BUDGET 2013

ESTIMATES OF NATIONAL EXPENDITURE

VOTE 11: Public Enterprises

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Estimates of National Expenditure

2013

National Treasury

Republic of South Africa

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The Estimates of National Expenditure 2013 e-publications are compiled with the latest available information from departmental and other sources. Some of this information is unaudited or subject to revision.

The Estimates of National Expenditure e-publications for individual votes are available on www.treasury.gov.za.

Compared to the abridged version of the Estimates of National Expenditure, these publications contain more comprehensive coverage of goods and services, transfers and subsidies, and public entities. Additional tables are included containing information on the main and adjusted appropriation, with revised spending estimates for the current financial year, on skills training, conditional grants to provinces and municipalities, public private partnerships and information on donor funding. Expenditure information at the level of service delivery is also included, where appropriate.

Foreword

The 2013 Budget is set within the context of a prolonged and slow economic recovery globally and domestically; arising as an overhang from the global financial crisis of 2008, domestic structural constraints and recent supply side disruptions emanating from the mining sector. The fiscal stance underpinning this year's Budget balances support for the economy in the short term with the objective of rebuilding fiscal space in the medium to long term. This approach is informed by a growing belief that some of the slowdown in growth and revenue is in fact structural. Accordingly, strong measures have been instituted to contain government's consumption expenditure.

The 2012 medium term budget policy statement (MTBPS) presented an expenditure framework that kept the budget baselines for the first two years of the 2013 medium term expenditure framework (MTEF) unchanged since their publication in February 2012. Spending agencies had been advised to reprioritise spending within their baseline allocations to accommodate new priorities or the expansion of existing programmes. However, in response to the cumulative effects of the slowdown in growth and revenue, government has appropriately decided to reduce aggregate spending by R10.4 billion relative to the 2013 MTEF announced in the 2012 MTBPS. In addition, R52.1 billion has been shifted from within institutional baselines for reprioritisation to key government priority programmes. All of this has been done in a manner that does not compromise the attainment of the priorities set out in the MTBPS.

In guiding departments on how to approach the 2013 Budget, the Ministers' Committee on the Budget stated: 'In response to difficult global economic circumstances, we have expanded government's contribution to the economy. … Financing this expansion at the same time as declining government income has meant a significant increase in borrowing. Since 2008/09, our stock of debt has more than doubled, and with it, the cost of servicing our debt has also accelerated. Higher borrowing and interest costs have meant that fiscal space is being eroded and our economy will have to finance a relatively larger government interest bill for many years. This means less money will be available for other purposes.' (2012 Medium Term Expenditure Framework Guidelines)

Indeed, departments and spending agencies do have to learn to do more with less. In the period ahead, improvements in outcomes have to come from qualitative improvements in the use of available budgets and other inputs. All institutions need to increase their efficiency and effectiveness in terms of service delivery, particularly in relation to infrastructure development. The National Development Plan 2030 sets out the planning framework for improving delivery in the public sector. The National Development Plan is the first long term plan for South Africa. Future budgets will therefore facilitate stronger alignment of institutional planning with the National Development Plan.

With our well established budgeting processes and practices, we have a good basis for the changes we need to make into the future in order to continue to ensure fiscal sustainability, while simultaneously increasing government performance in line with the expectations of South Africans. In the 2012 Open Budget Index Survey, conducted independently by the International Budget Partnership, South Africa was rated second out of the 100 countries participating in this assessment of budget transparency. South Africans can be proud of the comprehensiveness of the budget information that is available and should strive to make good use of the information in discussions with government regarding its policies and practices.

The expenditure estimates on the votes are the product of extensive consultative processes of policy review at the technical and executive level, designed to ensure the efficient allocation of public funds. These took place under difficult economic circumstances. I am grateful to our colleagues in national departments and agencies for their partnership, contributions and advice, during both the budget process and the finalisation of this publication. Special appreciation goes out to the team at National Treasury, who worked tirelessly to produce a document, the substance and quality of which are a source of great pride.

Lungisa Fuzile
Director-General: National Treasury

Introduction

The Estimates of National Expenditure publications

The Estimates of National Expenditure publications are important accountability documents, which set out the details in relation to planned expenditure and planned performance at the time of the tabling of the Budget. In pursuit of an ever-improving representation of information, many changes have been introduced in the 2013 ENE publications. In terms of the non-financial information, it is noted in these publications how vote activities are envisaged to align with the National Development Plan 2030 over the long term, and how they are contributing to government's 12 outcomes and other key service delivery goals. Performance information has been further emphasised and in the 2013 ENE publications forms an integral part of the discussion of the financial information in the expenditure trends section of every programme within each of the votes. The personnel information has also been disaggregated and moved to the programme level. This allows for a more holistic discussion of budget plans at the programme level and gives greater effect to South Africa's Programme Budgeting by function approach.

Essentially, performance, personnel and finances are discussed together in respect of the impact they have on the programme plans. The analyses of the average growth of different categories of personnel and expenditure over time, as well as the magnitude this represents relative to the total, are now shown in the publication tables. This makes the narrative in the text less cluttered and more specifically focused on performance and related discussions. Expenditure information is in addition now shown for selected subprogrammes by economic classification, together with tables showing personnel numbers according to salary level for these subprogrammes. Progress made on the implementation of key existing and new infrastructure projects is discussed with all infrastructure projects shown in an additional table.

The e-publications for individual votes contain more comprehensive coverage of goods and services, transfers and subsidies, and public entities. Additional tables are included containing information on: the main and adjusted appropriation, with revised spending estimates for the current financial year; training; conditional grants to provinces and municipalities; public private partnerships; and donor funding. Expenditure information at the level of service delivery is also included, where appropriate.

A consolidated account, summarising the Estimates of National Expenditure publication information across votes, is provided in the form of a narrative and summary tables in the Introduction chapter, which is included in the front pages of the abridged version of the Estimates of National Expenditure. A write-up containing the explanation of the information that is contained in each section of the publications has also been included in the abridged version of the Estimates of National Expenditure. Like the separate Estimates of National Expenditure e-publications for each vote, the abridged Estimates of National Expenditure publication is also available on www.treasury.gov.za.

Public Enterprises

National Treasury

Republic of South Africa

Contents

Vote 11

Public Enterprises

Budget summary

	2013/14				2014/15	2015/16
R million	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	127.1	124.7	0.1	2.3	135.2	141.0
Legal and Governance	23.8	23.8	–	–	26.1	27.5
Portfolio Management and Strategic Partnerships	85.9	85.9	–	–	98.5	110.9
Total expenditure estimates	**236.9**	**234.5**	**0.1**	**2.3**	**259.8**	**279.3**
Executive authority	Minister of Public Enterprises					
Accounting officer	Director General of Public Enterprises					
Website address	www.dpe.gov.za					

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

Aim

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 mandate of the Department of Public Enterprises is to exercise shareholder responsibility over the following state owned companies that are central to the developmental objectives set out in the new growth path, the industrial policy action plan and the national development plan: Alexkor, Broadband Infraco, Eskom, South African Forestry Company Limited, South African Airways, South African Express Airways, Transnet, Denel and Pebble Bed Modular Reactor. Except for Denel and the Pebble Bed Modular Reactor, all the state owned companies are established in terms of their own legislation. The department is the custodian of all legislation relating to the establishment of the state owned companies. The department aims to ensure the sustainability of the state owned companies and supports the government’s strategic priorities of economic growth, expanding employment and developing infrastructure.

Strategic goals

The department’s strategic goals over the medium term are to:

- provide decisive strategic direction to the state owned companies by ensuring they have credible business and capital expenditure plans
- ensure the reliable generation, distribution and transmission of electricity
- support the logistics system through oversight of the implementation of Transnet’s market demand strategy
- mobilise external funding sources
- strengthen the state owned companies’ competitive supplier development programmes to contribute to the reindustrialisation of the economy
- monitor implementation of skills development programmes within state owned companies
- develop and implement programmes with state owned companies that contribute to social and economic transformation.

Programme purposes

Programme 1: Administration

Purpose: Provide strategic management, direction and administrative support to the department that enables the department to meet its strategic objectives.

Programme 2: Legal and Governance

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

Programme 3: Portfolio Management and Strategic Partnerships

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

Selected performance indicators

Table 11.1 Public Enterprises

Indicator	Programme	Outcome to which it contributes	Past			Current	Projections		
			2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Number of shareholder compacts signed per year	Portfolio Management and Strategic Partnerships	Outcome 6: An efficient, competitive and responsive economic infrastructure network	9	8	7[1]	9[1]	8	8	8
Number of new corporate plans reviewed per year	Portfolio Management and Strategic Partnerships		9	8	8	8	8	8	8
Number of quarterly financial reviews per year	Portfolio Management and Strategic Partnerships		36	32	31[2]	32	32	32	32
Number of departmental projects provided with technical and financial support per year[3]	Portfolio Management and Strategic Partnerships		8	5	6	–[3]	–[3]	–[3]	–[3]

1. Signature of the shareholder compact with Broadband Infraco for 2011/12 was delayed to April 2012 due to the appointment of the new board. The signing of this compact is reflected in the 2012/13 figure.

