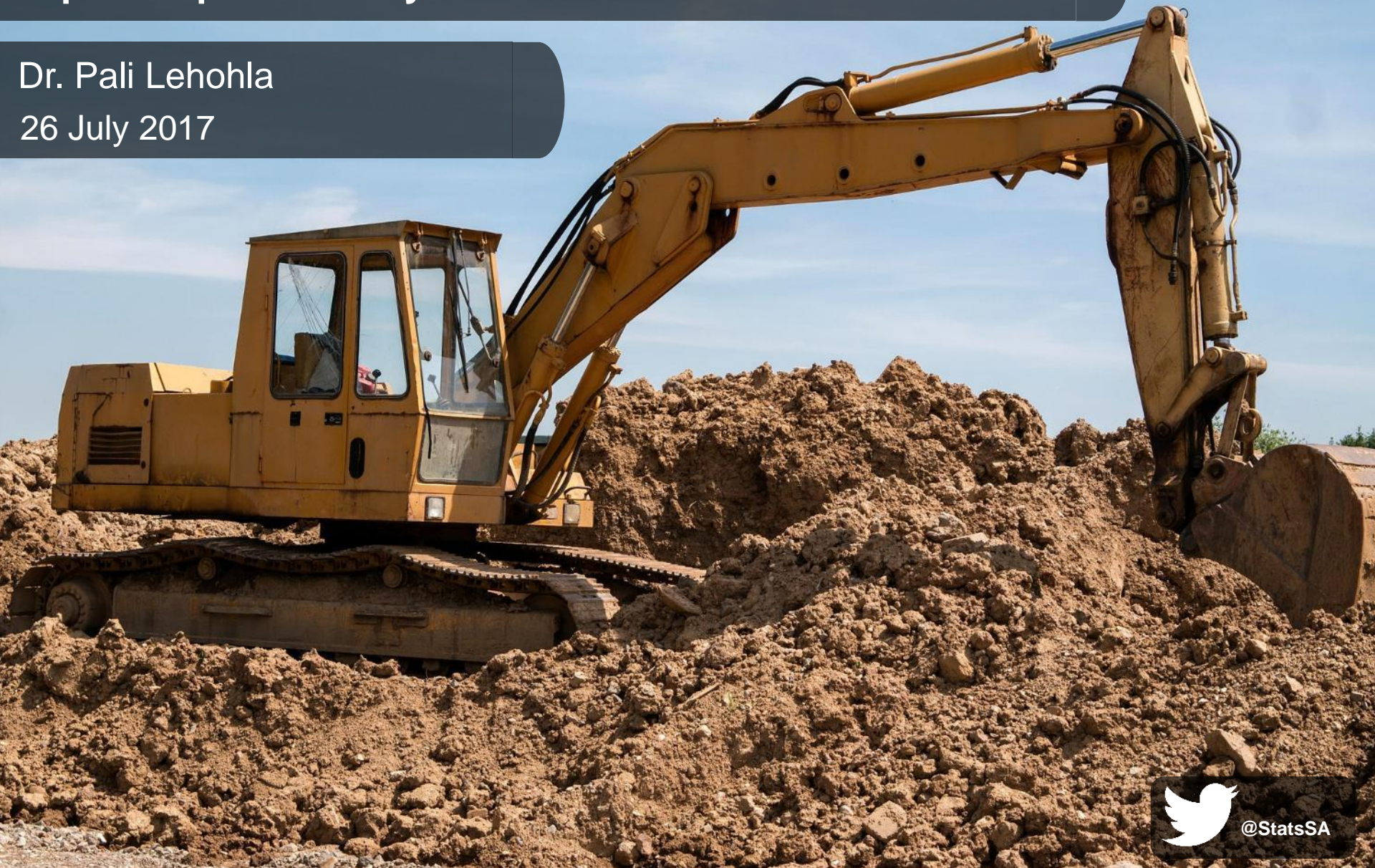


Capital Expenditure by Public Sector Institutions for 2016

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26 July 2017



Contents

1. Introduction
2. Key findings: Capital expenditure by-
 - i. Institution and;
 - ii. Type
3. Concluding remarks

Introduction

1. Definition:

“Capital expenditure refers to any expenditure incurred in or incidental to the acquisition or improvement of land, buildings, engineering structures, machinery and equipment.

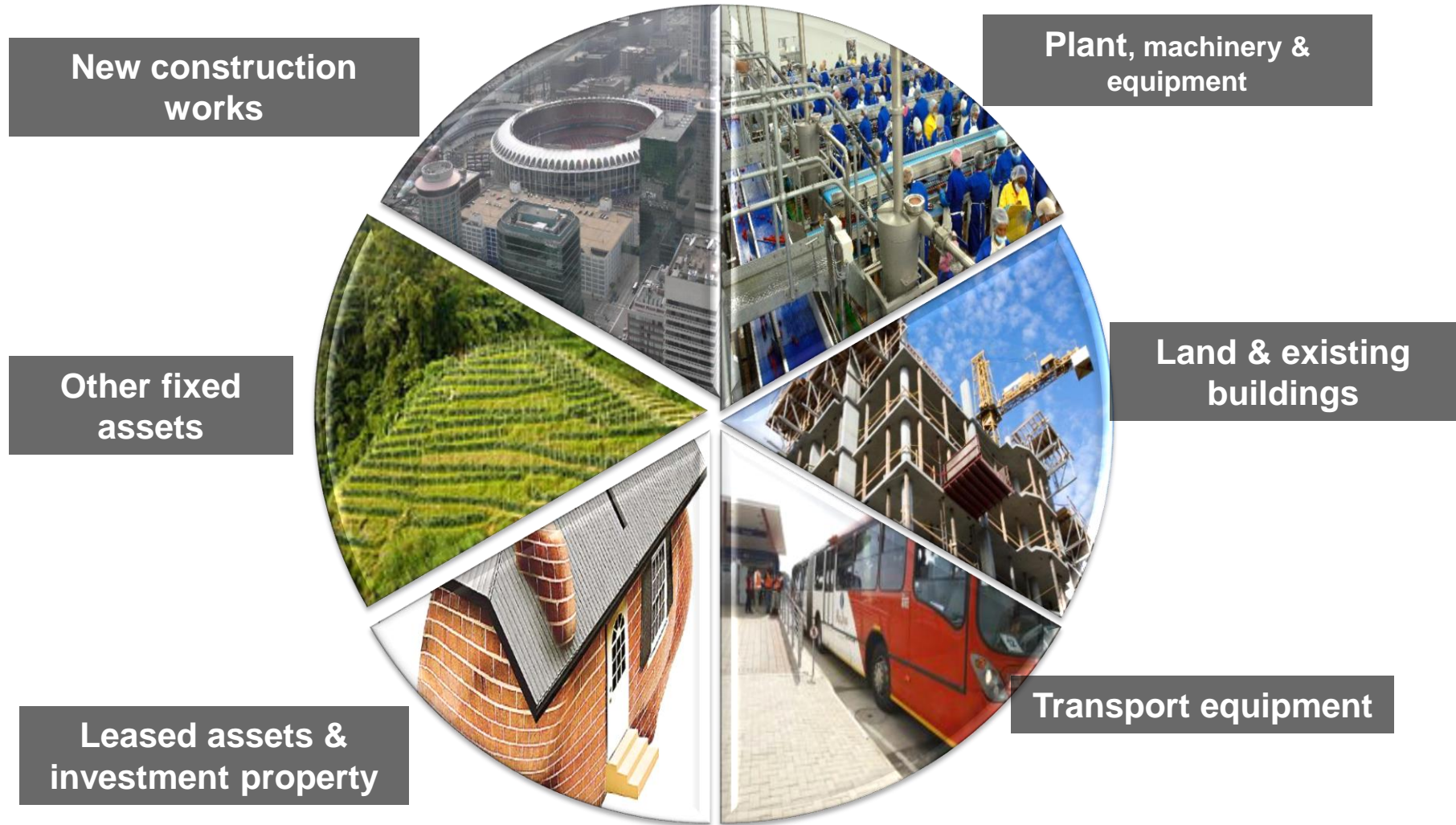
The expenditure normally confers a lasting benefit and results in the acquisition of, or extends the life period of, a fixed asset.”

