



**public enterprises**

Department:  
Public Enterprises  
REPUBLIC OF SOUTH AFRICA

**National Council of Provinces  
BUDGET VOTE SPEECH  
2023**

**Deputy Minister Obed Bapela, MP**

24 May 2023

HONORABLE CHAIRPERSON

HONORABLE MINISTERS AND DEPUTY MINISTERS

CHAIRPERSON OF THE SELECT COMMITTEE

HONORABLE DELEGATES OF THE NCOP

THE ACTING DIRECTOR-GENERAL AND OFFICIALS OF THE DEPARTMENT

LADIES AND GENTLEMEN

**Chairperson,**

I am grateful for the opportunity to share with you the highlights of some of the State-Owned Enterprises (SOEs), as part of the Budget Vote 40 for the Department of Public Enterprises (DPE) for the 2023/24 financial year and Department of Transport.

Currently, I assure you and reaffirm that we are firmly steering this ship to the right direction as we can see the light down the tunnel, as Charles Dickens puts it and I quote:

**“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us...” Unquote**

It is permissible and granted, that the running of our SOEs involves factors both external and internal. Take for example, the COVID-19 pandemic, climate change, the war in Europe, and the disruption of trade and supply chains due to high levels of corruption and State Capture which is documented in the Zondo Report.

I, therefore, present the following key highlights on the state-owned entities; as economic enablers and job creators for economic growth for the success of our country and its people. The Minister has already presented on TRANSNET, SAA and ESKOM; I will therefore focus specifically on Denel, Alexkor and SAFCOL.

## SAFCOL

The commitments with regard to SAFCOL relate to its strategy to realise a 50:50 revenue split between log sales and processed products and the diversification of its product portfolio by entering strategic partnerships with the private sector and **this is not privatisation**. We all agree that SAFCOL's model is proof of how SOEs ought to function.

**Finances** - Despite a rapid increase in the cost of doing business in South Africa and a gloomy global economic outlook, SAFCOL maintained a stable growth in the past three years, where the company is the only SOC to declare a dividend of R1 million during the 2021/22 financial year.

This performance continued in the 2022/23 financial year, as reflected in log sales of R970.8 million, which represent an achievement of 10% above target. Furthermore, the average selling price (ASP) for logs for the year reached the 12% mark, allowing SAFCOL to generate a total revenue of over R1 billion.

**Regional Impact (Mpumalanga)** - SAFCOL's business is key to building relationships with communities. SAFCOL spent R30 million on community development programs and initiatives in the last five years: The group therefore continues to invest in projects that will benefit all members of these communities.

For example, projects such as Sukumani Youth Advisory Centre, which is 100% complete, provides the community of Diepdale with youth development skills. Construction of Glory Hill Clinic in Graskop. Moreover, SAFCOL has proactively succeeded in addressing classroom shortage for the eDwaleni primary school, where children were learning under a garage covered with plastic material and others in the library.

Go there now you will see happiness in their faces as I had handed over the classrooms together with the Board and management of SAFCOL on the 4<sup>th</sup> of May 2023.

**Regional Impact (Limpopo)** – SAFCOL will be making a long-term investment of approximately R450 million in processing facilities, at the Timbadola sawmill in Limpopo to increase its revenue stream.

The SOE has also contributed to the skills development of the province through the construction of the Shandza Skills Development Centre.

**Regional Impact (Kwazulu-Natal)** – Similarly, in Kwazulu-Natal, SAFCOL was involved in the construction of the Prince Somcuba School.

**Other projects in the provinces where SAFCOL operates.**

Over 10 footbridges - The footbridge has provided a safe and reliable means of crossing rivers and other bodies of water, footbridges can help improve access to education, healthcare, and economic opportunities, which can have a positive impact on the overall well-being of the communities.

**OTHER SAFCOL PRIORITIES**

- Grow the IFLOMA operations through a partnership in the fibre project.
- Plant 700 hectares in Galinha Province in Mozambique.
- Grow South Africa's plantation assets, invest in the other state managed forestry plantations by sharing best forestry business management to mention a few.

**ALEXKOR**

Our commitments on Alexkor related to strengthening the executive management team - capacitating both entities with an appropriately skilled and a competent executive management team to effectively lead the operations and to revitalise the joint venture diamond operations.

**Stabilise Governance** – It should be noted that while the company is stable at board level with the appointment of a six-member interim board in January 2022, it is paramount to ensure stability at executive level.

The board has accordingly embarked on a recruitment process of a CEO and a CFO, with the conclusion of this process expected by the end of the second quarter of the current financial year.

**Revitalisation of the joint venture diamond operations** - In the past financial year, the joint venture diamond output improved by over 30% compared to the two prior years due to the Covid 19 pandemic and other operational challenges.

**Regional Impact (Northern Cape)** - Despite the reduced mining activity, the Alexkor Richtersveld Mining Company Pooling and Sharing Joint Venture (PSJV) remains the largest employer in the Richtersveld region.