2. The third quarterly financial review for South African Express was not completed due to the company's financials being re-stated.

3. This process ceased to exist from 2012/13 as the department realigned its programmes..

The national development plan

The key objectives of the national development plan are to grow the economy, reduce poverty and increase employment. The department plans to contribute to these objectives through Eskom's build programme and Transnet's capital expenditure programme in order to improve industrial capabilities and the productive capacity of the economy. The department will also focus on the development of the business plans for the strategic integrated projects to meet these objectives.

Expenditure estimates

Table 11.2 Public Enterprises

Programme R million	Audited outcome 2009/10	2010/11	2011/12	Adjusted appropri-ation 2012/13	Revised estimate 2012/13	Average growth rate (%) 2009/10 - 2012/13	Expen-diture/ total: Average (%) 2009/10 - 2012/13	Medium-term expenditure estimate 2013/14	2014/15	2015/16	Average growth rate (%) 2012/13 - 2015/16	Expen-diture/ total: Average (%) 2012/13 - 2015/16
Administration	79.2	88.2	108.6	108.5	108.5	11.1%	6.2%	127.1	135.2	141.0	9.1%	23.8%
Legal and Governance	16.6	14.7	19.5	26.2	26.2	16.5%	1.2%	23.8	26.1	27.5	1.5%	4.8%
Portfolio Management and Strategic Partnerships	3 887.5	437.2	218.0	1 242.0	1 242.0	-31.6%	92.6%	85.9	98.5	110.9	-55.3%	71.4%
Total	**3 983.3**	**540.0**	**346.1**	**1 376.8**	**1 376.8**	**-29.8%**	**100.0%**	**236.9**	**259.8**	**279.3**	**-41.2%**	**100.0%**
Change to 2012 Budget estimate				127.7	127.7			26.1	36.6	45.9		
Economic classification												
Current payments	**165.0**	**160.1**	**185.1**	**206.2**	**206.2**	**7.7%**	**11.5%**	**234.5**	**255.6**	**275.6**	**10.2%**	**45.1%**
Compensation of employees	75.2	83.1	96.2	111.5	111.5	14.0%	5.9%	130.7	144.5	155.5	11.7%	25.2%
Goods and services	89.8	77.1	88.9	94.7	94.7	1.8%	5.6%	103.8	111.1	120.1	8.2%	20.0%
of which:												
Administration fees	*0.6*	*0.1*	*0.1*	*0.7*	*0.7*	*3.0%*	*0.0%*	*0.1*	*0.1*	*0.1*	*-54.2%*	*0.0%*
Advertising	*0.5*	*3.5*	*1.8*	*1.1*	*1.1*	*34.3%*	*0.1%*	*3.6*	*3.8*	*3.7*	*49.3%*	*0.6%*
Assets less than the capitalisation threshold	*0.3*	*0.3*	*0.4*	*1.1*	*1.1*	*48.3%*	*0.0%*	*1.0*	*1.1*	*1.1*	*1.5%*	*0.2%*
Audit cost: External	*2.0*	*2.6*	*4.1*	*1.3*	*1.3*	*-12.9%*	*0.2%*	*1.6*	*1.6*	*1.7*	*9.3%*	*0.3%*
Bursaries: Employees	*0.7*	*0.9*	*0.6*	*0.7*	*0.7*	*-1.2%*	*0.0%*	*1.0*	*1.1*	*1.1*	*19.2%*	*0.2%*
Catering: Departmental activities	*1.2*	*1.1*	*1.1*	*1.8*	*1.8*	*14.9%*	*0.1%*	*1.6*	*1.7*	*1.8*	*-0.6%*	*0.3%*
Communication	*2.8*	*2.4*	*3.3*	*3.6*	*3.6*	*9.6%*	*0.2%*	*3.4*	*3.5*	*3.7*	*0.4%*	*0.7%*
Computer services	*3.0*	*3.0*	*2.7*	*2.5*	*2.5*	*-5.1%*	*0.2%*	*3.1*	*3.3*	*3.4*	*10.5%*	*0.6%*
Consultants and professional services: Business and advisory services	*40.8*	*26.8*	*26.8*	*33.4*	*33.4*	*-6.5%*	*2.0%*	*32.2*	*35.7*	*41.3*	*7.3%*	*6.6%*
Consultants and professional services: Legal costs	*5.1*	*5.4*	*2.4*	*1.7*	*1.7*	*-31.2%*	*0.2%*	*3.0*	*3.2*	*3.3*	*25.6%*	*0.5%*
Contractors	*1.5*	*1.8*	*1.0*	*1.9*	*1.9*	*7.4%*	*0.1%*	*2.3*	*2.4*	*2.5*	*10.4%*	*0.4%*
Agency and support / outsourced services	*3.7*	*2.9*	*2.5*	*3.6*	*3.6*	*-0.3%*	*0.2%*	*4.9*	*5.1*	*5.3*	*13.6%*	*0.9%*
Entertainment	*0.2*	*0.0*	*0.1*	*0.2*	*0.2*	*8.0%*	*0.0%*	*0.4*	*0.4*	*0.5*	*25.4%*	*0.1%*
Fleet services (including government motor transport)	*–*	*0.3*	*0.8*	*0.9*	*0.9*		*0.0%*	*0.8*	*0.9*	*0.9*	*0.7%*	*0.2%*
Inventory: Food and food supplies	*–*	*–*	*0.1*	*0.1*	*0.1*		*0.0%*	*0.2*	*0.2*	*0.2*	*16.0%*	*0.0%*
Inventory: Materials and supplies	*0.0*	*0.0*	*0.1*	*0.1*	*0.1*	*196.2%*	*0.0%*	*0.0*	*0.0*	*0.0*	*-39.8%*	*0.0%*
Inventory: Medical supplies	*0.0*	*–*	*0.0*	*0.0*	*0.0*	*-51.9%*	*0.0%*	*–*	*–*	*–*	*-100.0%*	*0.0%*
Inventory: Medicine	*–*	*–*	*–*	*0.0*	*0.0*		*0.0%*	*–*	*–*	*–*	*-100.0%*	*0.0%*
Inventory: Other consumables	*0.1*	*0.0*	*0.0*	*0.1*	*0.1*	*7.5%*	*0.0%*	*0.0*	*0.0*	*0.0*	*-33.7%*	*0.0%*
Inventory: Stationery and printing	*1.5*	*1.6*	*2.0*	*2.4*	*2.4*	*17.0%*	*0.1%*	*3.2*	*3.3*	*3.5*	*12.9%*	*0.6%*
Operating leases	*2.5*	*2.8*	*1.7*	*1.3*	*1.3*	*-19.4%*	*0.1%*	*0.5*	*0.6*	*0.6*	*-22.9%*	*0.1%*
Property payments	*5.9*	*5.4*	*6.9*	*7.7*	*7.7*	*9.3%*	*0.4%*	*8.1*	*8.5*	*8.9*	*4.9%*	*1.5%*
Travel and subsistence	*14.2*	*12.2*	*24.3*	*20.2*	*20.2*	*12.5%*	*1.1%*	*25.0*	*26.3*	*27.5*	*10.8%*	*4.6%*
Training and development	*1.5*	*1.6*	*2.4*	*2.4*	*2.4*	*16.4%*	*0.1%*	*2.3*	*2.5*	*2.6*	*2.2%*	*0.5%*
Operating payments	*1.0*	*1.2*	*1.7*	*3.1*	*3.1*	*43.8%*	*0.1%*	*3.1*	*3.3*	*3.7*	*6.7%*	*0.6%*
Venues and facilities	*0.7*	*1.0*	*1.9*	*2.8*	*2.8*	*55.6%*	*0.1%*	*2.3*	*2.5*	*2.7*	*-1.1%*	*0.5%*
Transfers and subsidies	**2 059.4**	**238.0**	**157.0**	**118.5**	**118.5**	**-61.4%**	**41.2%**	**0.1**	**0.1**	**0.1**	**-90.4%**	**5.5%**
Public corporations and private enterprises	2 058.7	237.3	156.3	118.3	118.3	-61.4%	41.2%	–	–	–	-100.0%	5.5%
Households	0.7	0.7	0.7	0.2	0.2	-36.2%	0.0%	0.1	0.1	0.1	-15.8%	0.0%
Payments for capital assets	**1.3**	**3.2**	**4.1**	**2.1**	**2.1**	**18.0%**	**0.2%**	**2.3**	**4.1**	**3.6**	**19.8%**	**0.6%**
Machinery and equipment	1.3	3.2	3.9	2.1	2.1	17.9%	0.2%	2.3	4.1	3.6	20.4%	0.6%
Software and other intangible assets	0.0	–	0.1	0.0	0.0	26.0%	0.0%	–	–	–	-100.0%	0.0%
Payments for financial assets	**1 757.6**	**138.7**	**0.0**	**1 050.0**	**1 050.0**	**-15.8%**	**47.2%**	**–**	**–**	**–**	**-100.0%**	**48.8%**
Total	**3 983.3**	**540.0**	**346.1**	**1 376.8**	**1 376.8**	**-29.8%**	**100.0%**	**236.9**	**259.8**	**279.3**	**-41.2%**	**100.0%**