2. Some institutions can capitalise “short-term costs” into their capital expenditures:

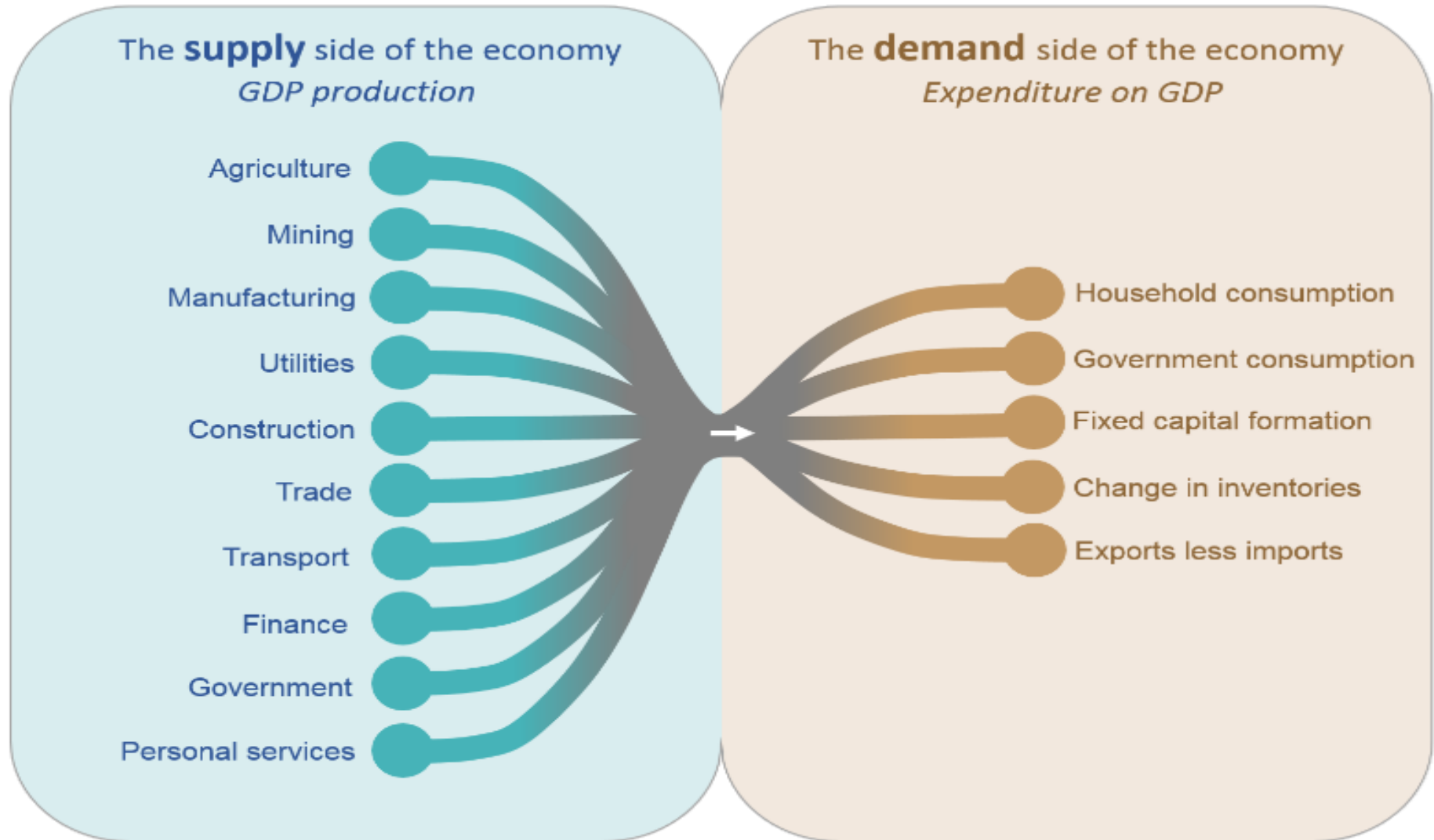
- i. Salaries and wages;
- ii. Consultation fees;
- iii. Finance costs (< 12 months)

