African Airways is the country's national air carrier, and operates a full-service network in the international, regional and domestic markets. From August 2018, the president transferred executive authority responsibilities for the airline from the Minister of Finance to the Minister of Public Enterprises in terms of section 97 of the Constitution.

In 2017/18, the airline developed a long-term turnaround strategy, which was refined in 2018/19, in an effort to position the airline to support growth in trade and tourism, and in turn support job creation. To halt further decline in performance over the medium term, the company is focusing on optimising its route network, improving its use of aircraft, enhancing maintenance efficiency and cost effectiveness, driving down procurement costs, and improving employee productivity and accountability. As a result of these measures, with the support of the Department of Public Enterprises and other relevant departments, most domestic and regional routes are already operating profitably. In addition, proposals have been put forward for the implementation of a group corporate structure that will facilitate closer collaboration with South African Express Airways. The department will oversee and support the implementation of the approved structure.

In the 2018/19 adjustments budget, the airline was allocated R5 billion. This contributed to improving its solvency, although it still remains technically insolvent. Despite an anticipated improvement in financial performance with the implementation of the turnaround strategy, it is unlikely that the airline will return to solvency immediately. Therefore, over the medium term, South African Airways will consider bringing on board a strategic equity partner.

## **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 grounded by the South African Civil Aviation Authority in May 2018, but has since recovered both its air operator's certificate and licence as an airline maintenance organisation, and has been strengthening its safety management systems. It resumed operations in August 2018.

In 2018/19, the company revised its turnaround strategy to focus on stabilising its financial and operational performance to reduce its high cost structure and improve its ability to generate revenue. A number of initiatives were identified to implement the strategy, including optimising the airline's route network; cancelling or renegotiating contracts and agreements; strengthening revenue and yield management; filling key positions; enhancing organisational culture and values; ensuring that at least 90 per cent of flights are on time; and improving schedule and aircraft reliability.

Over the medium term, the airline plans to work with the Department of Public Enterprises and National Treasury towards finalising an optimal corporate structure to foster collaboration among state airlines and improve performance. The company is also working with South African Airways to identify synergies, such as the joint procurement of IT services, collaborative pilot and cabin crew training, joint ground handling and procurement, and centralised route planning.

The company received R1.2 billion during the 2018/19 adjustments budget for the repayment of government-guaranteed debt. This allocation is expected to help improve the airline's liquidity.

## **South African Forestry Company**

The South African Forestry Company was established in 1992 in terms of the Management of State Forests Act (1992). It 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 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, poles for the electricity distribution sector, and furniture. The company supports communities around its operations, and is developing suitable land settlement models in partnership with the Department of Rural Development and Land Reform.

The company's revenue decreased from R1 billion in 2016/17 to R900 million in 2017/18 as a result of poor log and timber sales, and delays in the upgrading of obsolete equipment at its subsidiaries (Timbadola in Limpopo and Industrias Florestais de Manica in Mozambique), which resulted in high maintenance costs. Despite this decrease in revenue, the company remains stable and is able to sustain itself without relying on financial support from government. Revenue is expected to increase to R1.6 billion in 2021/22 as a result of planned investments in new projects.

## **Transnet**

Transnet plays a significant role in South Africa's freight logistics. The company is mandated to contribute to lowering the cost of doing business in South Africa to enable economic growth by providing appropriate port, rail and pipeline infrastructure. Its 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 aims to continue lowering the costs of freight transport. Since the inception of the entity's market demand strategy in 2012, more than R165.6 billion has been spent on infrastructure and maintenance projects. Over the five-year period ending 2022/23, Transnet plans to invest R163.7 billion in capital expenditure, particularly in rail, port and pipeline infrastructure, across its operating divisions to sustain and expand capacity. In 2017/18, the entity invested R5.4 billion in expanding its infrastructure and equipment, and R16.4 billion in maintaining capacity in its rail and ports divisions.

As a result of the improved infrastructure, Transnet Freight Rail, a division of Transnet, moved 226.3 million tonnes in 2017/18 compared to 219.1 million tonnes in 2016/17, an increase of 3.3 per cent. This contributed to an 11.3 per cent increase in Transnet's revenue, from R65.5 billion in 2016/17 to R72.9 billion in 2017/18. As a result, the company's profit increased by 75 per cent over the same period, from R2.8 billion to R4.9 billion. However, growth was slower in 2018/19 due to the challenging economic environment.

Performance in port operations improved by 6 per cent, from 4 396 twenty-foot equivalent units in 2016/17 to 4 664 in 2017/18. However, pipeline volumes decreased by 3.9 per cent, from 16.9 billion litres in 2016/17 to 16.3 billion litres in 2017/18 due to a two-month closure of a fuel refinery following an explosion in May 2017. Full operationalisation of the new multi-product pipeline for diesel and fuel products is expected to increase liquid fuel volume throughput over the medium term. Major projects scheduled for 2018/19 include the construction of crude oil refinery tanks and the upgrading of fire protection systems at various sites.







# 2019 BUDGET

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