Personnel information

Table 11.3 Details of approved establishment and personnel numbers according to salary level1

	Post status as at 30 September 2012 Number of funded posts	Number of posts additional to the establishment	Number and cost² of personnel posts filled / planned for on funded establishment Actual 2011/12			Revised estimate³ 2012/13			Medium-term expenditure estimate 2013/14			2014/15			2015/16			Number Average growth rate (%) 2012/13 - 2015/16	Salary level/total: Average (%) 2012/13 - 2015/16
Public Enterprises			Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost		
Salary level	**191**	**3**	**191**	**94.6**	**0.5**	**170**	**108.4**	**0.6**	**220**	**126.0**	**0.6**	**227**	**136.8**	**0.6**	**227**	**145.2**	**0.6**	**10.1%**	**100.0%**
1 – 6	15	3	16	3.8	0.2	16	4.5	0.3	17	3.4	0.2	17	3.5	0.2	17	3.7	0.2	2.0%	7.9%
7 – 10	72	–	71	21.7	0.3	66	24.7	0.4	78	23.4	0.3	78	25.5	0.3	78	26.6	0.3	5.7%	35.5%
11 – 12	31	–	31	14.3	0.5	30	18.8	0.6	39	21.0	0.5	43	23.1	0.5	43	25.5	0.6	12.7%	18.4%
13 – 16	73	–	73	54.9	0.8	58	60.3	1.0	86	78.2	0.9	89	84.6	1.0	89	89.3	1.0	15.3%	38.2%

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.
2. Rand million.
3. As at 30 September 2012.

Expenditure trends

The spending focus over the medium term will be on continuing to strengthen and expand the department's oversight capacity over the state owned companies' plans and the rollout of the strategic integrated projects, including Transnet's fleet procurement plans and Eskom's build programme. As a result, the personnel establishment is expected to increase to 227 over the medium term, with spending on compensation of employees increasing accordingly. This projected increase is a continuation of the trend of increasing personnel numbers and spending on compensation of employees between 2009/10 and 2012/13. The increase over the medium term is further informed by additional allocations to the department for improved conditions of service. Spending on goods and services increases over the seven-year period to provide support for the growing personnel establishment and consultants to provide specialised services.

Between 2009/10 and 2012/13, spending in the *Portfolio Management and Strategic Partnerships* programme decreased significantly due mainly to the once-off capital payment of R1.5 billion in 2009/10 to the Pebble Bed Modular Reactor, which has been placed into care and maintenance, and the R1.7 billion recapitalisation of South African Airways in 2009/10. Spending in this programme over the medium term is expected to decrease further because the department does not expect to make transfer payments or payments for financial assets to state owned companies, and will instead direct efforts over this period towards maximising the contribution of state owned companies to the nation's developmental objectives.

As at 30 September 2012, the department had an approved establishment of 191 funded posts. The department received approval and funding for an additional 12 posts in August 2012, bringing the number of funded posts to 202. There were 32 vacant posts as at 30 *September 2012 and* the department expects to fill them in due course in line with its strategy to build the capacity to exercise oversight over the state owned companies. Most of the vacancies were in salary levels 13 to 15. The ratio of support staff to line function staff was 1.85:1 as at 30 September 2012.

The 2013 Budget includes allocations of R20.1 million in 2013/14, R31.6 million in 2014/15 and R35.9 million in 2015/16 for spending on the following policy priorities:

- R10.4 million for improved conditions of service as a result of negotiated salary increases
- R40.2 million to increase personnel
- R38.1 million reallocated from the National Treasury to this department for additional personnel
- R20 million from the economic competitiveness support package for the research and development of a long term national freight network design.

Consultants are used for highly technical research projects requiring specialised skills beyond the capacity of the department. Spending on consultants decreased between 2009/10 and 2012/13 following the department's decision to recruit new staff and reduce its reliance on consultants.

Departmental receipts

Table 11.4 Receipts

	Audited outcome			Adjusted estimate	Revised estimate	Average growth rate (%)	Receipt/ total: Average (%)	Medium-term receipts estimate			Average growth rate (%)	Receipt/ total: Average (%)
R thousand	2009/10	2010/11	2011/12	2012/13		2009/10 - 2012/13		2013/14	2014/15	2015/16	2012/13 - 2015/16	
Departmental receipts	**1 168**	**266**	**66**	**576**	**576**	**-21.0%**	**100.0%**	**97**	**102**	**107**	**-42.9%**	**100.0%**
Sales of goods and services produced by department	**36**	**44**	**51**	**54**	**54**	**14.5%**	**8.9%**	**48**	**50**	**52**	**-1.3%**	**23.1%**
Other sales	36	44	51	54	54	14.5%	8.9%	48	50	52	-1.3%	23.1%
of which:												
Garage rent	*27*	*31*	*35*	*34*	*34*	*8.0%*	*6.1%*	*35*	*36*	*37*	*2.9%*	*16.1%*
Commission insurance	*9*	*13*	*16*	*20*	*20*	*30.5%*	*2.8%*	*13*	*14*	*15*	*-9.1%*	*7.0%*
Sales of scrap, waste, arms and other used current goods	**–**	**1**	**2**	**2**	**2**	**–**	**0.2%**	**3**	**4**	**5**	**35.7%**	**1.6%**
of which:												
Scrap paper	*–*	*1*	*2*	*2*	*2*	*–*	*0.2%*	*3*	*4*	*5*	*35.7%*	*1.6%*
Interest, dividends and rent on land	**7**	**77**	**5**	**18**	**18**	**37.0%**	**5.2%**	**19**	**20**	**21**	**5.3%**	**8.8%**
Interest	7	77	5	18	18	37.0%	5.2%	19	20	21	5.3%	8.8%
Sales of capital assets	**19**	**5**	**8**	**–**	**–**	**-100.0%**	**1.5%**	**–**	**–**	**–**	**–**	**–**
Transactions in financial assets and liabilities	**1 106**	**139**	**–**	**502**	**502**	**-23.1%**	**84.2%**	**27**	**28**	**29**	**61.3%**	**66.4%**
Total	**1 168**	**266**	**66**	**576**	**576**	**-21.0%**	**100.0%**	**97**	**102**	**107**	**42.9%**	**100.0%**

Programme 1: Administration

Expenditure estimates

Table 11.5 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Expen-diture/ total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expen-diture/ total: Average (%)
R thousand	2009/10	2010/11	2011/12	2012/13	2009/10 - 2012/13		2013/14	2014/15	2015/16	2012/13 - 2015/16	
Ministry	19 803	25 766	31 861	28 660	13.1%	27.6%	32 624	35 909	37 019	8.9%	26.2%
Management	6 409	5 198	8 240	6 565	0.8%	6.9%	10 496	11 055	11 618	21.0%	7.8%
Corporate Services	20 165	21 443	23 920	24 455	6.6%	23.4%	25 381	26 653	27 953	4.6%	20.4%
Chief Financial Officer	8 049	9 557	11 171	8 777	2.9%	9.8%	9 004	9 447	9 938	4.2%	7.3%
Human Resources	7 699	9 877	9 499	12 020	16.0%	10.2%	16 984	17 850	18 389	15.2%	12.7%
Communications	8 151	7 929	13 050	11 611	12.5%	10.6%	10 467	10 993	11 565	-0.1%	8.7%
Strategic Planning, Monitoring and Evaluation	–	–	–	3 846	–	1.0%	2 904	3 052	3 208	-5.9%	2.5%
Intergovernmental Relations	–	–	–	1 582	–	0.4%	7 498	7 884	8 283	73.6%	4.9%
Internal Audit	2 996	3 009	4 285	3 677	7.1%	3.6%	4 016	4 223	4 433	6.4%	3.2%
Office Accommodation	5 919	5 413	6 609	7 353	7.5%	6.6%	7 758	8 170	8 545	5.1%	6.2%
Total	**79 191**	**88 192**	**108 635**	**108 546**	**11.1%**	**100.0%**	**127 132**	**135 236**	**140 951**	**9.1%**	**100.0%**
Change to 2012 Budget estimate				4 152			16 565	18 795	140 951		
Economic classification											
Current payments	**77 221**	**84 235**	**103 835**	**106 301**	**11.2%**	**96.6%**	**124 748**	**131 067**	**137 247**	**8.9%**	**97.6%**
Compensation of employees	37 469	42 657	51 287	54 490	13.3%	48.3%	62 336	65 344	68 854	8.1%	49.0%
Goods and services	39 752	41 578	52 548	51 811	9.2%	48.3%	62 412	65 723	68 393	9.7%	48.5%
of which:											
Consultants and professional services: Business and advisory services	*2 327*	*1 847*	*3 237*	*4 470*	*24.3%*	*3.1%*	*6 087*	*6 411*	*6 704*	*14.5%*	*4.6%*
Agency and support / outsourced services	*3 681*	*2 281*	*2 199*	*3 521*	*-1.5%*	*3.0%*	*4 137*	*4 359*	*4 556*	*9.0%*	*3.2%*
Property payments	*5 919*	*5 435*	*6 884*	*7 720*	*9.3%*	*6.7%*	*8 100*	*8 530*	*8 921*	*4.9%*	*6.5%*
Travel and subsistence	*8 912*	*8 621*	*16 418*	*13 126*	*13.8%*	*12.2%*	*17 399*	*18 319*	*19 164*	*13.4%*	*13.3%*
Transfers and subsidies	**678**	**694**	**723**	**152**	**-39.3%**	**0.6%**	**100**	**100**	**105**	**-11.6%**	**0.1%**
Households	678	694	723	152	-39.3%	0.6%	100	100	105	-11.6%	0.1%
Payments for capital assets	**1 263**	**3 169**	**4 071**	**2 093**	**18.3%**	**2.8%**	**2 284**	**4 069**	**3 599**	**19.8%**	**2.4%**
Machinery and equipment	1 247	3 169	3 922	2 061	18.2%	2.7%	2 284	4 069	3 599	20.4%	2.3%
Software and other intangible assets	16	–	149	32	26.0%	0.1%	–	–	–	-100.0%	–
Payments for financial assets	**29**	**94**	**6**	**–**	**-100.0%**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**79 191**	**88 192**	**108 635**	**108 546**	**11.1%**	**100.0%**	**127 132**	**135 236**	**140 951**	**9.1%**	**100.0%**
Proportion of total programme expenditure to vote expenditure	**2.0%**	**16.3%**	**31.4%**	**7.9%**			**53.7%**	**52.1%**	**50.5%**		
Details of transfers and subsidies											
Households											
Other transfers to households											
Current	**678**	**694**	**723**	**152**	**-39.3%**	**0.6%**	**100**	**100**	**105**	**-11.6%**	**0.1%**
Employee social benefits	–	–	–	52	–	–	–	–	–	-100.0%	–
Gifts and donations	678	694	723	100	-47.2%	0.6%	100	100	105	1.6%	0.1%