Introduction

Types of capital expenditure



Introduction

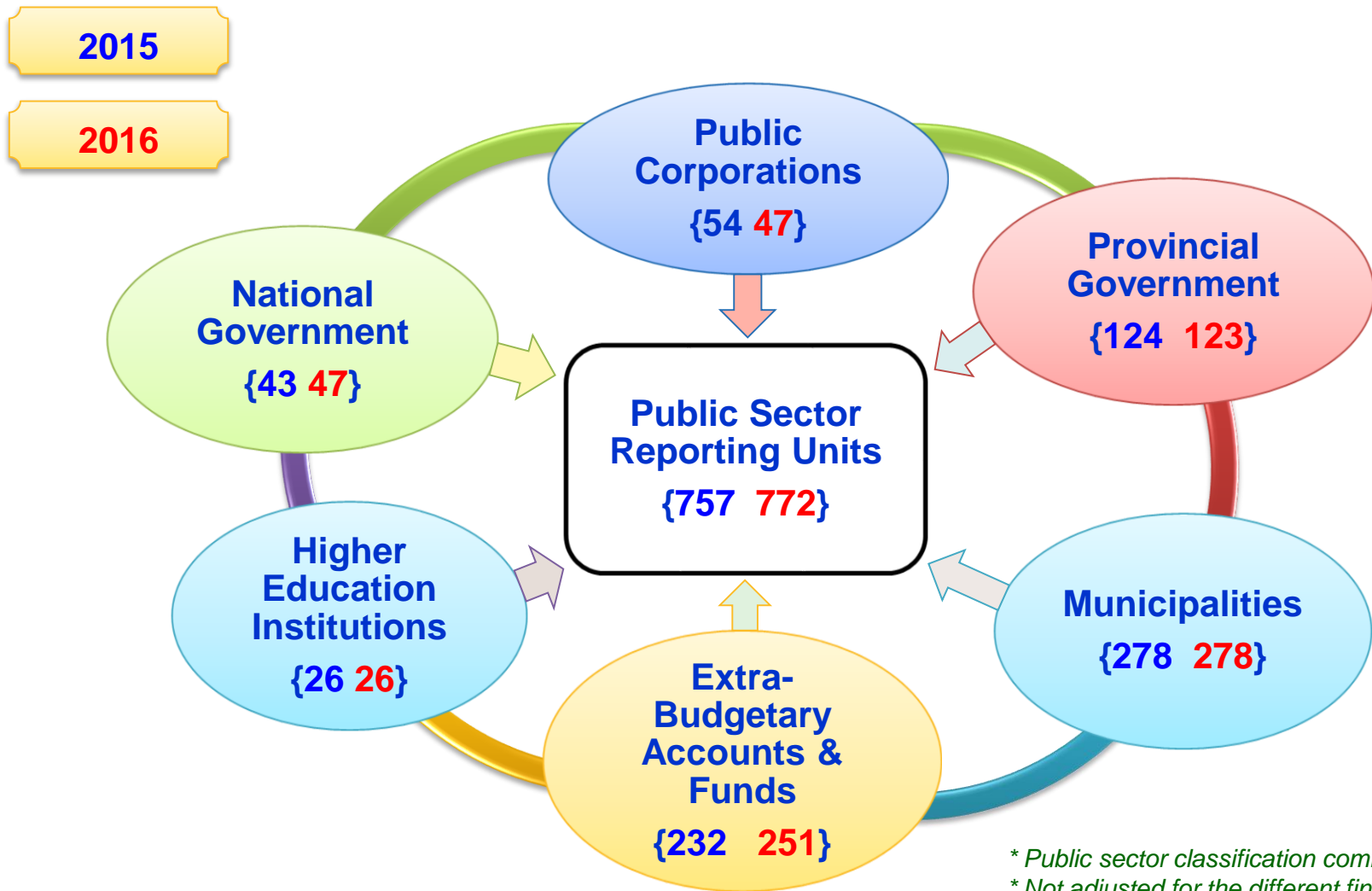


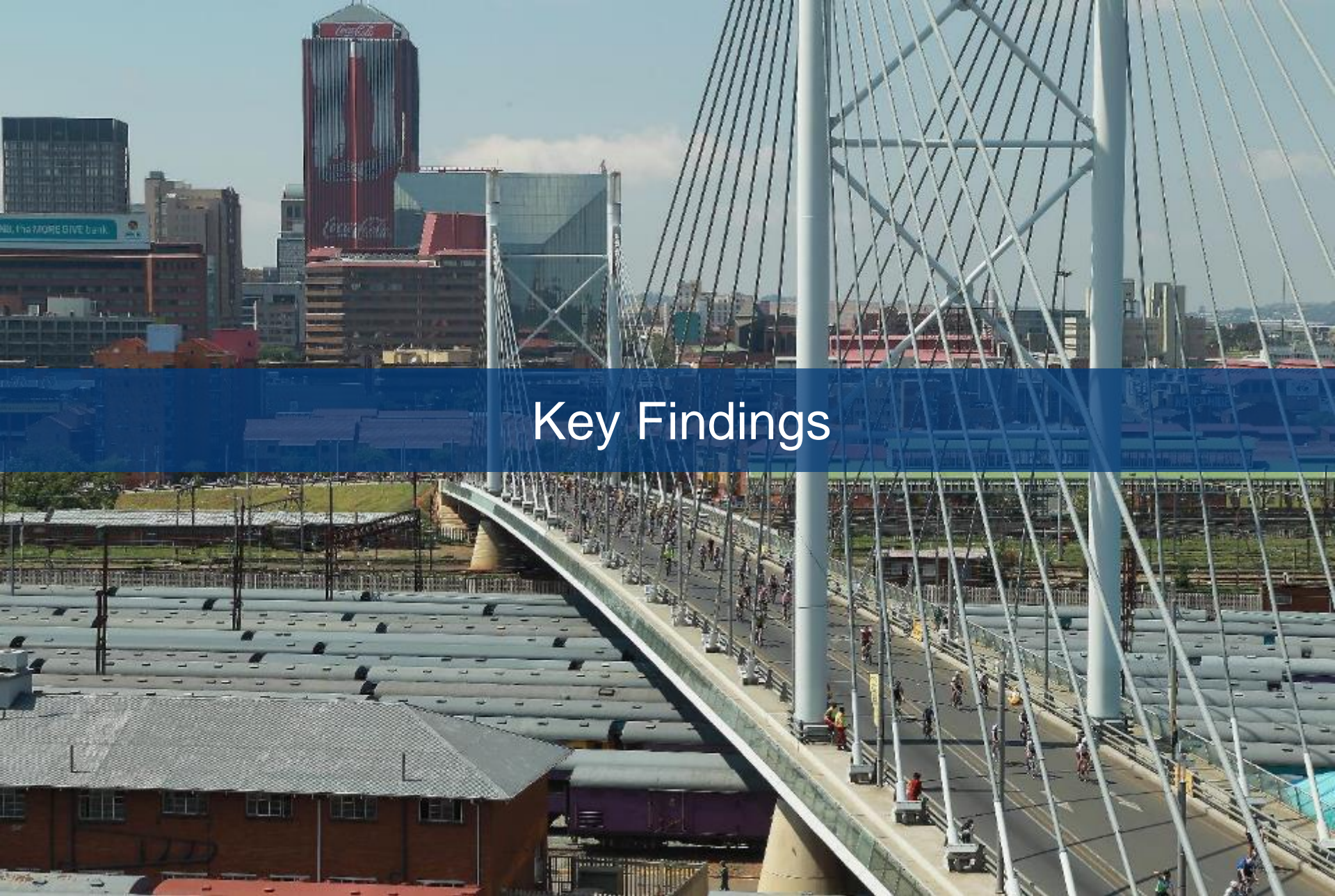
The capital expenditure survey **does not**

- Measure or monitor specific projects of specific entities. It only reports on capex spend (by type) during their financial year
- Indicate timeframes for structures completed or to be completed
- Provide reasons for longer trends (just from year to year)
- Reconcile different years-end of the reporting units
- Verify the existence of the fixed assets purchased or constructed

Introduction

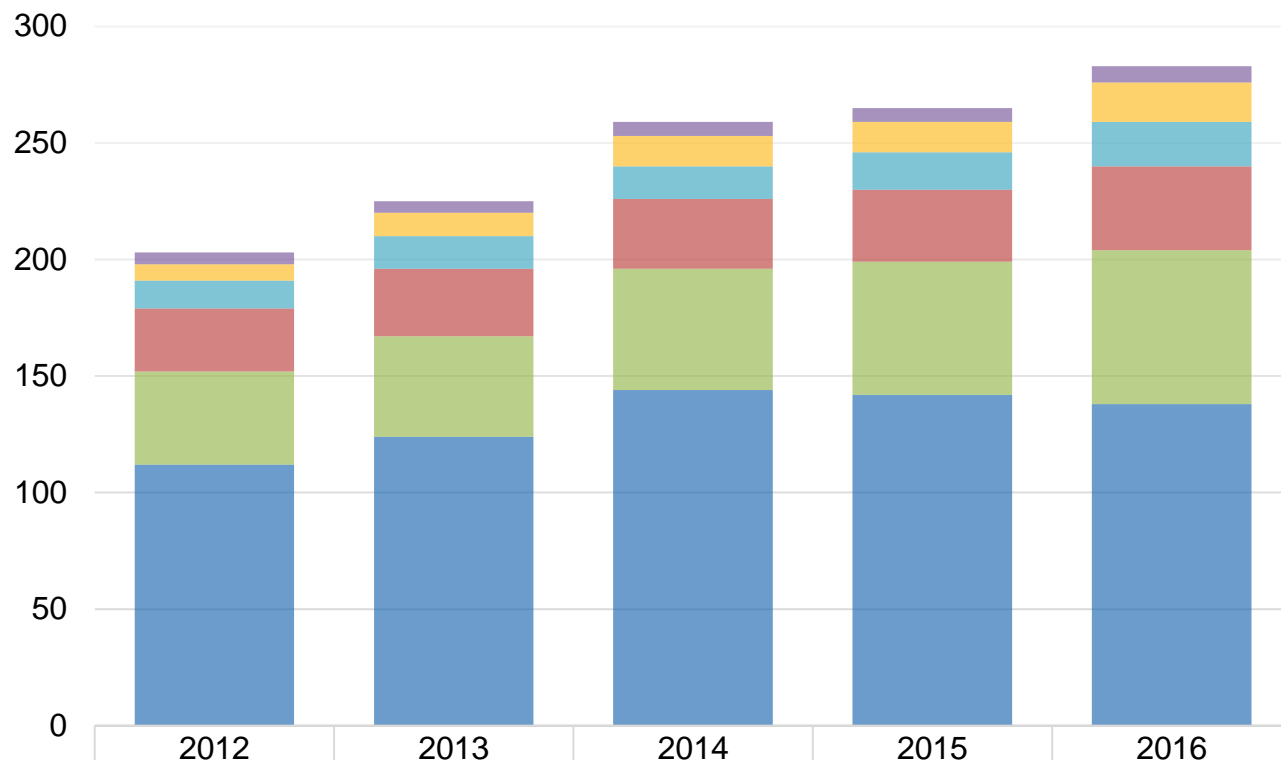
Reporting units for public sector capital expenditure (2015 vs 2016)*





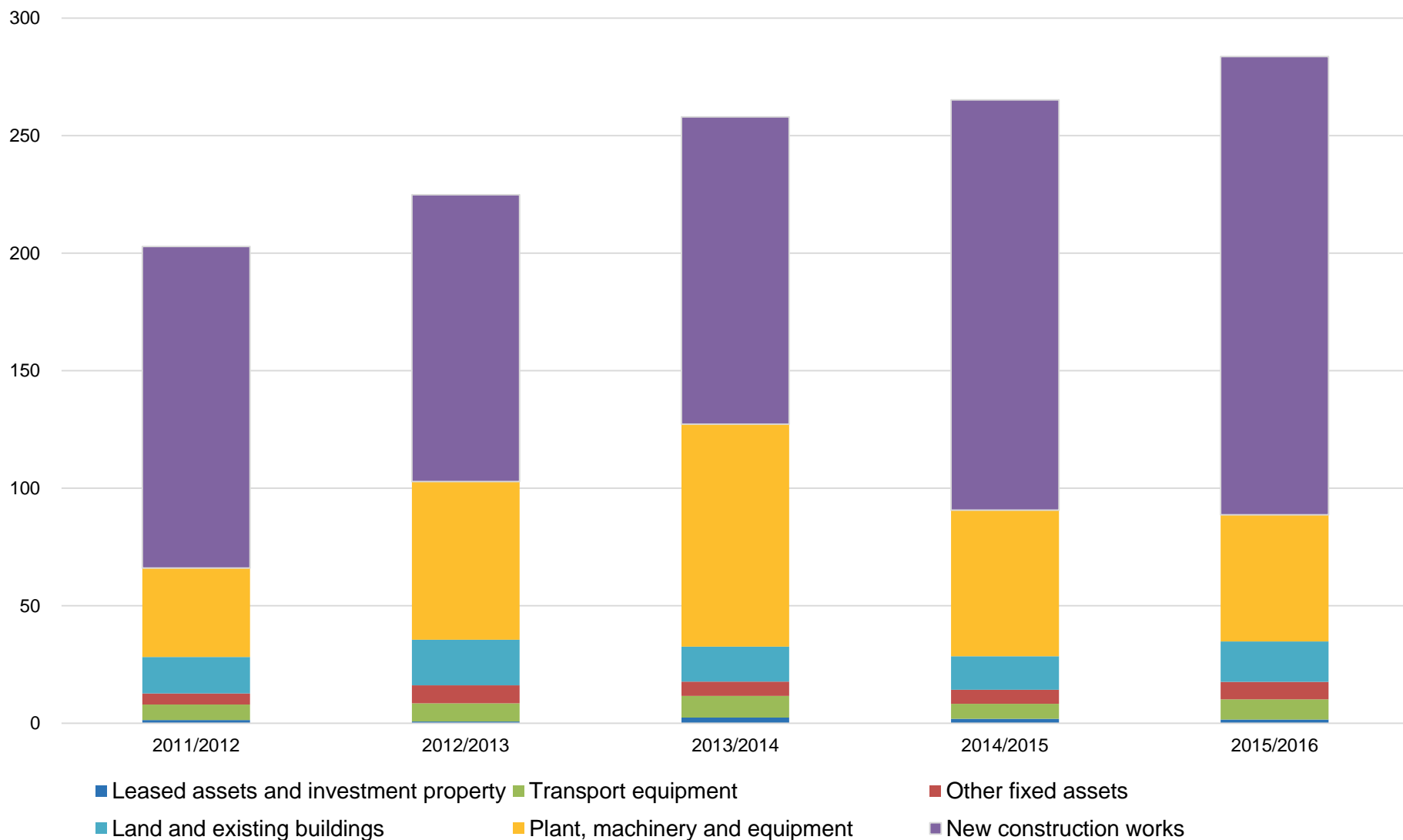
Key Findings

Total Capex By Institution: 2011/12 – 2015/16 (R bn)