For the current year (2023/24) the joint venture has budgeted over R8 million towards various social programmes. Included in these plans is the assistance towards expansion of agricultural activities which have the potential to provide economic opportunities that are non-dependent on the mining operations.

Furthermore, the joint venture is working together with the Northern Cape Provincial Government on the deep-water port project Boegoebaai which has the potential to create thousands of employment opportunities for the region.

Both ALEXKOR and SAFCOL have made significant strides that are now starting to show in their financials and governance.

## **Denel**

Denel is considered a strategic national security and industrial asset, which has prompted the Department to commit in assisting the SOC in firming up its business.

**Denel's Business Case** – I am pleased to report that in 2022/23 Denel submitted to the Executive Authority a turnaround plan with a realistic business case and strategic objectives.

In October 2022, the Minister of Finance announced a recapitalisation of R3.4bn for Denel in the Medium-Term Budget Policy Statement to support the restoration of Denel's Strategic and Sovereign capabilities.

This recapitalisation allows Denel to fully implement its turn-around plan to ensure support to the Department of Defence (DOD) and specifically the SANDF in order to secure our country's strategic defence and security of supply of defence capabilities.

**Stabilise Governance** – As part of further efforts to assist Denel with its turnaround plans. The Board has also initiated the process to appoint the Group CEO and CFO which have been vacant for over two years.

**Stabilise Operations** – Denel has made further progress in improving its relationship with the Department of Defence and Armscor and is also engaging other SOCs and state security agencies to provide advanced security solutions. In addition, Government is taking proactive steps to assist Denel to restore its reputation with partners and clients, including Hoefyster project with DOD. Denel is effectively refuting the assertions in the media as not true that the contract of Hoefyster is in jeopardy.

**Some of Denel's Priorities** - Implementation of Denel's turnaround plan will be affected through:

- Rationalising its operating divisions from 6 to 4 to manage costs and improve efficiencies. Consultation with organised labour is currently underway in this regard.
- There is growing interest in many parts of the world in Denel's battle-proven intellectual property. The SOC is currently pursuing R30 billion worth of opportunities in different regions of world (Middle East, Africa, Asia-Pacific, Americas and Europe)

**DENEL'S OVERALL ORDER BOOK:** I must also highlight the fact that Denel's order book is looking very robust, at R18.37 billion for 2023/24, while planned total sales are projected to be R2.08 billion, compared with R1.08 billion in the 2022/23 financial year. Denel is indeed on the rise and production in all divisions and subsidiaries is happening.

**Regional Impact (Gauteng)** - Denel has a significant footprint in Gauteng, mainly at the Ekurhuleni and Tshwane metropolitan areas. The SOC supports a significant

number of local companies, including SMMEs. This is done through Denel's local spend that has averaged 70-75% of its total procurement spend, over the years.

**Regional Impact (Western Cape)** - There are two entities of Denel in the Western Cape Province, namely Spaceteq (state-owned space company) in Grabouw and Denel Overberg Test Range in Bredasdorp.

The Overberg Test Range is critical for South Africa's space programme. In this regard, the University of KwaZulu-Natal's (UKZN's) Aerospace Systems Research Institute (ASRI) Space Propulsion Programme launched a hybrid test rocket from the Overberg Test Range on 13 March 2023, carrying experimental sensors and cameras. This was led mainly by young people of all genders and backgrounds doing mechanical engineering. Further launches are in the pipeline.

Furthermore, Rheinmetall Denel Munition (RDM), jointly owned by Rheinmetall (51 %) of Germany and Denel (49%), with a footprint in the Western Cape, in April 2023 unveiled a 5-Megawatt capacity solar energy plant at its plant in Somerset West. Once operational the plant will be able to sell the surplus power to the national grid.

### **Chairperson**

The value of our SOEs can therefore be seen in the fundamental role they can play in the District Development Model (DDM) as economic enablers and job creators for economic growth, as they have a footprint in most provinces and their infrastructure projects and consumption power play a catalytic role in most municipalities.

In addition, SOEs have been actively assisting with the county's transformation agenda, with regards to gender, youth and persons with disabilities. For example, in the case of SAFCOL, seven black women-owned suppliers who were previously enrolled in the short learning programme with the University of Mpumalanga were able to obtain silviculture contracts and subsequently created and is sustaining 1,693 jobs.

### **SKILLS DEVELOPMENT**

Furthermore, skills development for the economy remains one of the fundamental deliverables for all SOEs. In this regard, by 31 March 2023, the SOEs collectively had

a total learner pipeline of 3,455 trainees in the system, registered in various programmes.

Of these, 1,445 are artisan trainees; 455 are engineering trainees; with 315 technician trainees and 1,240 trainees in sector specific training programme

### **Conclusion**

Although the optimisation of our SOEs remains a work in progress, the Department is confident that, with its strategic oversight and tactical guidance, the plans and initiatives currently underway will make our SOEs more agile, responsive, dynamic and financially viable.

I urge all of you to support the DPE Budget, to allow the Department to deliver on its oversight function and ensure our SOEs fulfil their constitutional mandate.

I thank you! Siyabonga!

**-END-**