Personnel information

Table 11.6 Details of approved establishment and personnel numbers according to salary level[1]

Post status as at 30 September 2012			Number and cost[2] of personnel posts filled / planned for on funded establishment															Number	
	Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate[3]			Medium-term expenditure estimate									Average growth rate (%)	Salary level/total: Average (%)
			2011/12			2012/13			2013/14			2014/15			2015/16			2012/13 - 2015/16	
Administration			Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost		
Salary level	**108**	**3**	**108**	**48.1**	**0.4**	**101**	**52.3**	**0.5**	**120**	**58.5**	**0.5**	**120**	**61.3**	**0.5**	**120**	**64.6**	**0.5**	**5.9%**	**100.0%**
1 – 6	15	3	16	3.8	0.2	16	4.5	0.3	17	3.4	0.2	17	3.5	0.2	17	3.7	0.2	2.0%	14.5%
7 – 10	47	–	46	16.0	0.3	43	18.7	0.4	53	15.7	0.3	53	16.4	0.3	53	17.3	0.3	7.2%	43.8%
11 – 12	18	–	18	8.5	0.5	17	9.9	0.6	20	11.4	0.6	20	12.0	0.6	20	12.6	0.6	5.6%	16.7%
13 – 16	28	–	28	19.9	0.7	25	19.2	0.8	30	28.0	0.9	30	29.4	1.0	30	31.0	1.0	6.3%	24.9%

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.
2. Rand million.
3. As at 30 September 2012.

Expenditure trends

The spending focus over the medium term will be on providing administrative support to the minister and corporate services to the department, and providing for the department's human resource needs. Thus the bulk of the programme's allocation over the medium term goes to spending on compensation of employees. A significant portion of the programme's allocation over the medium term also goes to spending on travel and subsistence due to the department's increasing engagements with investors, suppliers and other stakeholders.

Between 2009/10 and 2012/13, expenditure on compensation of employees increased significantly due to additional funding for improved conditions of service and an increase in the number of personnel in this programme due to the introduction of new subprogrammes to deal with intergovernmental issues and performance monitoring and evaluation. Expenditure on goods and services also increased over this period to support the increased number of personnel. The number of posts on the establishment is projected to continue to increase to 120 in 2013/14 for the same reason and to support the growing personnel capacity in other programmes. Thus expenditure on compensation of employees is also expected to continue increasing over the medium term.

Expenditure on consultants increases significantly over the seven-year period due to the shifting of consultant expenditure from Programme 3 to this programme to support the Minister and Director-General in matters relating to the strategy.

Programme 2: Legal and Governance

Objectives

- Ensure effective shareholder oversight of the state owned companies by:
  - providing legal services to the department as and when required
  - addressing the constraints on state owned companies' contract negotiation and management to improve commercial competence and contribute to economic growth and development
  - finalising pending litigation matters as and when negotiated settlements are achieved or court cases are concluded over the MTEF period
  - winding up of the Aventura and Diabo Trusts over the medium term period
  - reporting to the Human Rights Commission in 2013/14 on the department's implementation of the Promotion of Access to Information Act (2000) over the medium term period as and when complaints are received
  - providing assistance on developing and negotiating shareholder compacts and frameworks on significance and materiality annually, as and when required
  - monitoring targets in the shareholder compacts quarterly
  - analysing and advising on all Public Finance Management Act (1999) applications as and when submitted by state owned companies' boards to the minister for approval and making recommendations to the minister
  - providing guidance as needed on the appropriate delegation frameworks between the state owned companies board and executive management, advising the minister when considering nominations for state owned companies board appointments and preparing the lists of recommended candidates for submission to Cabinet
  - advising the minister and guiding the annual general meeting cycle in compliance with statutes and shareholder expectations annually
  - reviewing and updating the ownership policy, governance toolkit and guidelines, as well as monitoring and evaluating application by state owned companies annually
  - advising on remuneration practices and performance of the state owned companies' boards and executive management aligned to the shareholder's compacts on an ongoing basis.
- Ensure that the department and its portfolio of state owned companies comply with legal, regulatory and risk requirements, as required, by:

– monitoring the state owned companies corporate governance indicators through the dashboard on a quarterly basis over the MTEF period
– monitoring and assessing the impact of legislation on state owned companies and alerting the companies to changes and possible risks as and when required over the MTEF period
– implementing risk and compliance systems to ensure the monitoring of legal and regulatory compliance
– identifying, analysing and reporting of risks quarterly over the MTEF period
– optimising risk and compliance management processes to ensure risk management is embedded throughout the department annually over the MTEF period.

Subprogrammes

- *Management* comprises the office of the deputy director general, which provides strategic leadership and management of the programme's personnel. This subprogramme had a staff complement of 2 in 2012/13.
- *Legal* provides internal legal services and oversight support to sector teams. This entails providing legal services, including transaction and contract management support to the department, as well as work specifically related to sector teams' oversight of commercial activities of state owned companies within their portfolios. In 2012/13, the department successfully implemented a coordinated approach to the state owned company regulatory cycle and completed a legislative review and alignment to the new Companies Act (2008). The framework for the memorandum of incorporation was submitted to the state owned companies for adoption and each memorandum of incorporation was submitted to minister for approval in 2012/13 before implementation by the state owned companies in 2013/14. This subprogramme had a staff complement of 12 in 2012/13.
- *Governance* develops, manages and effects corporate governance and shareholder management systems for the department and its portfolio of state owned companies. This includes quarterly risk management, compliance and regulatory reporting systems, and monthly management reporting systems to ensure better oversight over the companies. This subprogramme had a staff complement of 9 in 2012/13.