	2012	2013	2014	2015	2016
Higher Education Institutions	5	5	6	6	7
Extra-Budgetary Accounts and Funds	7	10	13	13	17
National Government	12	14	14	16	19
Provincial Government	27	29	30	31	36
Municipalities	40	43	52	57	66
Public Corporations	112	124	144	142	138

Total Capex By Type: 2011/12 – 2015/16 (R bn)



Capex by type of asset 2015 and 2016 (R bn)

New Construction Works

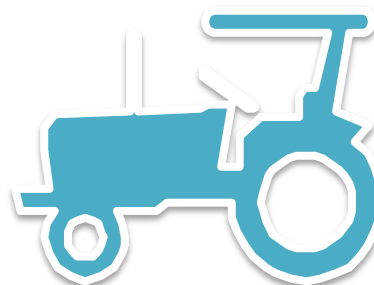


12%

2015: R174,4

2016: R194,9

Plant, Machinery & Equipment



-13%

2015: R62,1

2016: R53,9

Transport Equipment

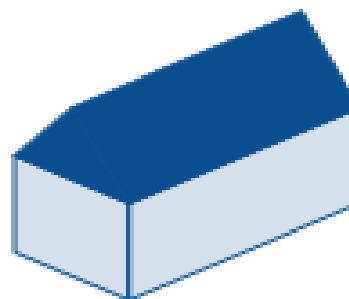


34%

2015: R6,4

2016: R8,6

Land & Existing Buildings



20%

2015: R14,3

2016: R17,2

Rounded off

NATIONAL GOVERNMENT

Examples of national government capex: 2016 (R m)

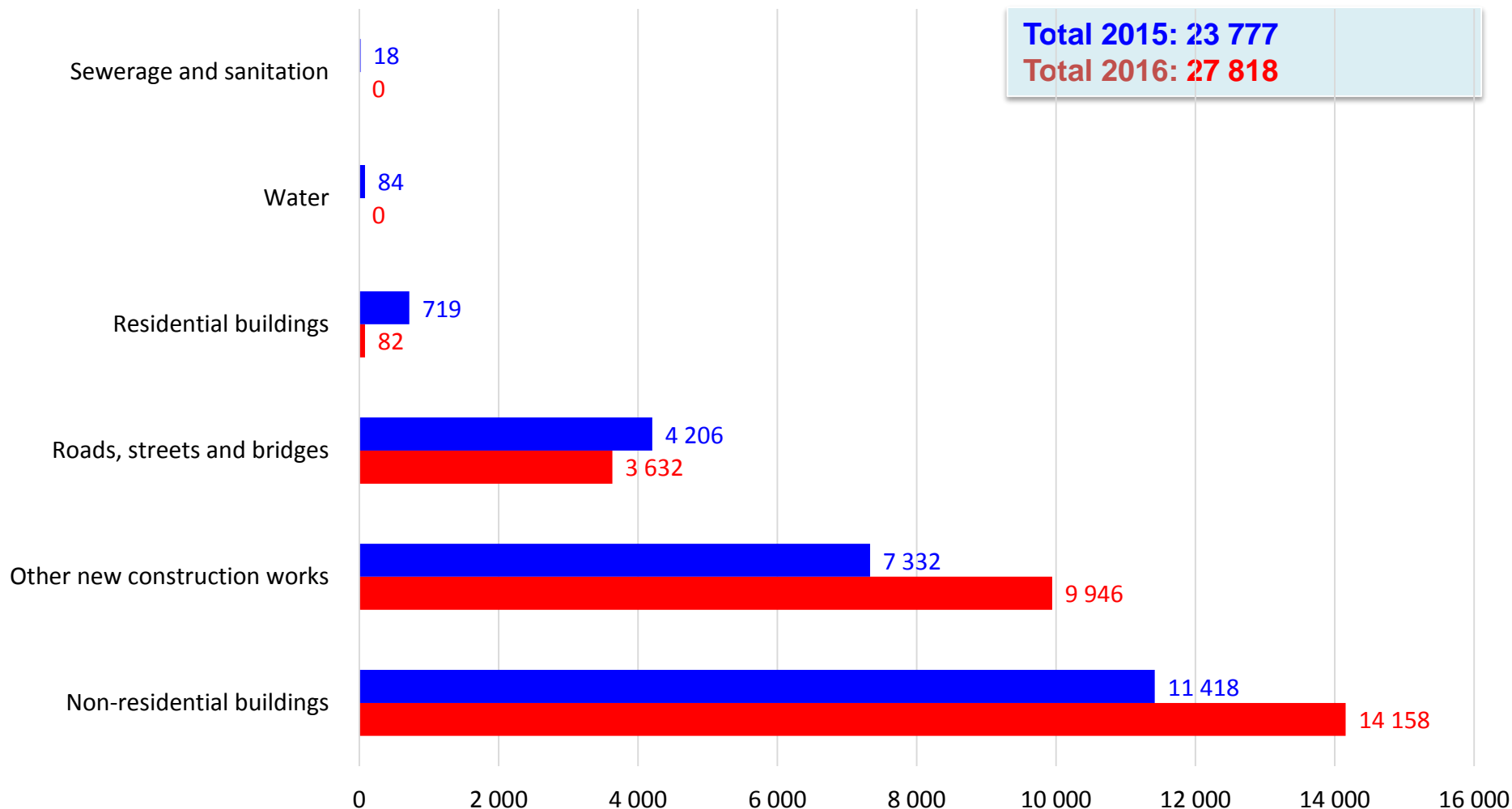
Department	Capex 2016	Main expenditure
Water Affairs	7 571	Digging of boreholes, refurbishment and 125 infrastructure projects
South African Police Service	3 004	Renovation of police stations, office buildings and warehouses and motor vehicles
Basic Education	1 388	Improvement of school infrastructure delivery, 51 ASIDI projects completed, 605 school provided with water, 21 with sanitation and 294 with electricity and other incurred on infrastructure construction of schools

Examples of national government capex: 2016 (R m)

Department	Capex 2016	Main expenditure
Correctional Services	1 243	Construction of fences, refurbishment of prisons and rehabilitation centres
Justice and Constitutional Development	1 064	Acquisition of new buildings & parking for Limpopo and Mpumalanga high courts
National Department of Defence	838	Purchases of generators, security equipment and 20 motorbikes for the Durban Harbour

PROVINCIAL GOVERNMENT

Provincial new construction works: 2015 - 2016 (R m)



Examples of provincial government capex: 2016 (R m)

Department	Capex 2016	Main Expenditure
KwaZulu-Natal: Transport	4 257	Construction of new public transport infrastructure in various municipalities
Western Cape: Transport and Public Works	2 911	Construction and regravelling of roads, streets and bridges
KwaZulu-Natal: Education	2 441	Construction of administration buildings for universities, schools and colleges

Examples of provincial government capex: 2016 (R m)

Department	Capex 2016	Main Expenditure
Gauteng: Education	2 151	Construction and repairs of high and primary schools in Alexandra, Centurion, Brixton and Bronkhorstpruit
Gauteng: Health	1 481	Construction of office buildings and acquisition of health and medical assets throughout the province
Gauteng: Roads and Transport	1 379	Construction and acquisition of: buildings and other fixed structures; motor vehicles; as well as machinery and equipment

EXTRA-BUDGETARY ACCOUNTS

Examples of Extra-Budgetary Accounts capex: 2016 (Rm)