Expenditure estimates

Table 11.7 Legal and Governance

Subprogramme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Expen-diture/ total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expen-diture/ total: Average (%)
R thousand	2009/10	2010/11	2011/12	2012/13	2009/10 - 2012/13		2013/14	2014/15	2015/16	2012/13 - 2015/16	
Management	1 725	1 581	1 822	2 315	10.3%	9.7%	2 358	2 475	2 606	4.0%	9.4%
Legal	12 201	10 340	12 775	15 893	9.2%	66.5%	12 389	13 015	13 699	-4.8%	53.1%
Governance	2 656	2 732	4 921	8 029	44.6%	23.8%	9 091	10 606	11 170	11.6%	37.5%
Total	**16 582**	**14 653**	**19 518**	**26 237**	**16.5%**	**100.0%**	**23 838**	**26 096**	**27 475**	**1.5%**	**100.0%**
Change to 2012 Budget estimate				(700)			(7 130)	(6 852)	27 475		
Economic classification											
Current payments	**16 571**	**14 653**	**19 518**	**26 237**	**16.6%**	**100.0%**	**23 838**	**26 096**	**27 475**	**1.5%**	**100.0%**
Compensation of employees	8 924	6 453	13 206	14 393	17.3%	55.8%	16 713	18 595	19 627	10.9%	66.9%
Goods and services	7 647	8 200	6 312	11 844	15.7%	44.2%	7 125	7 501	7 848	-12.8%	33.1%
of which:											
Consultants and professional services: Business and advisory services	*1 581*	*2 404*	*422*	*6 882*	*63.3%*	*14.7%*	*1 460*	*1 537*	*1 607*	*-38.4%*	*11.1%*
Agency and support / outsourced services	*2*	*576*	*343*	*131*	*303.1%*	*1.4%*	*720*	*759*	*793*	*82.2%*	*2.3%*
Travel and subsistence	*976*	*402*	*2 547*	*1 146*	*5.5%*	*6.6%*	*1 113*	*1 172*	*1 226*	*2.3%*	*4.5%*
Payments for capital assets	**11**	**–**	**–**	**–**	**-100.0%**	**–**	**–**	**–**	**–**	**–**	**–**
Machinery and equipment	11	–	–	–	-100.0%	–	–	–	–	–	–
Total	**16 582**	**14 653**	**19 518**	**26 237**	**16.5%**	**100.0%**	**23 838**	**26 096**	**27 475**	**1.5%**	**100.0%**
Proportion of total programme expenditure to vote expenditure	**0.4%**	**2.7%**	**5.6%**	**1.9%**			**10.1%**	**10.0%**	**9.8%**		

Personnel information

Table 11.8 Details of approved establishment and personnel numbers according to salary level[1]

	Post status as at 30 September 2012		Number and cost[2] of personnel posts filled / planned for on funded establishment															Number	
	Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate[3]			Medium-term expenditure estimate									Average growth rate (%)	Salary level/total: Average (%)
			2011/12			2012/13			2013/14			2014/15			2015/16			2012/13 - 2015/16	
Legal and Governance			Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost		
Salary level	**23**	**–**	**23**	**13.3**	**0.6**	**20**	**13.4**	**0.7**	**23**	**16.7**	**0.7**	**25**	**18.6**	**0.7**	**25**	**19.6**	**0.8**	**7.7%**	**100.0%**
7 – 10	6	–	6	1.4	0.2	6	1.2	0.2	5	1.8	0.4	5	1.9	0.4	5	1.9	0.4	-5.9%	22.6%
11 – 12	3	–	3	1.3	0.4	3	1.4	0.5	3	1.4	0.5	5	2.5	0.5	5	2.7	0.5	18.6%	17.2%
13 – 16	14	–	14	10.7	0.8	11	10.8	1.0	15	13.5	0.9	15	14.2	0.9	15	15.0	1.0	10.9%	60.2%

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.
2. Rand million.
3. As at 30 September 2012.

Expenditure trends

The spending focus over the medium term will be on strengthening and increasing the programme's capacity to provide legal services, and transaction and contract management support. Accordingly, the bulk of the programme's allocation over this period is expected to go towards spending on compensation of employees, which is also projected to grow significantly over the period, as a result of shifting the risk, compliance and secretariat functions from the *Administration* programme to this programme. Personnel establishment in the programme is expected to increase to 25 over the medium term as a result. The projected increase in establishment and its effect on spending on compensation of employees is a continuation of the trend observable between 2009/10 and 2012/13.

Spending on consultants for legal services decreased from R4.8 million in 2009/10 to R1.7 million in 2012/13, at an average annual rate of 29.7 per cent, as the internal capacity to perform this function was increased. However, spending on consultants for business and advisory services increased over the same period due to specialised legal advisory services related to transactions within the state owned companies required over this period. However, spending on this item is expected to decrease significantly to R1.6 million over the medium term due to the department increasing internal capacity within the programme. Over the medium term, spending on consultants for legal services is expected to increase to R3.3 million, to provide for costs in respect of current pending litigation.

The programme had a funded establishment of 23 posts, 3 of which were vacant as at 30 September 2013 and are in the process of being filled.

Programme 3: Portfolio Management and Strategic Partnerships

Objectives

Energy and Broadband Enterprises

- Strengthen the department's oversight role with regard to the alignment of shareholder strategic intent to the state owned companies' role in achieving government objectives in the energy and ICT sectors by monitoring targets set out in the shareholder compacts quarterly.
- Contribute to the enhancement of the performance of state owned companies by:
  – evaluating quarterly reports and providing recommendations to state owned companies
  – monitoring and benchmarking the implementation of corporate plans and shareholder compacts quarterly
  – assessing shareholder and enterprise risks quarterly, and advising boards through quarterly investor briefs to the chairperson of the board on matters of concern as required.

Eskom

- Support the security of electricity supply by:
  - examining Eskom’s maintenance plans, operational practices, distribution efficiency and the reserve margins on an ongoing basis
  - reviewing Eskom’s quarterly reports and engaging quarterly with Eskom and stakeholders.
- Identify the risks in the rollout of the capital investment programme by implementing a monitoring framework over the medium term.
- Reduce Eskom’s dependence on fiscal funding by:
  - monitoring cost escalations and the implementation of recommendations quarterly
  - developing innovative funding arrangements on an ongoing basis.
- Exercise oversight on Eskom’s capital investment in the development of local supplier industries by monitoring the implementation of the competitive supplier development programme and evaluating the company’s quarterly reports.

Pebble Bed Modular Reactor

- Ensure intellectual property and state assets are protected by effecting an orderly closure of the Pebble Bed Modular Reactor following the decommissioning, dismantling, care and maintenance programme by monitoring regular status reports by 2014/15.

Broadband Infraco

- Support Broadband Infraco to achieve sustainability by:
  - monitoring the company’s capital expenditure programmes quarterly
  - monitoring the rollout of broadband fibre optic cables in major cities and under-serviced areas, which increase from 5 in 2011/12 to 18 in 2014/15.

Manufacturing Enterprises

- Ensure alignment in shareholder strategic intent in relation to state owned companies’ roles in achieving objectives in the defence, mining and forestry sectors by reviewing annually the enterprise strategies and mandates in the context of political and sectoral policy shifts and alerting the boards and enterprises to material deviations.
- Support the state owned companies in delivering on their outcomes by benchmarking key performance measures annually, and analysing quarterly and annual reports.

Denel

- Monitor the implementation of the turnaround plan to ensure Denel’s sustainability by:
  - conducting a study to review the value of strategic equity partnerships with multi-national companies to address matters such as intellectual property ownership, market access and broad terms of consolidation of original equipment manufacturers in the defence market in 2013/14.

Alexkor

- Optimise Alexkor’s interest in the joint venture with the Richtersveld community by approving the business plan and assessing any new mining ventures by 2013/14.
- Implement appropriate governance structures by appointing a new board at the annual general meeting and a new chief executive officer in 2013/14.

South African Forestry Company

- Strengthen the company’s operations by finalising the strategy and business plan by 2013/14.

Transport Enterprises

- Align the corporate strategies of the state owned companies with government objectives by reviewing the strategies and business plans annually and evaluating the performance reports of Transnet, South African Airways and South African Express Airways quarterly.
- Monitor the compliance of transport enterprises with the Public Finance Management Act (1999) by conducting annual reviews of the internal controls in Transnet, South African Airways and South African Express Airways.
- Ensure an appropriate balance between the enterprise's interest, sustainability and developmental objectives by engaging with the policy departments and regulators quarterly.
- Improve the competitiveness of the logistics sector by establishing a national transport performance measurement system and developing an implementation framework by 2015/16.

Transnet

- Provide oversight of Transnet's market demand strategy by monitoring the rollout of the company's capital expenditure programme to assess any significant deviations on a quarterly basis.
- Improve Transnet's performance by:
  - analysing the challenges facing Transnet freight rail by 2013/14
  - growing general freight market share over the medium term
  - finalising the branch line concessioning strategy by 2013/14
  - monitoring the progress towards the localisation and economic development targets of the competitive supplier development programme over the medium term
  - formulate strategies and business plans for South African Airways and South African Express to ensure their viability.

Economic Impact and Policy Alignment

- Conduct economic and industrial policy research relevant to the state owned companies.
- Improve the state owned companies' environmental policy by incorporating environmental protection strategies in their business operations on an ongoing basis.

Strategic Partnerships

- Encourage partnerships with private companies by assessing suitable partners for investment projects by 2013/14 over the medium term period.
- Develop domestic industry by encouraging state owned companies to implement local procurement programmes over the medium term.