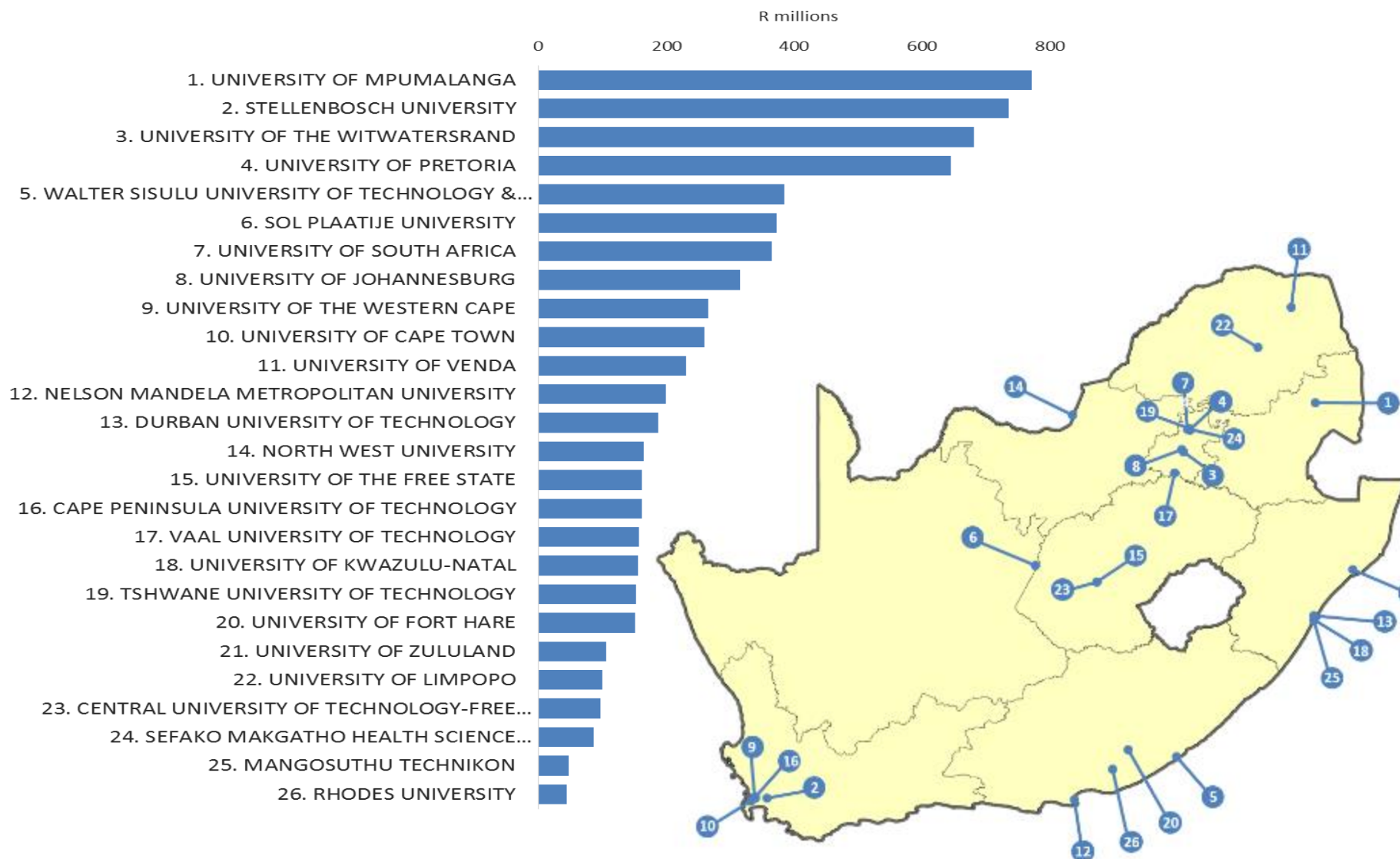
Department	Capex 2016	Main Expenditure
Water Trading Entity	5 081	Design, construction, commissioning and rehabilitation of bulk raw water infrastructure and dam safety
Property Management Trading Entity	3 750	Ten accommodation solutions for head offices (DHET, DCS, DSD, SASSA, DoJ, DAC, NT, DAFF, SAPS, DoC). Two Precinct Developments in Tshwane and 5 DPW infrastructure developments for rural local municipalities
Agriculture Land Holding Account	990	Farm buildings/dwellings, production facilities, infrastructure and agricultural land-payments to Department of Rural Development /land Reform

Examples of Extra-Budgetary Accounts capex: 2016 (Rm)

Department	Capex 2016	Main Expenditure
Road Agency Limpopo	603	Upgrading of roads from gravel to tar (32 road infrastructure projects)
State Information Technology Agency	511	Upgrading and implementation of ITC infrastructure and complex domain migrations
South African Revenue Service	487	Various items of property, plant and equipment such as land, buildings, IT equipment and software, intellectual property and other rights, etc.

HIGHER EDUCATION INSTITUTIONS

Examples of higher education capex: 2016 (Rm)



Examples of higher education capex: 2016 (Rm)

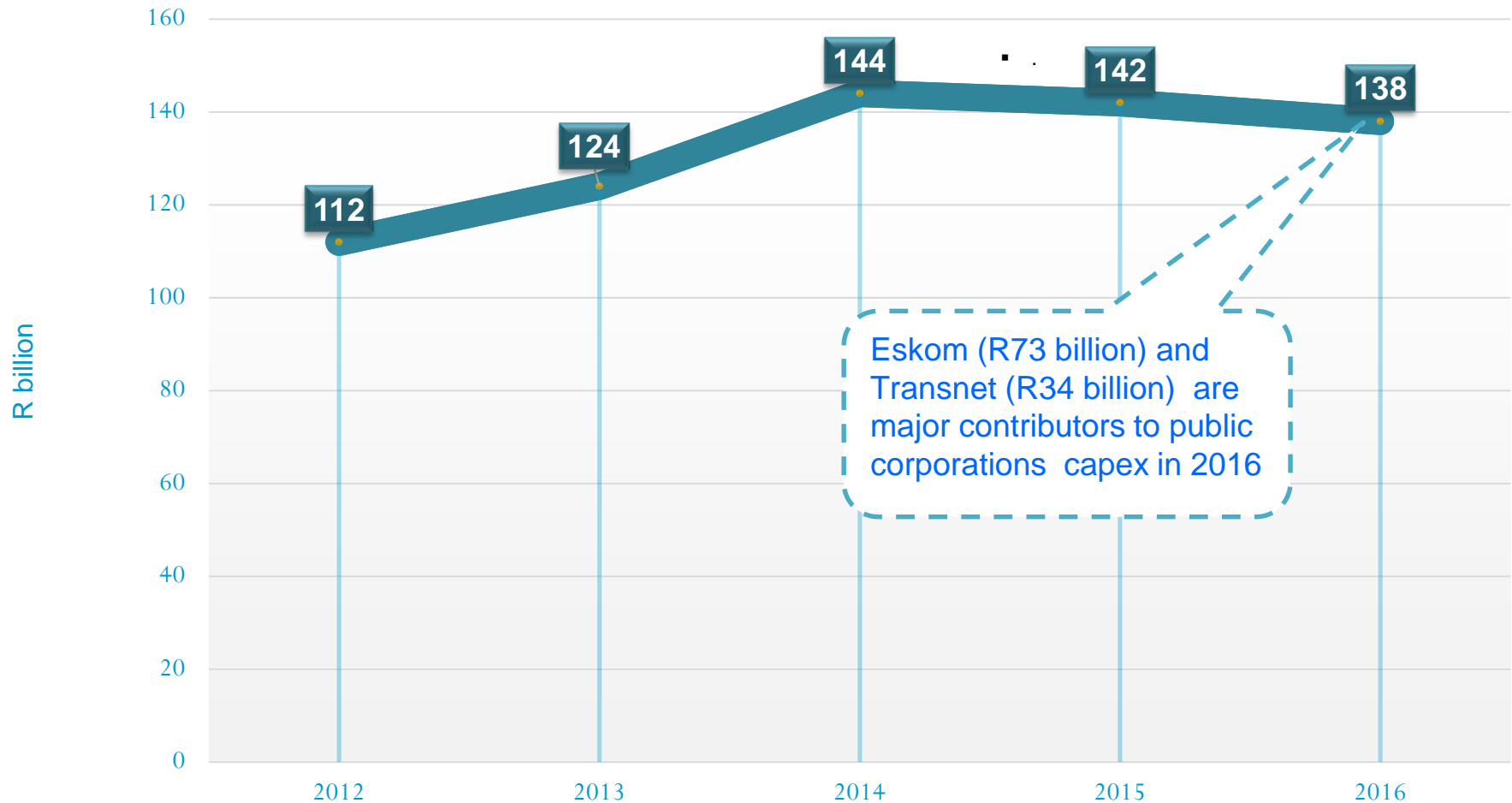
Institution	Capex 2016	Main Expenditure
University of Mpumalanga	772	Completion of 4 new buildings as part of phase 2 for the 2017 academic year Construction of 5 new buildings for the 2018 academic year
Stellenbosch University	736	Construction and renovation of non-residential buildings in the university campus
University of Witwatersrand	682	Construction and renovation of non-residential buildings including the teaching venues and research laboratories and acquisition of IT equipment and field work research vehicles