Subprogrammes

- *Energy and Broadband Enterprises* manages the portfolio of state owned companies whose focus is energy and broadband, including Eskom, Pebble Bed Modular Reactor and Broadband Infraco, and provides strategic leadership and management of the programme's personnel. In 2011/12, the subprogramme finalised Eskom's capital expenditure programme; implemented the Pebble Bed Modular Reactor statutory dismantling, decommissioning, and care and maintenance programme to effect an orderly closure; and monitored Broadband Infraco's investment programme. This subprogramme had a staff complement of 23 in 2012/13.
- *Manufacturing Enterprises* exercises shareholder oversight over Denel, Alexkor and the South African Forestry Company. The subprogramme is organised in terms of: management and shareholder oversight over the companies. This subprogramme had a staff complement of 14 in 2012/13.
- *Transport Enterprises* exercises shareholder oversight over Transnet, South African Airways and South African Express Airways. The subprogramme is organised in terms of management and shareholder oversight over the three companies' performance against targets. In 2012/13, the quarterly and annual reports for South African Airways and South African Airways Express were evaluated, and significant and material

transactions were approved. In 2013/14, the new South African Airways board will finalise the corporate plan and shareholder compact.

- *Economic Impact and Policy Alignment* aligns state owned companies with overarching government economic, social and environmental policies. The subprogramme is organised into: management, which provides strategic leadership and management of the subprogramme's personnel; environmental policy alignment, which oversees alignment and implementation of state owned companies' strategically important developments, with a special focus on Eskom's and Transnet's build programmes, and provides oversight and alignment of the climate change policy framework for state owned companies in support of national policies and the green economy; economic policy integration, which focuses on appropriate macroeconomic modelling and research to enhance the links between industrial policy, macroeconomic policy and the role of state owned companies; and skills development and transformation, which focuses on providing scarce and critical skills by state owned companies in support of the national skills agenda and the new growth path as well as optimising state owned companies' skills training facilities through national skills funding, among others. A modelling framework to assess the economic and financial linkages of state owned company investments was completed in 2012/13, the youth economic participation programme was implemented in June 2011/12 and a climate change policy framework for state owned companies was launched in 2012/13. Over the medium term, economic modelling will be conducted to assess the impact of state owned companies' investment and operations on the economy. This subprogramme had a staff complement of 12 in 2012/13.
- *Strategic Partnerships* ensures that state owned companies maintain commercial sustainability and attain desired strategic outcomes and objectives. The subprogramme is organised into: management, which provides strategic leadership and management of the subprogramme's personnel; project oversight, which entails defining catalytic investments to be driven by the department and overseeing project implementation from pre-feasibility to completion; funding mechanisms, which assist in developing innovative funding structures and designing associated compacts with relevant partners; and supplier relationships, which develops overarching procurement leverage policies, oversees fleet procurement design and implementation including panel reviews, and develops and implements capability building programmes and institutions. In 2012/13, a unit to manage strategic integrated projects was established with the assistance of Eskom and Transnet, and an executive leadership programme to foster partnerships with industry was held. This subprogramme had a staff complement of 7 in 2012/13.

Expenditure estimates

Table 11.9 Portfolio Management and Strategic Partnerships

Subprogramme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Expen-diture/ total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expen-diture/ total: Average (%)
R thousand	2009/10	2010/11	2011/12	2012/13	2009/10 - 2012/13		2013/14	2014/15	2015/16	2012/13 - 2015/16	
Energy and Broadband Enterprises	1 958 790	170 857	56 488	16 788	-79.5%	38.1%	18 493	18 283	21 313	8.3%	4.9%
Manufacturing Enterprises	327 158	225 595	123 423	1 182 447	53.5%	32.1%	15 606	17 495	18 412	-75.0%	80.3%
Transport Enterprises	1 568 656	19 077	18 752	19 833	-76.7%	28.1%	25 439	29 300	35 459	21.4%	7.2%
Economic Impact and Policy Alignment	24 986	10 134	11 744	15 052	-15.5%	1.1%	17 596	20 286	20 223	10.3%	4.8%
Strategic Partnerships	7 929	11 493	7 555	7 855	-0.3%	0.6%	8 785	13 090	15 491	25.4%	2.9%
Total	**3 887 519**	**437 156**	**217 962**	**1 241 975**	**-31.6%**	**100.0%**	**85 919**	**98 454**	**110 898**	**-55.3%**	**100.0%**
Change to 2012 Budget estimate				124 234			16 709	24 691	110 898		
Economic classification											
Current payments	**71 203**	**61 260**	**61 707**	**73 638**	**1.1%**	**4.6%**	**85 919**	**98 454**	**110 898**	**14.6%**	**24.0%**
Compensation of employees	28 827	33 948	31 665	42 592	13.9%	2.4%	51 665	60 610	67 059	16.3%	14.4%
Goods and services	42 376	27 312	30 042	31 046	-9.9%	2.3%	34 254	37 844	43 839	12.2%	9.6%
of which:											
Consultants and professional services: Business and advisory services	*36 898*	*22 558*	*23 156*	*22 044*	*-15.8%*	*1.8%*	*24 687*	*27 775*	*32 954*	*14.3%*	*7.0%*
Agency and support / outsourced services	*–*	*–*	*–*	*(3)*	*–*	*–*	*–*	*–*	*–*	*-100.0%*	*–*
Travel and subsistence	*4 339*	*3 162*	*5 364*	*5 964*	*11.2%*	*0.3%*	*6 453*	*6 797*	*7 118*	*6.1%*	*1.7%*
Transfers and subsidies	**2 058 706**	**237 296**	**156 255**	**118 337**	**-61.4%**	**44.4%**	**–**	**–**	**–**	**-100.0%**	**7.7%**
Public corporations and private enterprises	2 058 706	237 296	156 255	118 313	-61.4%	44.4%	–	–	–	-100.0%	7.7%
Households	–	–	–	24	–	–	–	–	–	-100.0%	–
Payments for financial assets	**1 757 610**	**138 600**	**–**	**1 050 000**	**-15.8%**	**50.9%**	**–**	**–**	**–**	**-100.0%**	**68.3%**
Total	**3 887 519**	**437 156**	**217 962**	**1 241 975**	**-31.6%**	**100.0%**	**85 919**	**98 454**	**110 898**	**-55.3%**	**100.0%**
Proportion of total programme expenditure to vote expenditure	**97.6%**	**81.0%**	**63.0%**	**90.2%**			**36.3%**	**37.9%**	**39.7%**		

Table 11.9 Portfolio Management and Strategic Partnerships (continued)

R thousand	Audited outcome 2009/10	Audited outcome 2010/11	Audited outcome 2011/12	Adjusted appropriation 2012/13	Average growth rate (%) 2009/10 - 2012/13	Expen-diture/ total: Average (%) 2009/10 - 2012/13	Medium-term expenditure estimate 2013/14	Medium-term expenditure estimate 2014/15	Medium-term expenditure estimate 2015/16	Average growth rate (%) 2012/13 - 2015/16	Expen-diture/ total: Average (%) 2012/13 - 2015/16
Details of transfers and subsidies											
Households											
Other transfers to households											
Current	**–**	**–**	**–**	**24**	**–**	**–**	**–**	**–**	**–**	**-100.0%**	**–**
Employee social benefit	–	–	–	24	–	–	–	–	–	-100.0%	–
Public corporations and private enterprises											
Public corporations											
Other transfers to public corporations											
Current	**2 058 706**	**237 296**	**156 255**	**118 313**	**-61.4%**	**44.4%**	**–**	**–**	**–**	**-100.0%**	**7.7%**
Denel (Pty) Ltd	191 866	181 296	116 255	118 313	-14.9%	10.5%	–	–	–	-100.0%	7.7%
Alexkor Ltd	129 090	36 000	–	–	-100.0%	2.9%	–	–	–	–	–
Pebble Bed Modular Reactor	1 737 750	20 000	40 000	–	-100.0%	31.1%	–	–	–	–	–

Personnel information

Table 11.10 Details of approved establishment and personnel numbers according to salary level[1]

Portfolio Management and Strategic Partnerships	Post status as at 30 September 2012: Number of funded posts	Post status as at 30 September 2012: Number of posts additional to the establishment	Actual 2011/12 Number	Actual 2011/12 Cost	Actual 2011/12 Unit Cost	Revised estimate[3] 2012/13 Number	Revised estimate[3] 2012/13 Cost	Revised estimate[3] 2012/13 Unit Cost	Medium-term expenditure estimate 2013/14 Number	2013/14 Cost	2013/14 Unit Cost	2014/15 Number	2014/15 Cost	2014/15 Unit Cost	2015/16 Number	2015/16 Cost	2015/16 Unit Cost	Number: Average growth rate (%) 2012/13 - 2015/16	Number: Salary level/total: Average (%) 2012/13 - 2015/16
Salary level	**60**	**–**	**60**	**33.2**	**0.6**	**49**	**42.7**	**0.9**	**77**	**50.9**	**0.7**	**82**	**56.9**	**0.7**	**82**	**61.0**	**0.7**	**18.7%**	**100.0%**
7 – 10	19	–	19	4.3	0.2	17	4.8	0.3	20	5.9	0.3	20	7.3	0.4	20	7.4	0.4	5.6%	26.6%
11 – 12	10	–	10	4.5	0.5	10	7.5	0.8	16	8.3	0.5	18	8.6	0.5	18	10.3	0.6	21.6%	21.4%
13 – 16	31	–	31	24.4	0.8	22	30.4	1.4	41	36.7	0.9	44	41.0	0.9	44	43.3	1.0	26.0%	52.1%

Number and cost[2] of personnel posts filled / planned for on funded establishment

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.
2. Rand million.
3. As at 30 September 2012.

Expenditure trends

The spending focus over the medium term will be on strengthening the programme's capacity to fulfil its oversight function, managing the strategic infrastructure projects and supporting the presidential infrastructure coordinating commission. Thus the bulk of the allocation to this programme over the medium term is to provide for expenditure on compensation of employees, which is also expected to grow significantly over the medium term due the planned increase in the establishment to 82 posts. Strengthening and expanding the oversight function also accounts for the increase in expenditure on travel and subsistence over this period.

Expenditure on goods and services is expected to increase significantly due to an additional allocation of R20 million over the medium term in the *Transport Enterprises* subprogramme for consultants to provide specific technical and specialised skill to support the department in designing the long term national freight network, which will provide strategic analysis for planning in order to meet the demand for freight transport in South Africa

Expenditure on transfer payments and payments for financial assets to state owned companies decreased significantly between 2009/10 and 2012/13, and are expected to end over the medium term, due to transfers of R5.7 billion to the state owned companies over the period. The transfers were made as follows:

- R1.5 billion in 2009/10 to recapitalise South African Airways in the *Transport Enterprises* subprogramme
- R208.5 million in 2009/10 and R138.6 million in 2010/11 to recapitalise Broadband Infraco and R1.7 billion in 2009/10 to the Pebble Bed Modular Reactor for capital and operating costs in the *Energy and Broadband* subprogramme
- R191.9 million in 2009/10, R181.3 million in 2010/11, R116.3 million in 2011/12 and R118.3 million in 2012/13 to Denel for indemnity claims and a further R700 million in 2012/13 to recapitalise the company in the *Manufacturing* subprogramme

- R129 million in 2009/10 and R36 million in 2010/11 to Alexkor to establish a joint venture with the Richtersveld community under the out-of-court settlement and R350 million in 2012/13 to address obligations in terms of the deed of settlement in the *Manufacturing subprogramme*

The programme had a funded establishment of 60 posts, 11 of which were vacant as at the end of September 2012 due to resignations and lack of the required skills in the market. The department is engaged in a recruitment plan to fill the vacant posts.

Public entities and other agencies

Alexkor

Mandate and goals

Alexkor was established in terms of the Alexkor Limited Act (1992) in order to mine marine and land diamonds in Alexander Bay. The company and the government reached an out-of-court settlement in 1998 with the Richtersveld community over the community's land claim against Alexkor and the state. The settlement provides for the formation of a joint venture between the company and the community whereby Alexkor retained its marine mining rights and the Richtersveld Mining Company, on behalf of the community, remained the holder of the land mining rights. Alexkor and the Richtersveld Mining Company placed their marine and land mining rights under the control of the joint venture. The settlement also directed government to upgrade the Alexkor township to municipal standards in order to transfer the township to the Richtersveld local municipality.

By December 2012, the following activities had been carried out: upgrades were made to electricity and water reticulation systems, the electricity metering system was split to enable separate metering for the mine and the township, a sewage treatment plant was built, and the road network was improved.

The municipality has indicated that it will not be able to provide services to the township between April 2013 and June 2013, as funding for the services is provided only from the 2013/14 municipal financial year. The Department of Public Enterprises is thus committed to support the municipality in its engagement with the provincial and national treasuries. In the event that the municipality is unable to secure the funding, Alexkor may continue to provide municipal services for the remainder of the 2012/13 municipal financial year. The township is expected to be handed over in the first quarter of 2013/14.

Alexkor's revenue decreased by 42 per cent in 2011/12 due to a decrease in diamond sales. The company has generated no other income from operations other than through its 51 per cent stake in the joint venture. The company posted a loss of R17 million in 2011/12 and a profit of R84 million in the previous year.

Alexkor received an allocation of R350 million in 2012/13 to settle costs for the right of occupation of residential properties, taxes, and environmental and post-retirement liabilities. The company has been directed by the department to seek new mining ventures within the borders of South Africa, as the company is presently not viable.

Broadband Infraco

Broadband Infraco was established in 2007 in terms of the Broadband Infraco Act (2007) and was mandated to improve market efficiency in the long distance connectivity segment by increasing competition in the telecommunications market by reducing prices. This is expected to contribute to increasing access to broadband services, particularly for under-serviced areas.

All targets set in the previous MTEF period, such as the marine environmental survey, manufacturing the marine cable and deploying optical line terminal equipment have been completed. The marine cable installation became operational in May 2012. The company has invested in a national long distance fibre optic network and owns 11.4 per cent in the West Africa coast cable system.

To date, Broadband Infraco has received R1.3 billion for establishment and operational costs, comprising R627 million in 2006/07, R377 million in 2008/09, R208.5 million in 2009/10 and R138.6 million in 2010/11. There have been no further transfers to the company since 2010/11.

Managed service revenues have grown since 2011/12, with the company's customer base increasing from three to seven. The company had an operating loss of R140 million in 2011/12. The company received an unqualified audit in 2011/12, which was an improvement from a qualified audit in 2010/11. Segment commissioning of the West Africa cable system was completed in March 2012 and to the terrestrial network in 2012/13. The company successfully expanded maintenance activities on the 12 750 kilometre fibre footprint to 12 sites across South Africa with 110 points of presence established nationally, 55 of which are in under-serviced areas.

Denel

Denel was incorporated as a private company in 1992 in terms of the South African Companies Act (No 62 of 1973), Denel's sole shareholder is the South African Government.

Denel has developed a turnaround plan. Financial performance in 2011/12 showed positive growth in revenue and improved operating profits across all divisions except Denel Aerostructures. This improvement has slightly improved the group's overall solvency and liquidity positions. The group's position is anticipated to strengthen, driven by a positive outlook on Denel Aerostructures' performances, which can be attributed to the improved pricing for Airbus A400M build packages, government's R700 million recapitalisation of the business in 2012/13 and the group's drive to increase its revenue over the next five years across all business divisions.

Over the medium term, the group is expected to explore additional work packages with both current and new original equipment manufacturers. Denel has concluded a joint venture with a United Arab Emirates based defence company it to gain access to that market. Key focus areas in turning around the company over the medium term are as follows: building relationships with stakeholders; diversifying markets; increasing export sales; rebranding and repositioning the company; pursuing joint ventures, technology transfers, joint research and development ventures and marketing alliances with developing countries; collapsing entities into clusters with emphasis on resources, cost sharing and refocusing of some business units; and ensuring that Denel has a more diverse workforce through transformation, human capital retention and effective succession planning.

Eskom

Eskom's mandate is to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. The company is governed by the Eskom Conversion Act (2001). Eskom generates 95 per cent of the electricity used in South Africa and 45 per cent of the electricity used in Africa. Its revenue is generated from local and regional electricity sales. The company has primary energy, particularly coal, as its main cost driver. Its reserve margin has declined as a result of increasing demand and underinvestment on new generation capacity required to meet growing demand. This was particularly acute in January 2008, when the reserve margin dropped to significantly low levels where only 3.6 per cent was available commercially. This resulted in extensive load shedding that impacted negatively on the economy and diminished investor confidence in Eskom's ability to provide reliable electricity supply.

Eskom has since introduced a recovery plan, which includes securing enough primary energy by stockpiling coal to supply levels of 42 days. This has resulted in the average reserve margin of commercially available coal increasing to more than 10 per cent, and the maintenance outage backlog reducing to 24 outages by the end of June 2012.

The new capital expenditure plan is under way and is financed by debt and higher tariffs. Completed projects between 2005/06 and 2011/12 include the return to service of three power stations, Komati, Grootvlei and Camden, and the start of construction of three new power stations, Medupi, Kusile and Ingula, which are due for completion between 2013/14 and 2018/19. Eskom installed and commissioned 5 776 megawatts of additional generating capacity and installed 4 327 kilometres of transmission networks as a result. In 2012/13, the focus was on securing the balance of the required funding to complete the new build programme, monitoring the rollout of the new build programme, improving operational and maintenance performance to ensure security of supply, assessing Eskom's role in implementing the 2010 integrated resource plan, and developing an appropriate investment plan. As at 30 September 2012, 79.5 per cent of the required funding has been secured to ensure that the build programme continues uninterrupted.

The cost of Eskom's build programme between 2011/12 and 2017/18s estimated at R430 billion. Eskom plans to deliver an additional 11 361 megawatts of capacity into the system and install 1 169 kilometres of the transmission network by 2017/18. To support Eskom's build programme, all profits have been reinvested. The build programme will be responsible for creating approximately 40 000 jobs during the construction phase and a further 3 500 during operation.

Pebble Bed Modular Reactor

The Pebble Bed Modular Reactor was mandated to research and develop nuclear energy and was funded wholly by the government. The project was established in 1999 as a nuclear architect engineering company that was to design and licence a standardised nuclear heat supply system and pebble fuel, and develop and market small scale, high temperature reactors locally and internationally.