Examples of higher education capex: 2016 (Rm)

Institution	Capex 2016	Main Expenditure
University of Pretoria	645	New construction works in the university campus, acquisition of computers, lab equipment, Tuks Sports rights and vehicles
Walter Sisulu University	385	Construction of library at Butterworth, Office building at Potsdam and Health Science building at Mthatha
Sol Plaatje University	372	Completion of 2 new major buildings in 2015/16 and new construction of another 2 new buildings for the 2016/17 academic year. Regeneration of major existing sport and recreation amenities

PUBLIC CORPORATIONS

Public Corporations: 2012-2016 (R bn)



Major contribution by public corporations 2016

Eskom (Total Capex 2016 = R73 billion)



R 70,0 billion spent on the power generation projects at Kusile, Medupi and Ingula for power generation

Transnet Limited (Total Capex 2016 = R34 billion)



R11,1 billion capex on the expansion of infrastructure and equipment

R18,5 billion capex for maintain capacity in the rail and ports divisions

Other capex for the above includes: various items such as: laboratory equipment and security equipment etc.

Major contribution by public corporations 2016

South African National Road Agency (Total Capex 2016 = R8,5 billion)



About R8,2 billion was spent on infrastructure such as strengthening and improvements of roads, new roads and highway monitoring equipment

Passenger Rail Agency of South Africa (Total Capex 2016 = R6,1 billion)

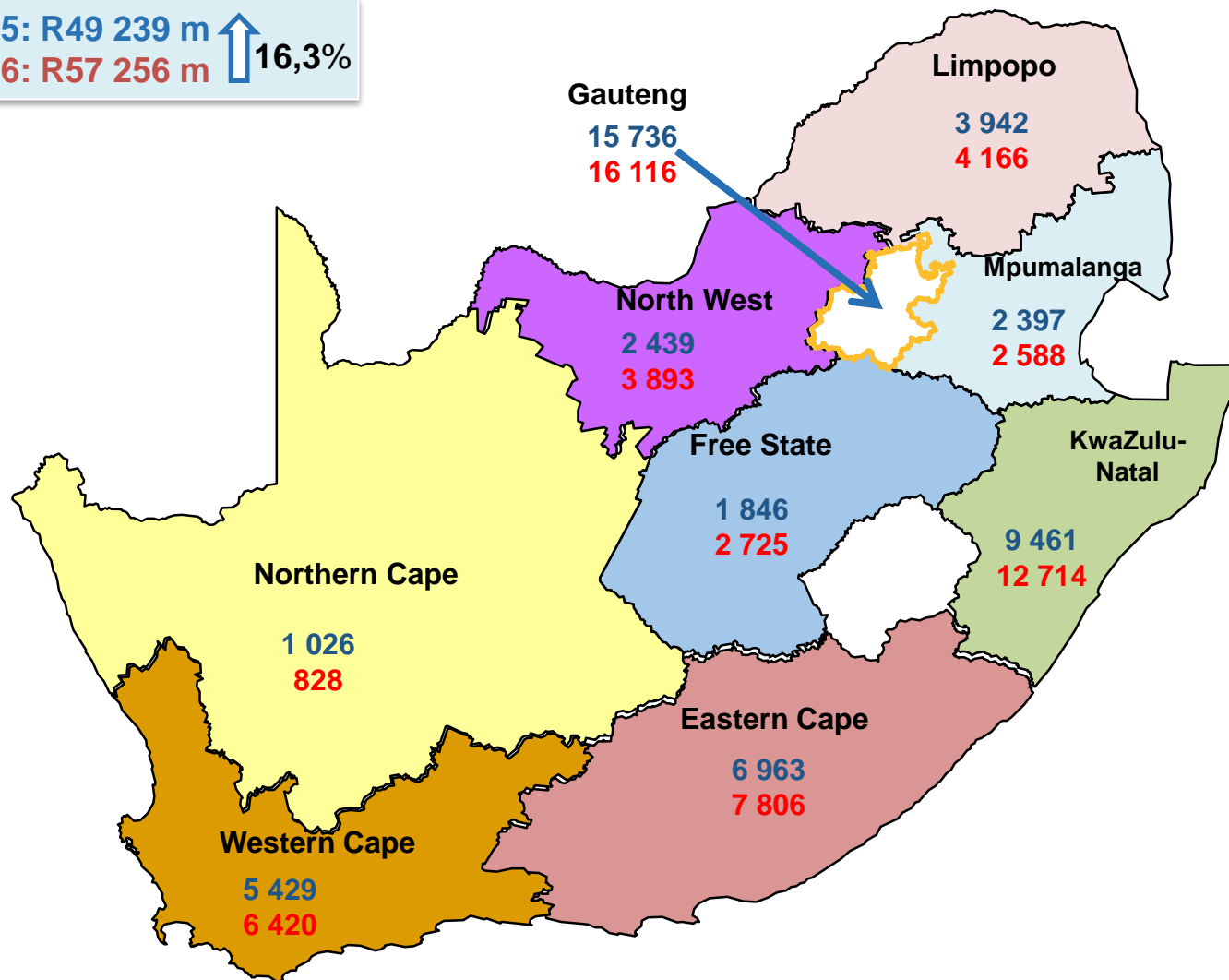


R5,9 billion was spent on upgrading and maintenance of rolling stock infrastructure as well as modernisation programme

MUNICIPALITIES

Municipal capex: New construction works

Total 2015: R49 239 m
Total 2016: R57 256 m $\uparrow 16,3\%$



Municipal capex: New construction works: 2016

Top 3 municipalities per province

EC: R7,8 billion

1. O.R. Tambo (24%)
2. Nelson Mandela (15%)
3. Buffalo City (14%)

FS: R2,7 billion

1. Mangaung (71%)
2. Moqhaka (3%)
3. Metsimaholo (3%)

GP: R16,1 billion

1. Johannesburg (46%)
2. Tshwane (25%)
3. Ekurhuleni (23%)

KZN: R12,7 billion

1. eThekweni (48%)
2. Ilembe (4%)
3. Umgungundlovu (3%)

LP: R4,2 billion

1. Mogalakwena (12%)
2. Polokwane (11%)
3. Vhembe (10%)

MP: R2,6 billion

1. Mbombela (20%)
2. Bushbuckridge (17%)
3. Nkomazi (13%)

NW: R3,9 billion

1. Rustenburg (33%)
2. Ngaka Modiri (20%)
3. Madibeng (7%)

NC: R0,8 billion

1. Sol Plaatje (19%)
2. Joe Morolong (10%)
3. Phokwane (9%)

WC: R6,4 billion

1. Cape Town (71%)
2. Stellenbosch (5%)
3. Drakenstein (4%)




Examples of municipal capex: New Construction 2016 (R m)

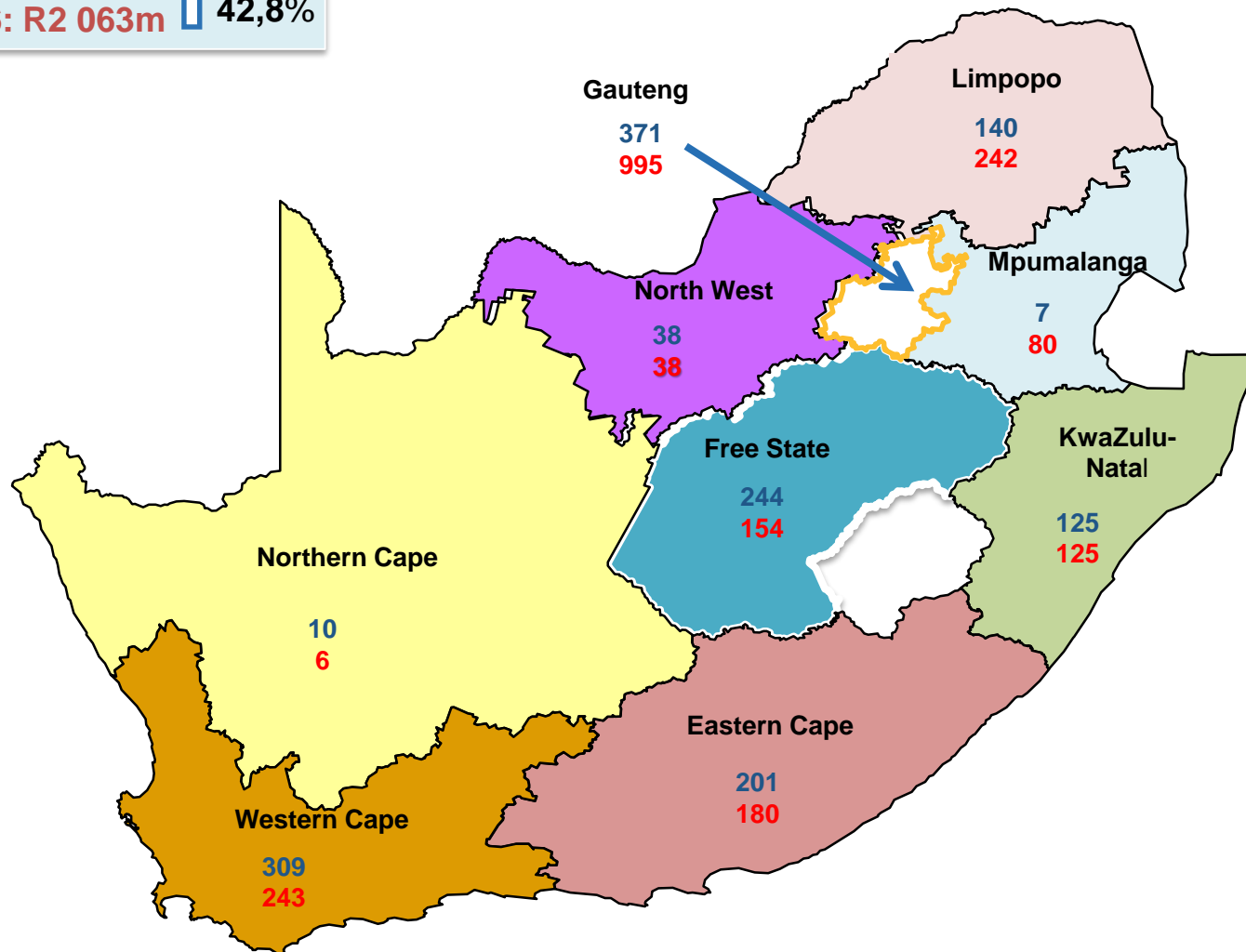
Municipal name	Capex 2016	Main expenditure
City of Johannesburg MM	7 347	Includes Sandridge Bridge, Malboro interchange, cycling lanes along Linden road
Ethekewini MM	6 144	Construction of various reservoirs, upgrade and rehabilitation of gravel and tar roads, storm water, traffic signal and ranks
O.R. Tambo DM	1 863	Upgrade and installation of water metres, outfall sewer, bulk collector sewer and sewer reticulation

Examples of municipal capex: New Construction 2016 (R m)

Municipal name	Capex 2016	Main expenditure
Ngaka Modiri Molema DM	782	Construction of gravel road and street infrastructure.
Rustenburg LM	1 295	Construction of the Marikana Transfer Station, re-graveling of street and resealing of surfaced roads within the 38 wards of RLM jurisdiction
Mbombela LM	509	Upgrading of Mbombela stadium, planning and design of ICC and science and heritage centre and rehabilitation of Tekwane cemetery

Municipal capex: Land and existing buildings: 2016

Total 2015: R1 445m
Total 2016: R2 063m  42,8%



Municipal capex: Land and existing buildings: 2016

Top 3 municipalities per province

EC: R180 million

1. Nelson Mandela (30%)
2. King Sabata (18%)
3. Matatiele (7%)

FS: R154 million

1. Mangaung (60%)
2. Mantsopa (15%)
3. Phumelela (6%)

GP: R996 million

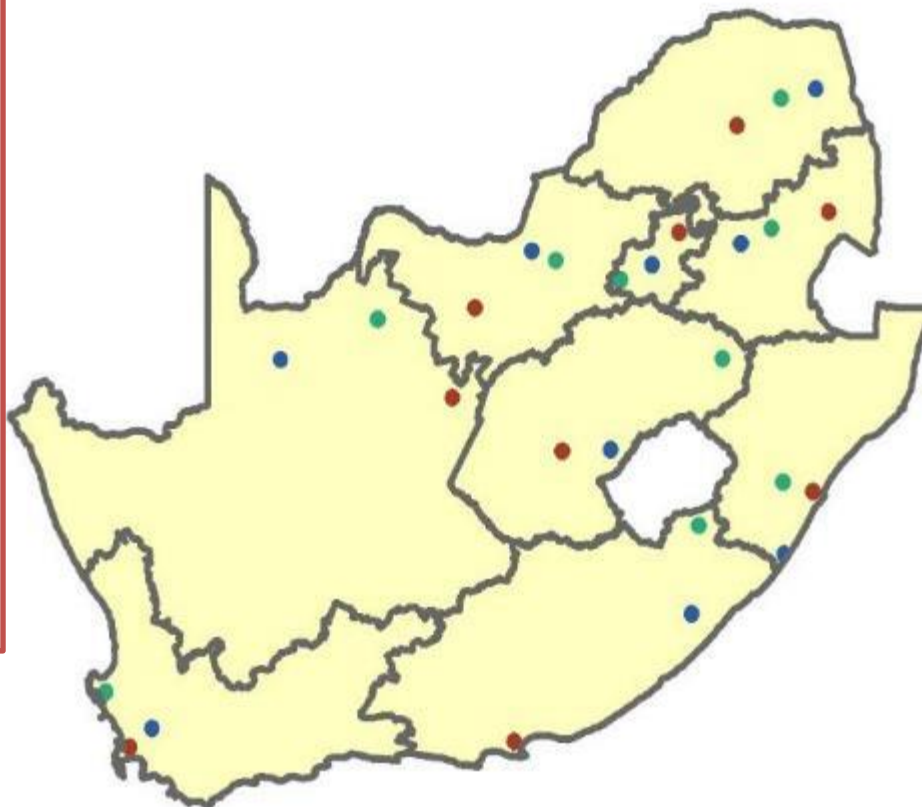
1. Tshwane (69%)
2. Johannesburg (29%)
3. Merafong City (1%)

KZN: R125 million

1. eThekweni (73%)
2. Hibiscus Coast (8%)
3. The Msunduzi (4%)

LP: R242 million

1. Polokwane (35%)
2. Greater Giyani (23%)
3. Greater Letaba (10%)



MP: R80 million

1. Mbombela (56%)
2. Steve Tshwete (36%)
3. Emakhazeni (4%)

NW: R38 million

1. Naledi (NW) (35%)
2. Ngaka Modiri Molema (33%)
3. Ditsobotla (28%)

NC: R6 million

1. Frances Baard (52%)
2. //Khara Hais (18%)
3. John Taolo Gaetsewe (8%)

WC: R243 million

1. Cape Town (33%)
2. Drakenstein (25%)
3. Saldanha (14%)

Examples of municipal capex: Land and existing buildings 2016 (R m)