The company has not been able to acquire additional investment into the project, nor has it been able to acquire customers since government’s last funding allocation in 2007. The final transfer from government was made in 2009/10. The company’s business model was subsequently revised in May 2009, and its main focus will be the preservation and maintenance of intellectual property and assets, and implementing an orderly closure.

In September 2010, Cabinet decided to close the Pebble Bed Modular Reactor. To this end, and to meet statutory obligations, the reactor was to be decommissioned, dismantled and placed into care and maintenance. Any intellectual property assets are to be protected, while ensuring that no additional funding will be required from government. The department is monitoring the closure. No further funds are committed by government over the medium term. R20 million in 2010/11 and R40 million in 2011/12 was transferred to provide for the decommissioning and closure of the project.

South African Forestry Company

The South African Forestry Company is mandated to ensure sustainable forests under public management, and to develop the rural sector. The company operates under the Management of State Forests Act (1992). Revenue is derived from timber sales, from which R862 million was generated in 2011/12. The company has made a significant recovery from prior losses, attaining a net profit of R205 million in 2011/12.

The company will focus on optimising its operations to increase value, improve internal controls and management oversight, and address losses incurred at its Indùstrias Florestais de Manica operations in Mozambique.

In line with the country’s need to improve rural economic activity, the company will explore opportunities for neighbouring communities to be integrated into its operations through initiatives such as multifunctional forestry. To achieve this, investment into the company’s operations will be critical in ensuring that it is sustainable, plays a central role in driving national and regional social development programmes, and is positioned to increase rural economic activity. The extent of the investment and the recommendations on the funding model, including exploring alternative sources of funding, are expected to be submitted to the department for approval in 2013/14.

The department commissioned Stellenbosch University to assess the company’s role in the forestry industry. A draft report was tabled in 2012/13 and the strategy was to be finalised early in 2013/14.

South African Airways

South African Airways governed by the South Africa Airways Act 5 of 2007 is South Africa’s national air carrier and is mandated to provide a full suite of domestic and international services. Revenue is derived from business and private customers.

Following a restructuring exercise, where savings of R2.5 billion were achieved over the 18 month period to March 2009, the airline implemented cost control measures. The global economic downturn has had a negative impact on air travel and this has affected SAA operating profitability. To this end, government has provided financial support to SAA. The department is formulating a turnaround strategy.

South African Express

South African Express governed by the South Africa Express Act 34 of 2007 is was established in 1994 and mandated to provide regional air services. Revenue is derived from business and private customers. The airline was unbundled from Transnet and transferred to the Department of Public Enterprises in 2008/09. It operates regional and domestic flights from OR Tambo International Airport in Johannesburg, serving secondary routes in South Africa and the continent. The airline operates regional routes to Botswana, Namibia, the Democratic Republic of the Congo and Mozambique. It also provides a feeder air service that connects with the South African Airways network.

A disclaimer by the auditors over the 2010/11 financial statements has affected the airline's ability to raise funds for the new fleet plan. Over the medium term, the company will establish Durban as a regional hub. Operations between Lusaka and Durban, and Harare and Durban have begun.

Transnet

Transnet is governed by the Legal Succession to the South Africa Transport Services Act 9 of 1989. South Africa Airways Act 5 of 2007 is Transnet's mandate is to assist in lowering the cost of doing business in South Africa; enabling economic growth; and ensuring security of supply by providing port, rail and pipeline infrastructure in a cost effective manner within acceptable benchmarks. Revenue is generated from five operating divisions: freight rail, pipelines, rail engineering, port terminals and port operations. The major cost drivers are capital expenditure, maintenance and staff costs.

Over the past five years, Transnet has focused on improving service levels and customer responsiveness. Significant investments have been made in infrastructure and equipment to improve the condition of assets to support the drive for greater operating efficiencies, service levels and customer responsiveness.

Transnet performed well in 2011/12, posting a profit of R4.1 billion derived from operations. Its capital expenditure programme exceeds R301 billion over the next seven years. Revenue in 2011/12 increased by 21 per cent to R45.9 billion, while operating expenditure as a percentage of revenue remained below the 60 per cent target. The revenue increased mainly due to volume growth in the general freight, coal, iron ore and container sectors of the business. Total freight increased by 10.3 per cent and reached 98 per cent of the 206 megaton target. Containers increased by 7 per cent to 4.4 million twenty foot equivalent unit, 1 per cent above the targeted 4.3 million twenty foot equivalent unit.

Cash generated from operations in 2011/12 increased by 36 per cent to R17.9 billion, demonstrating the company's ability to generate a strong and sustainable cash flow. The cash interest cover ratio increased to 4.2 times, from 3.9 times in 2010/11, due to the increase in cash flow from operations. This ratio remains above the minimum target of 3 times.

Investment plans are in progress as per the market demand strategy, and Transnet has managed to spend 90 per cent of its planned capital expenditure for the first six months of 2012/13. Over the next seven years, Transnet will invest more than R201 billion on rail infrastructure, of which R150 billion will be invested in the general freight business to address inefficiencies. A business unit management system has also been implemented. This is meant to increase efficiencies and improve customer focus to enable Transnet to win back freight rail market share from the roads.

With regards to ports, in 2011/12, the pier 1 container terminal at the Port of Durban recorded an increase in productivity in terms of gross crane moves per hour, improving to an internationally acceptable average of 28 gross crane moves per hour, as compared to 20 gross crane moves per hour in 2010/11.

The new multi-product pipeline will replace the old Durban to Johannesburg pipeline, which is at full capacity and nearing the end of its economic life. Some of the benefits of the new multi-product pipeline include a reduction in road congestion and a reduction in carbon emissions from road transportation of petroleum products. The construction of the new multi-product pipeline is progressing according to the revised plan, and the 24-inch trunk line from Durban to Jameson Park was brought into operation in January 2012 and transported more than 1.1 billion litres of diesel during the six months ended 30 September 2012. The project is scheduled for completion in the third quarter of 2013/14.

Additional tables

Table 11.A Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Audited	Appropriation			Revised
	Main	Adjusted	outcome	Main	Additional	Adjusted	estimate
R thousand	2011/12		2011/12	2012/13			2012/13
Administration	106 734	101 487	108 635	104 394	4 152	108 546	108 546
Legal and Governance	12 163	23 675	19 518	26 937	(700)	26 237	26 237
Portfolio Management and Strategic Partnerships	111 334	228 180	217 962	1 117 741	124 234	1 241 975	1 241 975
Total	**230 231**	**353 342**	**346 115**	**1 249 072**	**127 686**	**1 376 758**	**1 376 758**
Economic classification							
Current payments	**188 078**	**194 134**	**185 060**	**197 511**	**8 665**	**206 176**	**206 176**
Compensation of employees	96 539	100 017	96 158	105 759	5 716	111 475	111 475
Goods and services	91 539	94 117	88 902	91 752	2 949	94 701	94 701
Transfers and subsidies	**40 753**	**157 008**	**156 978**	**100**	**118 389**	**118 489**	**118 489**
Public corporations and private enterprises	40 000	156 255	156 255	–	118 313	118 313	118 313
Households	753	753	723	100	76	176	176
Payments for capital assets	**1 400**	**2 200**	**4 071**	**1 461**	**632**	**2 093**	**2 093**
Machinery and equipment	1 400	2 010	3 922	1 461	600	2 061	2 061
Software and other intangible assets	–	190	149	–	32	32	32
Payments for financial assets	**–**	**–**	**6**	**1 050 000**	**–**	**1 050 000**	**1 050 000**
Total	**230 231**	**353 342**	**346 115**	**1 249 072**	**127 686**	**1 376 758**	**1 376 758**

Table 11.B Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Compensation of employees (R thousand)	75 220	83 058	96 158	111 475	130 714	144 549	155 540
Training expenditure (R thousand)	2 198	2 562	3 025	3 158	3 328	3 504	3 666
Training spend as percentage of compensation	2.9%	3.1%	3.1%	2.8%	2.5%	2.4%	2.4%
Total number trained (headcount)	252	256	260	150			
of which:							
Employees receiving bursaries (headcount)	*36*	*31*	*35*	*35*			
Internships (headcount)	*22*	*18*	*24*	*21*			
Households receiving bursaries (headcount)	–	3	5	5			

Table 11.C Summary of donor funding

Donor	Project	Departmental programme	Period of commitment	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate	Medium-term expenditure estimate		
R thousand							2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Foreign In cash													
United Kingdom Department for International Development	South African growth strategic programme	Portfolio Management and Strategic Partnerships	1 year	2 136	Goods and services	Policy studies on renewable and energy	–	2 136	–	–	–	–	–
United Kingdom Department for International Development	South African growth strategic programme	Portfolio Management and Strategic Partnerships	1 year	5 600	Goods and services	Procurement development programme being developed	–	826	–	–	–	–	–
Total				**7 736**			**–**	**2 962**	**–**	**–**	**–**	**–**	**–**

BUDGET 2013

ESTIMATES OF NATIONAL EXPENDITURE

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