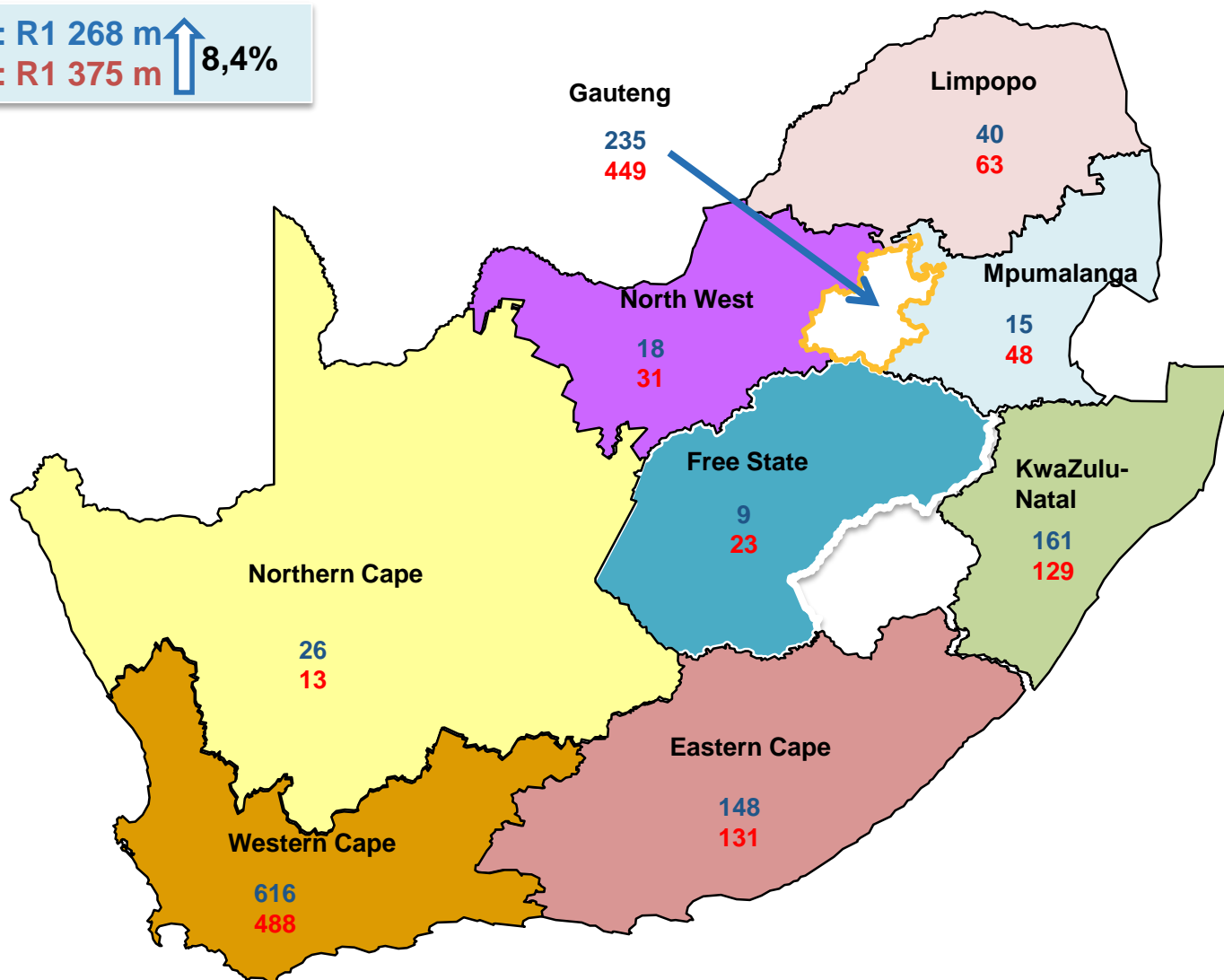
Municipal name	Capex 2016	Main expenditure
City of Tshwane MM	685	Renovation of the City hall and major refurbishment of Tshwane House
Ethekwini MM	91	Acquisition of land for service delivery purposes, Hostel upgrades and Housing infrastructure expenditure
Drakenstein LM	60	Upgrading of civic centre and refurbishing municipal training centre and other office buildings

Examples of municipal capex: Land and existing buildings 2016 (R m)

Municipal name	Capex 2016	Main expenditure
Polokwane LM	85	Upgrading of laboratory and Informal settlement at Disteneng
Steve Tshwete LM	29	Developing and excavating land for human settlement and acquisition and upgrading of Doornkop Thusong Centre
King Sabata Dalindyebo LM	32	Renovation, upgrading and refurbishment of municipal buildings and other civic buildings

Municipal capex: Transport equipment

Total 2015: R1 268 m
Total 2016: R1 375 m  8,4%

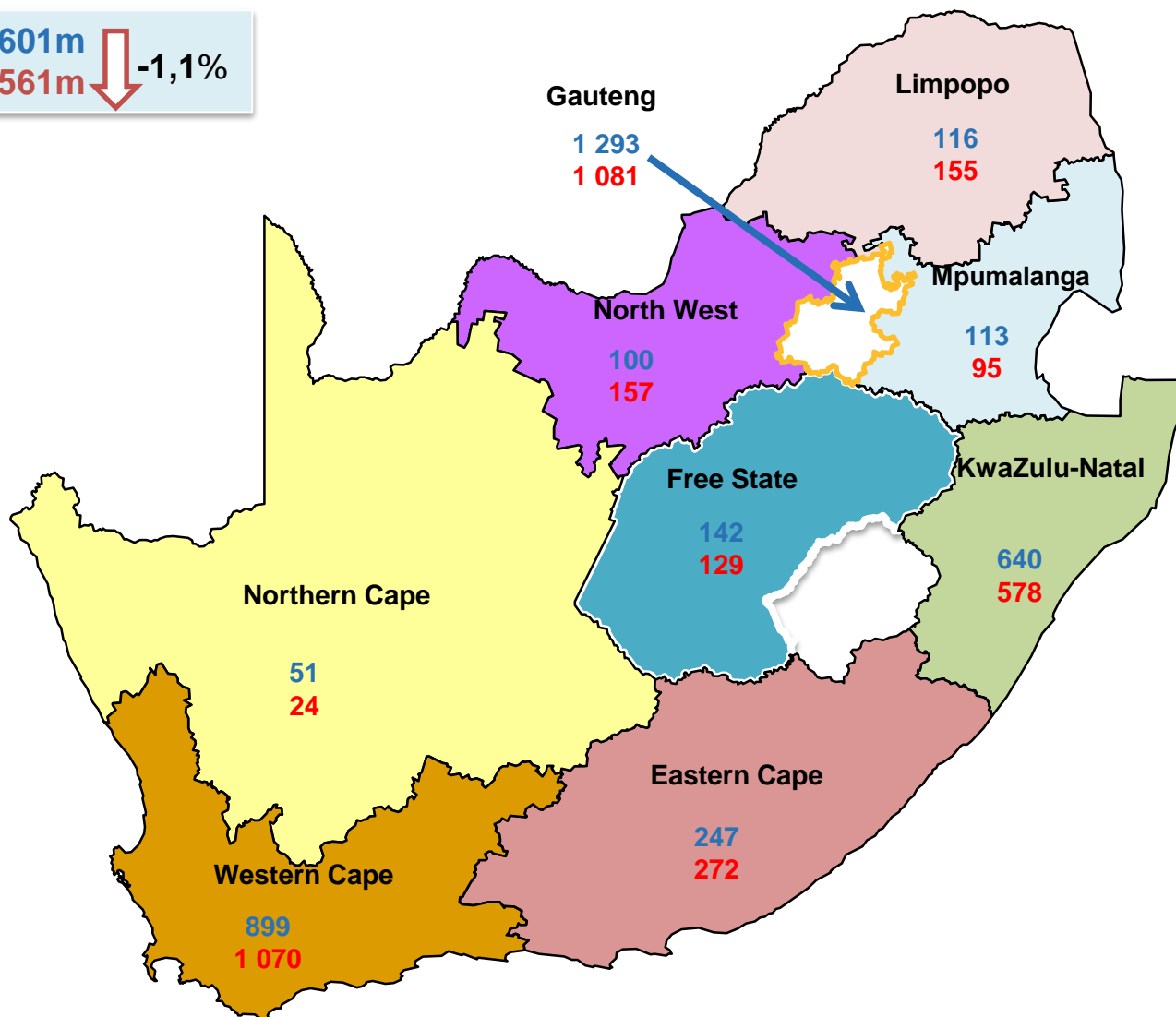


Examples of municipal capex: Transport equipment 2016 (R m)

Municipal name	Capex 2016	Main expenditure
Emalahleni LM (EC)	5,5	Expansion of road transport infrastructure
Intsika Yethu LM	23,2	New purchases of road transport assets
King Sabata Dalindyebo LM	11,0	New purchases of road transport assets
Senqu LM	2	New purchases of road transport assets

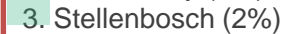
Municipal capex: Plant, machinery & equipment

Total 2015: R3 601m
Total 2016: R3 561m ↓ -1,1%



Municipal capex: Plant, machinery & equipment: 2016

Top 3 municipalities per province



Examples of municipal capex: Plant, machinery & equipment 2016 (R m)

Municipal name	Capex 2016	Main expenditure
City of Cape Town MM	895	Purchases of personal protective equipment for TCT and My Citi staff and installation of gym and play equipment at Macassar
Ekurhuleni MM	399	Purchases of emergency equipment at Etwatwa Ext 35 depots and corporate ITC, specialised licencing equipment and aerobic training equipment for 26 clubs
City of Tshwane MM	335	Installation of advanced metering system equipment at 10 identified large consumers and purchases of transformers, cables, metres to upgrade Eldoraigne 132/11kV substation

Examples of municipal capex: Plant, machinery & equipment 2016 (R m)

Municipal name	Capex 2016	Main expenditure
eThekweni MM	308	Expenditure incurred on new and replacement of computer hardware, office furniture for new staff and construction of HV substation
Letsemeng LM	94	Purchases of plant, machinery and equipment to cater for shortages and replacement of worn out equipment

Conclusion

- a. Capex spend by public sector institutions over the last 5 years > R1,2 trillion
- b. By Type: New construction is the largest component of public sector capex
- c. By institution: Public corporations are the largest spenders
- d. Significant amounts spent on service-delivery orientated aspects
- e. Understanding Capex data:
 - i. Should be seen in conjunction with/context of the NDP goals
 - ii. Seen as long term investments
 - iii. Sustainable expenditure despite little real economic growth

Conclusion

a. Unit data for all institutions is available on the web (or on request)

b. Technical Queries:

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THANK YOU